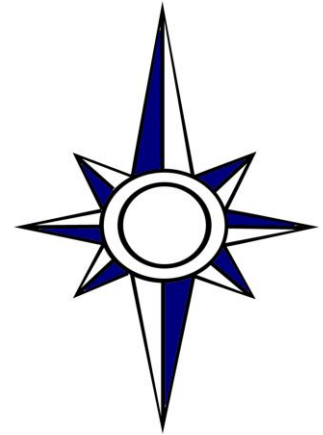




P a c i f i c F o r u m C S I S



Comparative Connections



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

edited by

Carl Baker
Brad Glosserman

September – December 2011
Vol. 13, No.3
January 2012

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Pacific Forum CSIS

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

An international Board of Governors guides the Pacific Forum's work. The Forum is funded by grants from foundations, corporations, individuals, and governments, the latter providing a small percentage of the forum's annual budget. The Forum's studies are objective and nonpartisan and it does not engage in classified or proprietary work.

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A Triannual Electronic Journal on East Asian Bilateral Relations

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

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

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

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Rays of Hope?

by Ralph A. Cossa and Brad Glosserman, Pacific Forum CSIS

Rays of hope were seen in several areas across the region. Dim rays of light pierced what has been the darkness of the Six-Party Talks since their suspension in December 2008, even though prospects for actual Korean Peninsula denuclearization remain low. US-China relations continued to mend at the Shangri-La Dialogue and the ARF; Vice President Biden’s trip to China added to the light. Hopes have also been raised for an end to political turmoil in Japan and Thailand with the election of new prime ministers. Aung San Suu Kyi’s release from house arrest provides a ray of hope for progress in moving Burma/Myanmar toward democracy. Meanwhile, the self-inflicted debt crisis in the US has further dimmed hopes for US leadership in Asia and globally. Looking forward, there are flickering hopes that this year’s APEC Leaders Meeting in Honolulu will shine a new spotlight on this increasingly overshadowed institution. Finally, the death of Osama bin Laden has raised the hope that this signals the beginning of the end for al Qaeda; others hope it will hasten the US exit from Afghanistan as well.

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

Prime Minister Noda accomplished important steps including the selection of the *F-35* as Japan’s next-generation fighter, relaxing the three arms export principles, and announcing a decision to join negotiations for the Trans-Pacific Partnership (TPP) – all of which demonstrated the current Japanese government’s readiness to revive the economy and strengthen security ties and capabilities. At the same time, the government’s support rate began to collapse in a pattern eerily similar to Noda’s five predecessors, raising questions about the ability of the government to follow through on the more challenging political commitments related to TPP. President Obama met Noda at the United Nations in New York and at the Asia-Pacific Economic Cooperation (APEC) forum in Hawaii in an active season of bilateral diplomacy. Public opinion surveys revealed generally positive views of the US-Japan relationship in both countries but the impasse over relocating Marine Corps Air Station Futenma fueled negative perceptions in Japan.

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

A spate of measures taken by the Obama administration to bolster US presence and influence in the Asia-Pacific was met with a variety of responses from China. Official reaction was largely muted and restrained; media responses were often strident and accused the US of seeking to contain and encircle China. President Obama met President Hu Jintao on the margins of the APEC meeting in Honolulu and Premier Wen Jiabao on the sidelines of the East Asia Summit. Tension in bilateral economic relations increased as the US stepped up criticism of China's currency and trade practices, and tit-for-tat trade measures took place with greater frequency. Amid growing bilateral friction and discontent, the 22nd Joint Commission on Commerce and Trade (JCCT) convened in Chengdu, China. An announcement by the US of a major arms sale to Taiwan in September prompted China to postpone a series of planned exchanges, but the Defense Consultative Talks nevertheless proceeded as planned in December.

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

South Korean President Lee Myung-bak's state visit to the US was a big event that attested to the strength of the two countries' relationship and the personal ties between Presidents Obama and Lee. The timely passage of the KORUS FTA in the US was the big deliverable for the summit. Final ratification of the FTA in both countries clears one longstanding issue and lays the foundation for greater economic integration and a stronger alliance. Meanwhile, the most shocking news for the final third of the year was the death of North Korean leader Kim Jong Il in late December. His death disrupted US-DPRK bilateral talks as North Korea observed a mourning period for its late leader. The US and South Korea spent the last two weeks of December quietly watching developments in North Korea as the reclusive country accelerated its succession process to swiftly transfer power to the anointed successor, Kim Jong Un.

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by Sheldon Simon, Arizona State University

With visits to Hawaii, Indonesia, Australia, the Philippines, and Burma, President Obama and Secretaries Clinton and Panetta demonstrated a renewed US commitment to Southeast Asia despite concern over a projected steep decline in the US defense budget. Southeast Asian reactions to the announcement of an increased rotation of US military assets to Australia range from ambivalence in Indonesia to enthusiastic endorsement in the Philippines and Singapore. Generally, the additional US forces are seen as evidence of Washington's decision to remain involved in regional security. At the East Asia Summit (EAS), Obama outlined his hope that it could serve as a high-level security conclave whose agreements would be implemented through other multilateral organizations. In visits to the Philippines and Indonesia, Clinton and Obama promised naval and air force upgrades to each, including two squadrons (24 aircraft) of refurbished *F-16C/Ds* for Jakarta. Hoping for a breakthrough in US-Burma relations, Obama sent Clinton to see whether the situation warranted the easing of US economic sanctions and if Naypyidaw was moving to meet US conditions for the restoration of full diplomatic relations.

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

China endeavored to win regional influence and goodwill by emphasizing reassurance and mutually beneficial relations with Southeast Asian counterparts. Nevertheless, it failed to keep the issue of the South China Sea off the agenda at the East Asia Summit as Prime Minister Wen Jiabao was placed on the defensive and compelled to defend China’s approach to resolving territorial and maritime security issues related to China’s broad claims and sometimes assertive actions. Official Chinese commentaries reacted to the setback in Bali with criticism directed at the US, but they tended to avoid hyperbole sometimes seen in unofficial Chinese media. Official commentaries were measured as they depicted various economic, political, and security initiatives during President Obama’s trip to the region as challenges to Chinese interests. They also registered opposition to initiatives by Japan and India regarding Southeast Asia and the South China Sea that were seen as at odds with Chinese interests. Myanmar’s decision to stop a major hydroelectric dam project being built by Chinese firms added to China’s challenges and complications as it raised questions about China’s influence in the country while Myanmar’s new civilian government tried to improve relations with the US and other powers.

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by David G. Brown, The Johns Hopkins School of Advanced International Studies

The campaign leading to the Taiwan’s Jan. 14 presidential election has dominated cross-strait developments. Opposition candidate Tsai Ing-wen has continued her rejection of the “1992 consensus” and criticized President Ma Ying-jeou for suggesting he might consider negotiating a peace accord with Beijing. Meanwhile, Beijing has emphasized its wish to further develop relations on the basis of the “1992 consensus,” without which relations will regress. Therefore, the outcome of the upcoming elections will have a decisive impact. Ma’s re-election would permit further gradual progress; Tsai’s election will likely lead Beijing to suspend dialogue and domestic pressures would probably produce a tougher policy toward Tsai’s administration.

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by Aidan Foster-Carter, University of Leeds, UK

No reader of *Comparative Connections* needs telling that Kim Jong Il, North Korea’s leader since 1994, died of a heart attack on Dec. 17. Kim’s death poses a dilemma. In one sense it changes everything. The DPRK is now sailing into uncharted waters, formally under a greenhorn skipper whose seamanship is untested and unknown – like almost everything else about him, except that during his Swiss schooldays he was a Chicago Bulls fan. To that extent, most of what transpired between the two Koreas during the past four months is already history; it may be no guide to what will unfold now in the era of Kim Jong Un. Yet this is a journal of record as well as analysis, so we shall begin by looking at the way things were, just recently, before focusing on where matters are now.

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

Beijing underscored maintaining peace and stability on the Korean Peninsula following Kim Jong Il's death. DPRK leadership succession raises questions about the future direction of China's Korea policy, which was most recently reaffirmed during an October visit to the two Koreas by Vice Premier Li Keqiang, the presumed successor of Premier Wen Jiabao. Prior to Kim's death, China and North Korea maintained regular contacts with senior national, party, and military officials. There have also been mutual efforts to stabilize Sino-South Korean relations despite many differences that have risen in the aftermath of North Korea's 2010 provocations. The fourth China-ROK high-level strategic dialogue was held on Dec. 27 in Seoul.

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

Noda Yoshiko succeeded Kan Naoto as prime minister of Japan in early September and met President Hu Jintao at the G20 Summit in Cannes and the APEC meeting in Honolulu. On both occasions, they agreed to take steps to strengthen the mutually beneficial strategic relationship. They reiterated that commitment during Noda's visit to China at the end of December. Meanwhile, maritime safety and security issues in the East China Sea and the South China Sea continued as a source of friction. In both areas, Tokyo worked to create a maritime crisis management mechanism while Chinese ships continued to intrude into the Japan's EEZ extending from the Senkaku Islands, keeping alive contentious sovereignty issues. Tokyo and Beijing were able to resolve a November incident involving a Chinese fishing boat operating in Japanese waters. Repeated high-level efforts by Tokyo to resume negotiations on joint development in the East China Sea failed to yield any progress.

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North Korean Leadership Change Overshadows All

by David Kang and Jiun Bang, University of Southern California

The last four months of 2011 were dominated by two leadership changes – the mid-December death of Kim Jong Il and the election of Noda Yoshihiko in September. Kim's death is a watershed event that could mean changes in DPRK policies with repercussions around the region. South Korea and Japan reacted cautiously to the news of Kim's death and the rise of his son, Kim Jong Un, as the new leader of North Korea. Beyond this event, however, Korea-Japan relations showed little change. Economic relations between South Korea and Japan continue to move slowly forward, even as they remain firmly stuck arguing the same issues that have aggravated diplomatic relations for decades. North Korea-Japan relations also showed little change as both sides repeated the usual accusations, but neither showed any inclination to change. Meanwhile, there were three main trends in relations. First, external forces drove state behavior as evidenced by the almost domino-like efforts at free trade agreements. Second, there was growing recognition of the high domestic political costs associated with non-pliable issues such as the comfort women/sex slaves. Third, there was a realization that change could mean opportunity as Seoul and Tokyo contemplate the post-Kim Jong Il landscape in North Korea.

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by Yu Bin, Wittenberg University

The last four months of 2011 were both ordinary and extraordinary for Beijing and Moscow. There was certainly business as usual as top leaders and bureaucrats frequented each other's countries for scheduled meetings. The world around them, however, was riddled with crises and conflicts. Some (Libya and Syria) had seriously undermined their respective interests; others (Iran and North Korea) were potentially more volatile, and even dangerous, for the region and the world. Regardless, 2011 was a year full of anniversaries with symbolic and substantive implications for not only China and Russia, but also much of the rest of the world.

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Triangulate This

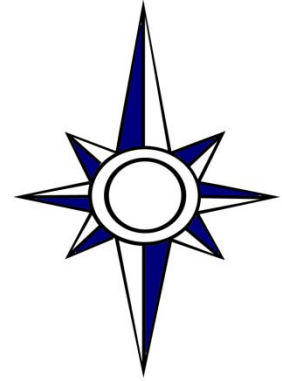
by Satu Limaye, East-West Center

Over a decade into the “normalization” of US-India relations and nearly 20 years into India’s “Look East” policy, the US-India-East Asia nexus is regularly articulated by the US and India, generally accepted in the region, and shows some signs of gaining traction including a regular US-India dialogue on East Asia and the launch of the first-ever US-India-Japan trilateral dialogue. More broadly, US views of India as part of Asia now encompass mental as well as policy maps (though not yet bureaucratic and all geographical ones) and transcend party politics. Meanwhile, US-India bilateral relations move steadily if sometimes frustratingly forward, and India-East Asia ties continue to deepen and widen though to neither side’s full satisfaction. One thing is clear: triangulation depends above all on India’s own commitment and actions to build a closer relationship with the wider Asia-Pacific region.

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Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Regional Overview:

A Pivotal Moment for US Foreign Policy?

Ralph A. Cossa, Pacific Forum CSIS
Brad Glosserman, Pacific Forum CSIS

It's been an Asia-centric four months. The Obama administration proclaimed America's "pivot" toward Asia, while North Korea faced a pivotal moment following the death of its "Dear Leader" Kim Jong Il. President Obama conducted a broad swing through the Asia-Pacific region in November, starting in Honolulu where he hosted the Asia Pacific Economic Cooperation (APEC) Leaders Meeting, before pivoting first to Australia, where he announced a plan to begin rotating US Marines through Darwin, and then on to Indonesia, where he became the first US president to participate in the East Asia Summit. Even more pivotal was Secretary of State Hillary Clinton's visit to Burma/Myanmar where she met with its "elected" leadership and also with democracy icon Aung Sang Suu Kyi.

While geopolitics was at the forefront of US thinking, regional governments were focused on economic developments. A spate of swap agreements underscored the need to inoculate regional governments from global economic woes. The "plus Three" countries – China, Japan, and South Korea – continue their march toward deeper integration, one intriguing counterpoint to the conclusion of the Korea-US Free Trade Agreement. The Asia-Pacific region should set the pace for global growth, but the many transitions of 2012 will introduce considerable uncertainty.

The Kim is dead, long live the Kim!

The world (apparently including the US and South Korean intelligence services) was shocked and surprised on Dec. 19 when a North Korean female newscaster, clad in a black funeral dress, tearfully announced on state TV the death of the nation's paramount leader Kim Jong Il, revealing that Kim had "passed away from a great mental and physical strain" (a.k.a., a massive coronary) two days earlier. While Kim was known to have been in poor health following a stroke in 2008, he had in recent months seemed relatively healthy, making trips this past summer to both Russia and China, at least in part to gain acceptance from his two giant neighbors for his succession plan revolving around third son Kim Jong Un, a largely unknown and untested 28 or 29 year old who had been promoted in 2010 to the rank of a four-star general and named vice chairman of the Central Military Commission of the Korean Workers' Party.

The North Korean elite quickly rallied behind their fallen leader's chosen successor, with ceremonial head of state and President of the DPRK Supreme People's Assembly Presidium Kim Yong Nam declaring that "Respected Comrade Kim Jong Un is now supreme leader of our party, military and people." At the father's memorial service, Kim Yong Nam announced that the son "inherits the ideology, leadership, courage, and audacity of Comrade Kim Jong Il," while calling on the North Korean people (who have little choice in the matter) to "solidify the monolithic

leadership” of the “great successor” (a.k.a., “peerless leader,” “peerless patriot,” “peerlessly brilliant commander,” “sun of the 21st century,” and “*eobeoi*,” the Korean word for parent, which North Korea had used only for Kim Jong Il and his father, Kim Il Sung). While no official titles were immediately bestowed upon him – these are sure to come soon – this year’s New Year’s message called on all North Koreans to “glorify the new century of Kim Il Sung’s Korea as an era of prosperity and proud victory under the leadership of Kim Jong Un, the supreme leader of our Party, our state, and our army.” The army in particular was instructed to “place absolute trust in and follow Kim Jong Un and become human rifles and bombs to defend him unto death, holding high the slogan ‘Let us defend with our very lives the Party Central Committee headed by the dear respected Comrade Kim Jong Un.’” If nothing else, this tells us the Party Central Committee will play a central governing role.

The funeral showcased the seven senior party and military officials who have apparently been chosen to be his mentors: his uncle, Jang Song Taek, a vice chairman of the National Defense Commission; Kim Ki Nam, North Korea’s propaganda chief; Choe Tae Bok, the party secretary in charge of external affairs; Vice Marshal Ri Yong Ho, head of the military’s general staff; Defense Minister Kim Yong Chun; Gen. Kim Jong Gak, whose job it is to monitor the allegiance of other generals; and U Dong Chuk, head of the North’s secret police and spy agency. The seven were identified in the Workers’ Party’s official newspaper, *Rodong Sinmun*, as “key figures who will lead the party and military during the Kim Jong Un era.” Missing from the ceremonies was Jang’s wife, Kim Jong Il’s sister Kim Kyong Hui, who is a regular Politburo member and a general. She is reportedly in ill health.

While it is unclear just how much power these mentors will have or share with the son, it’s a pretty safe bet that Kim Jong Un will remain the official face of the new leadership, just as his father decreed. The others have as much a vested interest in a stable power transition as junior Kim does; their own personal safety and survival are inextricably tied to regime survival and Kim Jong Un is the manifestation of this. It’s an even safer bet, however, that the “Young General” will not have the degree of absolute power and influence that his grandfather or father did; no third generation leader ever does.

Best guesses about the future

The real questions are, what does Kim Jong Il’s death mean in terms of North-South relations, the Six-Party Talks, eventual denuclearization, and the prospects for reform? Our guess is that Pyongyang had a game plan essentially in place taking them through not only the April 15 centenary of founder Kim Il Sung’s birth but the US and ROK presidential elections in November and December respectively, and that the new leadership will follow that course. Kim Jong Il did not choose his successors because he thought they would change direction but because he expected them to stay the course. It would be extremely bold for any new leader or leadership team to veer too far from the chosen path, at least initially.

What the chosen path is remains anyone’s guess. It likely includes another round of US-DPRK talks (which would have taken place the week of Kim Jong Il’s death) and, presumably, another round of North-South dialogue, followed by the eventual resumption of Six-Party Talks in late spring or early summer. If rumors of a deal involving US food aid for uranium enrichment freeze

are indeed true, then the North will likely go along with this deal at some point, although we should have no illusions that the best we will get is a freeze at the known facility at Yongbyon, and not at the suspected but unacknowledged facilities elsewhere.

While Six-Party Talks are likely to resume at some point, their stated intent – denuclearization of the Korean Peninsula – will remain a pipedream. If the objective is denuclearization and we are all pretty well convinced that the North is not going to give up its nuclear weapons anytime soon, then why go back to the negotiating table? The most direct answer is because no one has come up with a better solution acceptable to all parties.

It's also true that if you “won't buy the same horse twice” – Washington's favorite phrase, even though most North Korean horses have been bought more than once – then you really can't start again from scratch. There is an important framework in place that has been bought and paid for, the September 2005 Joint Statement, and no one wants to recreate (or repurchase) the agreement.

It used to be that the Six-Party Talks were aimed at making things better (i.e., denuclearization); now the objective, should they resume, will likely be confined to keeping things from getting worse. The proper atmosphere – the appearance of progress, even if none is actually achieved – is also becoming more compelling, especially as election year is here for many of the players.

The most likely future path, at least initially, will be more of the same. The North will cautiously continue down the path laid out by Kim Jong Il, including a resumption of US-DPRK and North-South dialogue, leading to a resumption of Six-Party Talks, where they will attempt to get Seoul and Washington to buy the same horses for a third or fourth time, while throwing in at least one new horse – the already revealed portion of their uranium enrichment program – for sale.

Over the long term, there appears to be some hope, primarily emanating from Beijing, that Kim Jong Un will, if he listens well to regent Jang Sung Taek, take North Korea down the path of Chinese-style reform. Beijing, as expected, has heaped praise on Kim Jong Il's memory and expressed unqualified support for Kim Jong Un's leadership, in part because of China's central concern over stability on the Peninsula, but apparently also based on the belief that Jang is or will be a “reformer.” Who knows, this may even be true. While this could relieve the suffering of the North Korean people over time, it will do little to promote the cause of denuclearization. This will remain a long-term challenge and one that will remain a lower priority for Beijing and Pyongyang, even as it continues to drive US and ROK policy.

America's pivotal pivot toward Asia

President Obama and Secretary of State Clinton made high-profile visits to Asia to reassure friends and allies that the specter of impending defense cuts would not dampen the growing US commitment to the Asia Pacific region. The most visible manifestation of this so-called “pivot” was the announcement, during President Obama's visit to Australia, of an impending US Marine rotational force presence at Darwin, Australia.

Beginning in 2012, US Marines will begin six-month rotations to Darwin for joint training. Initial deployments will involve 250 Marines with the number eventually growing to 2,500 by

2016. The agreement also calls for more frequent rotations by US military aircraft to Royal Australian Air Force facilities in Northern Australia. In keeping with the US Pacific Command's old "Places, not Bases" dictum, the ground and air rotations will not require construction of new US bases in Australia nor represent a permanent redeployment of the US units. It is not presently clear where the Marines will deploy from. What has been made clear, however, is that these rotations will have little or no impact on the issue of US Marine basing in Okinawa. Regardless of whether the units deploy from Okinawa, Guam, Hawaii, or the continental US, they will still need a home base to return to at the end of the deployment.

Beijing was quick to protest the announcement, calling it "a manifestation of a Cold War mentality," and warning, in a *People's Daily* editorial, "If Australia uses its military bases to help the US harm Chinese interests, then Australia itself will be caught in the crossfire." Someone needs to hand our Chinese colleagues a map. Last we checked, Darwin was some 2,500 miles from the nearest Chinese landmass; that's one heck of a crossfire!

While the planned deployments to Darwin underscored the "pivot," the term was not even mentioned by President Obama during his speech before the Australian Parliament. It actually emerged in a speech a week earlier by Secretary Clinton during her visit to Honolulu for APEC:

It is becoming increasingly clear that in the 21st century, the world's strategic and economic center of gravity will be the Asia Pacific, from the Indian subcontinent to the western shores of the Americas. And one of the most important tasks of American statecraft over the next decades will be to lock in a substantially increased investment – diplomatic, economic, strategic, and otherwise – in this region. . . . After a decade in which we invested immense resources in [Iraq and Afghanistan], we have reached a pivot point. We now can redirect some of those investments to opportunities and obligations elsewhere. And Asia stands out as a region where opportunities abound.

During this speech, Secretary Clinton identified "challenges facing the Asia Pacific right now that demand America's leadership, from ensuring freedom of navigation in the South China Sea to countering North Korea's provocations and proliferation activities to promoting balanced and inclusive economic growth," calling them the "why" behind America's pivot toward the Asia Pacific. The "how" consisted of six "key lines of action" which she (and *Comparative Connections* - see "Clinton's Guiding Principles" in our April 2010 Regional Overview: <http://csis.org/files/publication/1001qoverview.pdf>) had identified previously: strengthening our bilateral security alliances, deepening our working relationships with emerging powers, engaging with regional multilateral institutions, expanding trade and investment, forging a broad-based military presence, and advancing democracy and human rights.

The pivot concept was further amplified at a Nov 22 press conference by Deputy National Security Advisor Ben Rhodes: "Insofar as we're making a pivot, it's really a pivot from a decade of wars being the focus of American foreign policy, to one in which we can better distribute our posture in the world. And that as we look at where we're going to ramp up, it's the Asia Pacific that we see as a place that can take more attention from the United States, where we can pursue a more aggressive economic engagement, and where we want to be making sure our security presence is sufficient to continue to provide for the stability of the region going forward."

While the term “pivot” may be new, the idea of the 21st century being the “Pacific Century” certainly is not. In a series of *East Asia Strategy Initiative* reports prepared by the George H.W. Bush and Clinton administrations between 1990 and 1998, the Pentagon – at a time when China was largely an afterthought – clearly signaled its intention to shift its focus toward Asia. As the April 1990 EASI notes: “it is essential to position ourselves now to meet the challenges of the 21st century. Our goals in the next decade must be to deal with the realities of constrained defense budgets and a changing threat environment while maintaining our resolve to meet American commitments. In this context, we believe that our forward presence in the Asia-Pacific region will remain critical to deterring war, supporting our regional and bilateral objectives, and performing our military missions.” Sound familiar?

A pivotal moment for the EAS

With this year’s addition of the US and Russia, the East Asia Summit (EAS) now comprises all the key players in the Asia Pacific region: the 10 ASEAN states which remain at its core; their Plus Three partners (China, Japan, and South Korea); and the other three charter members, Australia, India, and New Zealand. As such, it now duplicates the membership of the ASEAN Defense Ministers Meeting Plus, although a clear link between the two (or between the EAS and the ASEAN Regional Forum or APEC) has not yet been established.

According to a White House Fact Sheet, President Obama’s participation in the Sixth EAS, “underscored the Administration’s commitment to deepening engagement in the Asia-Pacific region and playing a leadership role in its emerging institutions. The President has made clear that full and active U.S. engagement in the region’s multilateral architecture helps to reinforce the system of rules, responsibilities, and norms that underlies regional peace, stability, and prosperity.” The EAS agenda covered a wide range of regional concerns, including education, energy and the environment, finance, avian influenza, and disaster response. President Obama reportedly called for a broadening of the dialogue to include strategic and security challenges as well, especially in the areas of maritime security (encouraging all parties to accelerate efforts to reach a full Code of Conduct for the South China Sea), nonproliferation (where he agreed to take the necessary steps to enable US accession to the Southeast Asia Nuclear Weapons Free Zone Treaty protocol and its entry into force at the earliest opportunity), and disaster response and humanitarian assistance (through a proposal to further develop a Rapid Disaster Response Agreement to create a legal and procedural framework for accelerating deployment of personnel, supplies, and services in the event of future disasters).

Meanwhile, the EAS Chairman’s Statement issued by Indonesian President Susilo Bambang Yudhoyono noted positively the “dynamic development of the EAS process” and the ongoing progress of cooperation in the five priority areas: energy and environment, finance, disaster management, education, and global health issues and pandemic diseases.

With the new year comes a new ASEAN chair, Cambodia, to be followed by Brunei in 2013. ASEAN leaders also unanimously agreed that Burma can chair the regional bloc in 2014, amid some signs of reform in the country. Burma had been pressured to pass when its turn to chair originally came around in 2006 but its recent reforms and positive gestures, including the release of Aung Sang Suu Kyi from house arrest in November 2010, have changed the political dynamic, not only for ASEAN but for Washington as well.

Clinton visits Burma: a pivot in the making?

While in Indonesia, President Obama announced that, for the first time in a half century, a US secretary of state was going to visit Burma. He also revealed that he had discussed the visit with Nobel Laureate Aung San Suu Kyi by phone (calling her from Air Force One while flying to Bali) and that she encouraged the initiative, thus providing him with important political cover for such a sensitive breakthrough gesture. Details of Secretary Clinton's meetings with the Burmese leadership and Aung San Suu Kyi are discussed in detail in Sheldon Simon's review of US-ASEAN relations. Suffice it to say that Burma appears to be reciprocating to the administration's outstretched hand, even if, as Clinton warned repeatedly on the trip, that "there's still so much to be done, starting with the unconditional complete release of all the political prisoners." The US will be watching closely to see what the political leadership actually does: "when they start to take actions that further the momentum for reform and democratization, we will, too."

The economic frame

From our vantage point, three pivotal events framed economic thinking in the last half of 2011. The first was ratification of the Korea-US Free Trade Agreement (KORUS). After being held up in both the US Congress and the ROK National Assembly, the visit of ROK President Lee Myung-bak to the US in October provided the needed push for congressional action. KORUS, along with long-stalled agreements with Panama and Colombia, passed the Senate by large margins. This was a real signal of US commitment to the US-ROK relationship, putting some meat on the bones of US rhetoric about its new commitment to Asia. The deal signaled to other US trade partners of its readiness to engage and encouraged them to join in – or be left behind. The head of Keidanren, the Japan Federation of Business Organizations, captured sentiment in his country when he noted that "Japan will inevitably face a disadvantage" after Seoul has concluded deals with the US and the European Union. (More analysis of the KORUS trade deal is in the chapter on US-Korea relations by Victor Cha and Ellen Kim)

A second defining element of the economic mindset was the failure of the Congressional supercommittee to reach agreement on a US budget deal. Following the near default on US debt in the summer, the inability of negotiators to find common ground on an acceptable budget package was one more nail in the coffin of US economic leadership. The collapse of the talks meant that automatic spending cuts would come into effect – the prospect of across-the-board reductions alarmed many conservatives who worry about the evisceration of US defense capabilities. The cry to undo the automatic sequestration is understandable, but it also makes plain the deep divide in Washington and the inability to get real work done. It was the prospect of deep defense cuts that was supposed to spur negotiators to reach agreement; instead, they have called for a change in the rules. That is not the stuff of real leadership.

The final element was the ongoing crisis in Europe. As will become clear as readers get further into this discussion, uncertainty and the prospect of a double-dip in Europe have thrown a long shadow over economic policy in Asia. Governments are doing their best to limit the damage another downturn could create. These efforts once again underscore the interdependence that characterizes the global economy and should quiet any further speculation on the "decoupling" of Asia from other regions.

APEC

The US hosted the annual APEC Leaders Meeting this year, inviting the two dozen or so grantees to personally experience Hawaiian hospitality in November. In fact, APEC is a process as much as a showcase event, and during the run-up to the meeting, there were events throughout the US that highlighted priorities and concerns of the Obama administration. So while the usual “big” themes were on the agenda – increasing trade and investment, building capacity – the US also stressed “green growth,” the role of women, and entrepreneurship.

Ultimately, however, APEC was overshadowed by the Trans-Pacific Partnership (TPP). The US has adopted the TPP as its own (even though it was launched in 2006 by Brunei, Chile, New Zealand, and Singapore). Five other countries are now negotiating to join – Australia, Malaysia, Peru, the US, and Vietnam. Those countries agreed on the last day of the APEC meeting to try to conclude negotiations by the next APEC meeting in 2012. Canada, Japan, the Philippines, South Korea, and Taiwan have expressed interest in joining the negotiations as well, although it isn’t clear how serious they actually are.

The TPP has two goals. First it is intended to set a “gold standard” for trade deals. Economists worry that the absence of a global trade agreement will push governments to suboptimal bilateral and regional deals. The TPP is designed to check that impulse. Second, the TPP is a precursor to a Free Trade Area of the Asia Pacific, a huge FTA that would tie the entire Pacific economic community together. As such, the deal is implicit acknowledgement that both APEC and the Doha round of global trade negotiations have lost steam. Some see it as a more nefarious design, arguing that TPP is a strategic counter to Chinese economic dominance of Asia; those analysts charge that China has not been invited to join and will not be asked in. The door is open, however; Beijing only needs to ask and be prepared to negotiate seriously.

A yen for currencies

Japan-South Korea

In October, the governments in Tokyo and Seoul agreed to increase their bilateral currency swap agreement from \$13 billion to \$70 billion. (The David Kang- Jiun Bang chapter on Japan-Korea relations provides more details.) That deal was followed by a three-year agreement between South Korea and China to expand their *won-yuan* swap line to \$56 billion, another attempt to head off currency volatility.

Japan-China

During Japanese Prime Minister Noda Yoshihiko’s December trip to China, the two countries agreed to promote the use of their own currencies for trade and investment. Amounts and details were not available, but the two governments agreed the funds will be used for cross-border trade, supporting and developing the RMB-yen direct trading markets as well as supporting the healthy development of the RMB-yen bond markets. A working group of officials from key organizations – such as the Finance Ministry, Financial Services Agency, the Bank of Japan and the People’s Bank of China – will be set up to work out the details. This deal follows by days an agreement on a 70 billion RMB swap arrangement by China and Thailand.

During his trip, Noda also confirmed Japanese plans to buy \$10 billion of Chinese government debt. It is the first time that a developed country will purchase Chinese bonds with its foreign exchange reserves. Japanese officials insisted that the deal is another form of economic cooperation and isn't intended to signal any broader strategic objective, such as diversifying Japan's forex holdings. And in fact, the amount is a mere drop in the bucket (0.77 percent) of Japan's estimated \$1.3 trillion in foreign reserves, some 70 percent of which are thought to be in US dollars.

Japan-India

After Beijing, Noda went to Delhi for more high diplomacy. There, the two governments agreed to set up a three-year, \$15 billion bilateral-currency swap, an agreement five times the previous swap arrangement signed in June 2008 and that expired earlier this year. The statement accompanying the deal said it would help buffer the two economies against uncertainties created by the European debt crisis. The swap agreement was part of a larger package of economic development projects, many of which are detailed in Satu Limaye's chapter on India-US and India-East Asia relations.

In truth, these moves are long on symbolism and short on substance. While the amounts involved are small relative to their international trade (and the enormous amounts of foreign currency available), the agreements are votes of confidence and commitment, and may encourage other countries to do the same. Ultimately, however, the use of Asian currencies – the RMB in particular – will require a lighter grip. It has been possible to settle Chinese trade in RMB since mid-2010, but Beijing hasn't relaxed currency controls enough to facilitate such deals.

And now to free trade

Also during their Beijing summit, Noda and Wen confirmed that they, along with South Korea, would conclude negotiations next year on a trilateral investment treaty. That treaty has been under discussion for four years, and there were hopes that a deal might be reached by year's end. At a trilateral summit among Noda, Wen, and ROK President Lee Myung-bak that was held on the sidelines of the EAS in Bali in November, the three agreed to wrap up talks by the end of the year. That proved too ambitious, but Noda told reporters that the parties are "only one step away" from an agreement.

The investment treaty is considered a crucial step forward for a "plus Three" (China, Japan, South Korea) free trade agreement. Some 100 representatives from the three countries – industry, government, and academics – convened in Pyeongchang in South Korea at year's end to discuss and adopt a research paper that calls for an FTA; the paper will be formally presented to the leaders of the three countries at their next trilateral summit, scheduled to be held next May in Beijing. (In the interim the paper will be reviewed by higher ranking government officials.) If concluded, the FTA will create the third largest economic community (behind the EU and NAFTA), with a population of 1.52 billion people and a combined GDP of \$12.34 trillion, and accounting for one-fifth of global output and one-sixth of global trade volume. Korean experts estimate that deal would increase ROK economic growth by 5.14 percent, China's by 1.54 percent, and Japan by 1.21 percent.

The prospect of a trilateral FTA has prodded the governments in Tokyo and Seoul to resume their own stalled negotiations toward a bilateral agreement. Discussions began in December 2003, but they reached deadlock a year later over the usual holdup, agricultural and fisheries trade. When Noda and Lee met in Seoul in October, they agreed to speed up working-level talks. *Kyodo* news reported that talks might start again in the first half of 2012.

Economic outlook

The Asia-Pacific region continues to drive global growth. The IMF forecast 7.9 percent growth for emerging Asia in 2011 and 7.1 percent growth in 2012; these are downward revisions of 0.2 percent and 0.3 percent, respectively over April estimates. (This contrasts with “Industrial Asia’s” – Australia, Japan, and New Zealand – flat line in 2011 and 2.5 percent expansion in 2012). The IMF anticipates China will grow 9.5 percent for 2011 and 9 percent in 2012. India will lag a little behind, registering 7.8 growth in 2011 and 7.5 percent in 2012. Other high performers in the region include Indonesia and Vietnam, growing 6.4 and 5.8 percent respectively in 2011 and both will expand 6.3 percent in 2012. Korea will register 4 percent growth in 2011 and 4.4 percent in 2012.

One of the darker spots on the economic picture was flooding in Thailand, which has been devastated by floods that began in July. The human toll exceeds 800 lives and economic losses have been put at \$45 billion. The impact has been felt far beyond its borders as the inundation has disrupted the regional and global supply chains of which Thailand is a critical link. The IMF estimates that the Thai economy will 3.5 percent in 2011, a drop of 0.4 percent from its April forecast. Growth will pick up to reach 4.8 percent in 2012, a 0.3 percent increase over the earlier forecast. The Thai government is anticipating 5.0 percent growth in 2012; the Bank of Thailand figure is 4.1 percent.

For comparison, Moody’s is a little more pessimistic, forecasting 8.7 percent growth for China in 2012 and 6.6 percent growth in India; the 6.3 percent estimate for Indonesia matches that of the IMF. The outlook for South Korea is a little darker, with the country set to grow 3.6 percent in 2011 and slow to 3.5 percent in 2012. Thailand is projected to about 2.8 percent in 2011 (down from initial forecasts of 3.7 percent) and pick up a little steam to reach 2.9 percent in 2012, a marked contrast with official predictions.

The year to come

We expect 2012 to be a year of transition with elections or leadership changes scheduled for most major counties in the region. That process was jumpstarted with the death of Kim Jong Il, and that change will reinforce uncertainties as it plays out. Elections will impact bilateral and multilateral relations, creating new dynamics in the region. Even when economic policies are not at the forefront of campaigns, the knock-on effects of policies changes will add to political uncertainty. In short, there will be a lot to discuss and assess in the year ahead. Add in “unknown unknowns” and we will be quite busy. Happy New Year!

Regional Chronology

September – December 2011

Sept. 2, 2011: Noda Yoshihiko succeeds Kan Naoto as Japan's prime minister.

Sept. 6, 2011: China issues a white paper entitled *China's Peaceful Development* in which it claims that "China's peaceful development has broken away from the traditional pattern where a rising power was bound to seek hegemony."

Sept. 7-9, 2011: Wi Sung-lac, South Korea's envoy to the Six Party Talks visits the US. He meets Stephen Bosworth, special representative for North Korea policy, and Clifford Hart, who is expected to be named the chief US envoy to the Six-Party Talks.

Sept. 9-14, 2011: Ambassador Derek Mitchell makes his first visit Burma as the US coordinator for policy on Burma.

Sept. 16, 2011: South Korea's ruling Grand National Party (GNP) presents the Korea-US free trade agreement (KORUS FTA) to a parliamentary committee in the first step toward its ratification despite objections from opposition party.

Sept. 18-22, 2011: Philippine President Benigno Aquino visits the US and makes stops in New York and Washington but does not meet President Barack Obama.

Sept. 19, 2011: Vietnam and the US hold their second defense dialogue in Washington and sign an agreement which includes the establishment of a regular defense dialogue mechanism and cooperation in maritime security, search and rescue, studying and exchanging experience in UN peace keeping activities, and humanitarian aid and disaster relief.

Sept. 20-23, 2011: Japanese Prime Minister Noda Yoshihiko visits New York to meet US President Barack Obama and attend a session of the UN General Assembly.

Sept. 21, 2011: The US announces that it will sell Taiwan \$5.85 billion worth of military equipment including an upgrade of its fleet of *F-16A/B* aircraft.

Sept. 21, 2011: Special Representative for Korean Peninsula Peace and Security Affairs Wi Sung-Lac and DPRK Vice Minister of Foreign Affairs Ri Yong Ho meet for a second round of talks aimed at restarting the Six-Party Talks.

Sept. 21-30, 2011: The 66th session of the UN General Assembly is held in New York.

Sept. 25-28, 2011: Philippine President Aquino visits Japan and meets Prime Minister Noda. They say in a joint statement that their countries share the basic values of "freedom, democracy, fundamental human rights and the rule of law" and "common strategic interests" such as "ensuring the safety of sea lines of communication."

Sept. 27, 2011: Korea, Japan, and China open a secretariat for trilateral cooperation in Seoul.

Oct. 6, 2011: Lim Sung-nam becomes South Korea's special representative for peace and security affairs on the peninsula, which entails serving as ROK envoy to the Six-Party Talks.

Oct. 7-9, 2011: ROK Special Representative Lim Sung-nam visits Washington and meets US officials to brief them on the results of last month's second round of inter-Korean talks held in Beijing and coordinate a joint stance on North Korea's nuclear weapons programs.

Oct. 11, 2011: The second US-China Asia-Pacific Consultations are held in Beijing.

Oct. 11-12, 2011: Russian Prime Minister Vladimir Putin visits China and meets counterpart Wen Jiabao and President Hu Jintao.

Oct. 11-15, 2011: Vietnamese Communist Party chief Nguyen Phu Trong visits China and signs an agreement to seek "basic and long-term solutions for sea-related issues, in the spirit of mutual respect, equal and mutually beneficial treatment."

Oct. 12, 2011: US Congress ratifies the Korea-US (KORUS) Free Trade Agreement.

Oct. 12-15, 2011: Myanmar President Thein Sein and 10 Cabinet members visit India and meet Prime Minister Manmohan Singh and other senior officials.

Oct. 13-14, 2011: President Lee Myung-bak visits the US and meets President Obama.

Oct. 17-28, 2011: The Philippines and the US armed forces hold a 10-day *Amphibious Landing Exercise (PHIBLEX)*. The training activities take place in different locations and involve the participation of more than 2,000 US forces.

Oct. 19, 2011: Japanese Prime Minister Noda visits Seoul and meets President Lee.

Oct. 19, 2011: US appoints Glyn Davies as special representative for North Korea policy.

Oct. 21-27, 2011: US Defense Secretary Leon Panetta visits Asia with stops in Indonesia, Japan and South Korea.

Oct. 23-25, 2011: Chinese Vice Premier Li Keqiang visits Pyongyang. While there he states that China intends to "make a positive contribution to promoting the denuclearization of the Korean Peninsula and safeguarding regional peace, stability and development."

Oct. 24-25, 2011: US Special Representative Mitchell visits Burma and meets democracy movement leader Aung San Suu Kyi, Foreign Minister Wunna Maung Lwin, and representatives of civil society.

Oct. 24-25, 2011: Representatives from the US and North Korea meet in Geneva for what is described as a "continuation of the exploratory meetings."

Oct. 25, 2011: Secretary of Defense Leon Panetta visits Japan and meets Prime Minister Noda and Foreign Minister Gamba Koichiro.

Oct. 25, 2011: Russian delegation visits Seoul to discuss gas supplies to South Korea and the construction of a pipeline via North Korea.

Oct. 25-27, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Jakarta and Manila.

Oct. 26, 2011: ROK Special Representative for Korean Peninsula Peace and Security Affairs Lim Sung-nam visits Russia to meet Deputy Foreign Minister Alexei Borodavkin.

Oct. 26-27, 2011: China's Vice Premier Li Keqiang visits Seoul and meets First Vice Foreign Minister Park Suk-hwan.

Oct. 27, 2011: Vietnamese President Truong Tan Sang visits the Philippines. He and President Aquino sign several agreements on information sharing and creating a hotline for maritime issues, such as piracy, smuggling, disaster response, and protection of marine resources.

Oct. 27, 2011: Assistant Secretary Campbell visits Seoul to debrief ROK officials on the outcome of the US-DPRK talks in Geneva.

Oct. 27-29, 2011: Deputy Secretary of State William Burns visits Beijing meets State Councilor Dai Bingguo, Foreign Minister Yang Jiechi, and other senior Chinese officials to discuss bilateral, regional, and global issues including the South China Sea and human rights.

Oct. 28-30, 2011: India's External Affairs Minister S.M. Krishna visits Japan and meets Prime Minister Noda and Foreign Minister Gamba.

Oct. 28, 2011: Disaster relief departments of China, Japan and the ROK meet in Beijing to improve disaster management cooperation.

Oct. 30-Nov. 2, 2011: Vietnamese Prime Minister Nguyen Tan Dung visits Japan and meets Prime Minister Noda. They reaffirm commitments established in the Joint Strategic Partnership for Peace and Prosperity in Asia Framework and collaboration on nuclear power and "development of rare earths" produced in Vietnam.

Nov. 1-2, 2011: South Korean President Lee Myung-bak visits Russia and meets President Dmitry Medvedev. They agree to move forward on a joint trans-Korea gas pipeline project.

Nov. 1-2, 2011: Special Representative for Korean Peninsula Peace and Security Affairs Lim Sung-nam, travels to China and meets Chinese counterpart Wu Dawei.

Nov. 1-4, 2011: US Assistant Secretary for Democracy, Human Rights, and Labor Michael Posner and Special Representative Mitchell visit Burma and meet senior officials, representatives of international organizations, and civil society groups.

Nov. 2, 2011: Former Soviet military officer Viktor Bout, who was arrested in Bangkok in 2008, is convicted in New York of “conspiracy to kill US citizens and officials, deliver anti-aircraft missiles and provide aid to a terrorist organization.”

Nov. 2-3, 2011: Indian Defense Minister A.K. Antony visits Tokyo and meets Defense Minister Ichikawa Yasuo.

Nov. 2-5, 2011: First ASEAN Defense Ministers Meeting Plus (ADMM+) Experts Working Group Meeting on Humanitarian Assistance and Disaster Relief is held in Beijing.

Nov. 2-7, 2011: ROK Unification Minister Yu Woo-Ik visits the US and meets Deputy Secretary Burns and Sen. Joe Lieberman in an effort to strengthen coordination on North Korean affairs.

Nov 7, 2011: Tenth Shanghai Cooperation Organization Prime Ministers Meeting is held in St. Petersburg, Russia.

Nov. 8, 2011: The Dalai Lama visits Mongolia amid protests from Beijing against what they consider “efforts to engage in activities to split China.”

Nov. 8-10, 2011: Vietnamese President Truong Tan Sang visits Seoul and meets President Lee Myung-bak “to strengthen strategic cooperation between the two countries.”

Nov. 10, 2011: ROK Special Representative Lim Sung-nam visits Vienna and meets US Special Representative for North Korea Policy Glyn Davies.

Nov. 11, 2011: Prime Minister Noda announces Japan’s participation in the negotiations for the Trans-Pacific Partnership free trade pact.

Nov. 12-13, 2011: South Korean Navy and Japan’s Maritime Self-Defense Force hold a biennial joint naval exercise off the east coast of Busan.

Nov. 13, 2011: APEC Leaders Meeting is held in Honolulu.

Nov. 15, 2011: Burma is chosen by ASEAN foreign ministers to be ASEAN chairman in 2014.

Nov. 15-16, 2011: Secretary Clinton visits Manila and meets President Aquino, Foreign Secretary Albert del Rosario and Defense Secretary Voltaire Gazmin to discuss ways to increase collaboration and signs a “declaration calling for multilateral talks to resolve maritime disputes.”

Nov. 15-18, 2011: Li Jinai, director of the political department of China’s People’s Liberation Army (PLA), visits North Korea to discuss ways of strengthening military cooperation.

Nov. 16-17, 2011: President Obama visits Australia and meets Prime Minister Julia Gillard. They announce an agreement to station additional US forces in Australia beginning in 2012.

Nov. 17, 2011: ROK President Lee Myung-bak meets Indonesian President Susilo Bambang Yudhoyono in Bali. They agree to improve “defense industry cooperation” and to help Indonesia carry out its “economic development blueprint.”

Nov. 17, 2011: Chinese Premier Wen Jiabao and Indonesian President Yudhoyono meet in Bali.

Nov. 17, 2011: President Obama announces the transfer of 24 excess US *F-16s* to the Indonesian Air Force and an expansion of the Peace Corps program in the country.

Nov. 17, 2011: South Korea, Japan, and the US hold trilateral talks on the resumption of the stalled Six-Party Talks, at the East Asia Summit in Bali.

Nov. 17-18: The 19th ASEAN Summit and related ASEAN+1 Summits are held in Bali.

Nov. 18, 2011: Leaders of Japan, Cambodia, Laos, Myanmar, Thailand, and Vietnam meet in Bali for the Third Mekong-Japan Summit.

Nov. 19, 2011: The Sixth East Asia Summit is held in Bali.

Nov. 19, 2011: President Lee, Prime Minister, Noda, and Premier Wen meet in Bali to discuss issues of regional security and economic cooperation.

Nov. 20, 2011: Premier Wen Jiabao visits Brunei and meets state officials.

Nov. 22-23, 2011: Japanese Ministry of Defense reports six Chinese Navy ships transit Okinawa prefecture in international waters to conduct exercises in the Pacific Ocean.

Nov. 22-24, 2011: Chinese and ROK navies hold fourth joint search and rescue exercise.

Nov. 27-29, 2011: Commander-in-Chief of Myanmar Defense Services Min Aung Hlaing visits China and meets Vice President Xi Jinping and Xu Caihou, vice chair of the Central Military Commission, to promote and deepen military cooperation.

Nov. 30, 2011: Secretary of State Clinton visits South Korea to participate on the Fourth High-Level Forum on Aid Effectiveness.

Nov. 30-Dec. 2, 2011: Secretary Clinton visits Burma and meets senior officials including President Thien Sein and pro-democracy leader Aung San Suu Kyi.

Dec. 5-6, 2011: US State Department Advisor for Nonproliferation and Arms Control Robert Einhorn visits Seoul to encourage the ROK to participate in mutual sanctions against Iran and to review the US-ROK Civil Nuclear Cooperation Agreement.

Dec. 6-9, 2011: Australian Defense Minister Stephen Smith visits India and meets counterpart A.K. Antony. They take steps to build on the strategic partnership under the framework of the 2009 Joint Declaration on Security Cooperation.

Dec. 6, 2011: Indonesian Parliament ratifies the Comprehensive Test Ban Treaty.

Dec. 7, 2011: US Undersecretary of Defense for Policy Michele Flournoy and Chinese Deputy Chief of the PLA General Staff Ma Xiaotian meet in Beijing for the 12th annual Sino-US Defense Consultative Talks.

Dec. 7, 2011: The US and China announce implementation of the Megaport Initiative to monitor for “nuclear and other radioactive materials in cargo containers” at Shanghai’s Yangshan Port.

Dec. 7, 2011: Indonesia and South Korea sign a joint servicing agreement that allows them to “share military supplies as necessary during their joint exercises, UN peacekeeping operations, humanitarian assistance and disaster relief.”

Dec. 7-15, 2011: Special Representative Glyn Davies and US envoy to the Six-Part Talks Clifford Hart travel to South Korea, Japan, and China to discuss Korean Peninsula issues.

Dec. 9, 2011: Japan approves a new set of financial sanctions against Iran.

Dec. 9, 2011: Ma Xiaotian, deputy chief of the PLA General Staff, meets Defense Secretary Sharma in New Delhi for the fourth Sino-Indian Defense Dialogue.

Dec. 10, 2011: China joins Mekong River security patrols with forces from Myanmar, Laos and Thailand for the first time.

Dec. 12-14, 2011: US Deputy Secretary of Energy Daniel Poneman visits Taipei and meets President Ma Ying-jeou to discuss “how the United States and Taiwan can work together to tackle tomorrow’s energy challenges.”

Dec. 13, 2011: The Philippines commissions the 3,390-ton frigate *BRP Gregorio del Pilar*, an old US Coast Guard cutter, as its biggest and most modern warship.

Dec. 14, 2011: Laos suspends a \$3.5 billion dam project on the lower Mekong River after a meeting of water and environment ministers from Mekong River Commission.

Dec. 14, 2011: Australian Defense Minister Smith and South Korean counterpart Kim Kwan-jin sign an agreement to improve military cooperation.

Dec. 14-15, 2011: Robert King, US special envoy for North Korean human rights issues and USAID Deputy Assistant Administrator Jon Brause meet Ri Gun, director of US affairs, DPRK Foreign Ministry, in Beijing.

Dec. 15-17, 2011: Prime Minister Manmohan Singh visits Moscow and meets President Medvedev and Prime Minister Putin.

Dec. 19, 2011: US hosts Japan and India for the first-ever trilateral dialogue to exchange views on regional and global issues of mutual interest.

Dec. 19, 2011: *Korean Central News Agency (KCNA)* announces that North Korean leader Kim Jong Il died on Dec. 17 while traveling on train.

Dec. 19-20, 2011: Leaders from China, Burma, Laos, Thailand, Cambodia and Vietnam meet in Naypyidaw to discuss Greater Mekong Subregion (GMS) Strategic Development Partnership.

Dec. 19-20, 2011: Malaysian Defense Minister Ahmad Zahid Hamidi visits Beijing and meets Minister of Defense Liang Guanglie and Guo Boxiong, vice chairman of China's Central Military Commission. They agree to advance bilateral military cooperation.

Dec. 22-23, 2011: ROK Special Representative Lim Sung-nam visits Beijing and meets counterpart Wu Dawei to "evaluate the situation on the Korean Peninsula following Kim Jong Il's death and discuss the direction of future plans for the North Korean nuclear issue."

Dec. 25-26, 2011: Japanese Prime Minister Noda visits Beijing and meets Chinese leader. The trip was originally scheduled for Dec. 12-13, but was canceled at the request of the Chinese.

Dec. 25-26, 2011: Japanese Foreign Minister Gamba visits Myanmar and meets President Thein Sein and other top leaders.

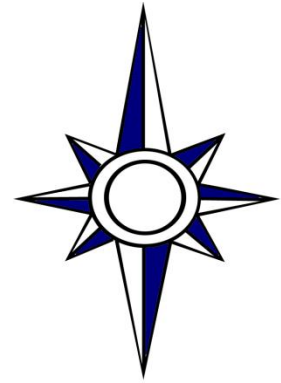
Dec. 27, 2011: Japan's Chief Cabinet Secretary Fujimura Osamu announces revision of the three principles on arms exports.

Dec. 27-29, 2011: Japanese Prime Minister Noda visits New Delhi on Tuesday afternoon to reinforce relations and boost trade and investment based on a free trade agreement between the two countries that came into force in August.

Dec. 28, 2011: ROK Special Representative Lim Sung-Nam visits Washington and meets US Special Representative Glyn Davies to discuss "a wide variety of issues, including next steps in the Korean Peninsula."

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-Japan Relations:

Big Points on the Scoreboard But Can Noda Make It?

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Prime Minister Noda accomplished important steps including the selection of the *F-35* as Japan's next-generation fighter, relaxing the three arms export principles, and announcing a decision to join negotiations for the Trans-Pacific Partnership (TPP) – all of which demonstrated the current Japanese government's readiness to revive the economy and strengthen security ties and capabilities. At the same time, the government's support rate began to collapse in a pattern eerily similar to Noda's five predecessors, raising questions about the ability of the government to follow through on the more challenging political commitments related to TPP. President Obama met Noda at the United Nations in New York and at the Asia-Pacific Economic Cooperation (APEC) forum in Hawaii in an active season of bilateral diplomacy. Public opinion surveys revealed generally positive views of the US-Japan relationship in both countries but the impasse over relocating Marine Corps Air Station Futenma fueled negative perceptions in Japan.

Take three: enter Noda

Noda Yoshihiko formally introduced his Cabinet on Sept. 2 and revealed in his personnel choices a desire to represent the various power centers within his ruling Democratic Party of Japan (DPJ). Unlike his predecessor Kan Naoto, who distanced himself from party kingmaker Ozawa Ichiro and did not install any of his loyalists in the government, Noda appointed two lawmakers with close ties to the former party president and engineer of the 2009 election victory: Ichikawa Yasuo as minister of defense and Yamaoka Kenji as minister of consumer affairs. (Ichikawa made a clumsy debut by declaring himself an amateur and claiming this was a hallmark of civilian rule over the military.) The new trade minister, former socialist Hachiro Yoshio, resigned after eight days for reportedly joking with the media about radiation and referring to the area around the Fukushima Daiichi nuclear plant as a "city of death"; he was replaced by Edano Yukio, a rising leader who had served as chief Cabinet secretary under Kan and was the chief government spokesman after the March 11 disasters. Noda also gave prominent posts to other members of the younger generation such as Hosono Goshi, who was retained as the minister in charge of handling the Fukushima nuclear accident and was appointed environment minister; Gamba Koichiro, the new foreign minister who like Noda hails from the Matsushita Institute of Government and Management; and Furukawa Motohisa, who became minister for national policy. Noda's "balance of power" approach also manifested itself in party posts. In another nod to Ozawa, Noda installed Koshiishi Azuma as DPJ secretary general but appointed Maehara Seiji, former foreign minister and also a Matsushita Institute graduate, as chairman of the Policy Research Council. This was a bold attempt at forging unity in a party devoid of consensus on several policy challenges and facing an opposition likely to complicate the legislative process.

Noda also distinguished himself with two decisions regarding policy coordination. First, in defiance of the DPJ focus on “politician-led government” (*seiji shudo*) meant to weaken bureaucrats, he reinstated regular meetings among administrative vice ministers (*jimujikan kaigi*) that up to 2009 had been a core mechanism for coordination across the government. Noda also established a Council on National Strategy and Policy composed of Cabinet members and private citizens (including the governor of the Bank of Japan and the leaders of Japan’s two largest business associations) to develop a comprehensive revitalization strategy for the nation. The Council is somewhat reminiscent of the Council for Economic and Fiscal Policy established in 2001 during the Koizumi administration to champion reform, but unlike that body was not established by law and the extent of its influence is unclear. Nonetheless, both developments suggested an effort to strengthen competence and coherence largely absent under DPJ rule.

Much of the policy debate focused predictably on economic policy and the balance between stimulus and fiscal discipline. After painstaking negotiations with opposition parties, the Noda government managed to pass a \$158 billion supplemental budget, the third of the fiscal year, to support reconstruction efforts in the Tohoku region affected by the March 11 disasters. The Diet also passed legislation establishing special economic zones in Tohoku to spur investment and also called for a reconstruction agency to guide the recovery beginning next spring. The appreciation of the yen served as a drag on exports and led the government to intervene in foreign exchange markets on Oct. 31, but the issue persisted and estimates for growth were subsequently downgraded due to the strong yen and global economic downturn. Despite these sobering developments Noda proposed a set of tax increases to shore up government finances, which proved controversial within his party and mystified the public. (Opinion polls showed majority support for tax increases to support reconstruction, but much less enthusiasm for an increase in the consumption tax, which Noda earmarked for social security obligations.) On Dec. 29 Noda reached a compromise with the DPJ leadership on a proposal that would increase the consumption tax gradually from 5 to 10 percent by October 2015 and include language that the increase could be delayed based on a review of economic conditions. The compromise did little to stem the controversy over tax policy and Noda set himself up for a fierce legislative battle in the next Diet session.

Equally controversial on the economic front was Noda’s announcement on Nov. 11 that Japan would enter into discussions about joining the Trans-Pacific Partnership (TPP) trade negotiations. The DPJ failed to reach consensus on this issue and agricultural interests led a spirited campaign against TPP under the rationale that their livelihoods were threatened, but Noda concluded that trade liberalization and enhanced competition would ultimately strengthen the Japanese economy, including the agricultural sector. The announcement added fuel to a heated domestic debate about trade but also had potential implications for the US-Japan relationship as the US is already a party to the negotiations and would have to consult Congress before deciding whether to welcome Japan into the trade talks. The leaders of the House Ways and Means Committee and the Senate Finance Committee submitted a letter to US Trade Representative Ron Kirk in early November expressing concerns about Japan’s interest in TPP, suggesting that the politics of trade would prove complicated in both capitals.

Two developments in the realm of security also had important ramifications for US-Japan relations. On Dec. 19 the government announced that it had selected Lockheed Martin's *F-35* as its next generation fighter aircraft and would allocate funding for the purchase of four aircraft in fiscal year 2012. One week later Chief Cabinet Secretary Fujimura Osamu issued a statement announcing a relaxation of Japan's three arms-export principles to allow the transfer of equipment overseas for peacekeeping operations and joint development and production of defense equipment, which would enable Japan to acquire advanced technology for much less than it would cost to develop indigenously and expand opportunities for defense industrial collaboration with the US.

The Noda government dispatched several officials to Okinawa in an effort to make progress on the realignment plan for Marine Corps Air Station Futenma, but was embarrassed by a scandal that further weakened the prospects for a breakthrough. Japanese media reports alleged that on Nov. 28 Tanaka Satoshi, director general of the Okinawa Defense Bureau in the Ministry of Defense, likened the relocation of Futenma to a rape in a private session with reporters during a visit to Okinawa. Defense Minister Ichikawa apologized for Tanaka's remarks the next day and dismissed him from his post, but then made matters worse by confessing during an appearance in the Upper House of the Diet on Dec. 1 that he was not familiar with the details surrounding the 1995 rape of a 12-year old school girl by US servicemen stationed in Okinawa. Opposition parties passed a nonbinding censure motion against Ichikawa in the Upper House on Dec. 9 and demanded his resignation. Prime Minister Noda refused to sack him, prompting the opposition Liberal Democratic Party (LDP) to vow not to cooperate with Noda during the next legislative session when the budget for the next fiscal year will be debated.

Noda's proposal for tax increases, the heated debate over TPP, and the Tanaka scandal appeared to adversely affect views of the new government. By mid-December, Noda's approval rating had fallen to around 40 percent in some polls and one survey found that 86 percent of the public felt he was not explaining his policies adequately. Many analysts observed that his leadership skills would be put to the test in the next Diet session, which could make or break his tenure as prime minister. The decline in his popularity at home contrasted sharply with his image in Washington, burnished by his decisiveness on TPP, the relaxation of the three arms-export principles, and productive meetings with his US counterpart.

Bilateral diplomacy

Prime Minister Noda met President Obama on the sidelines of the UN General Assembly on Sept. 21 and the two discussed the bilateral alliance, trade, continued US support for Japan's recovery from the March 11 disasters, and their respective plans to boost economic growth. This was preceded two days earlier by a meeting between Secretary of State Hillary Clinton and Foreign Minister Gamba which focused on bilateral issues including Futenma. The two governments then engaged in working-level consultations on regional and global issues and coordinated closely on the agendas for the Asia-Pacific Economic Cooperation (APEC) forum and East Asia Summit scheduled for November.

The debate over government spending in Washington attracted a great deal of attention in Japan as the prospect for substantial cuts in the US defense budget raised concerns about the

sustainability of the US forward presence in the Asia-Pacific region. Defense Secretary Leon Panetta visited in late October to reiterate the US commitment to the peace and prosperity of the region and the importance of alliances figured prominently in that message. Panetta visited Tokyo on Oct. 25 and met with Prime Minister Noda, Foreign Minister Gamba, and Defense Minister Ichikawa. Panetta and Ichikawa conducted a defense ministerial and addressed a range of issues including regional security, space, missile defense, information security, and the relocation of MCAS Futenma. Deputy Secretary of State William Burns visited immediately after Panetta for consultations on a wide range of issues and delivered an address at the University of Tokyo on the enduring value of the US-Japan alliance in a bilateral, regional, and global context.

President Obama hosted APEC in Hawaii and met Prime Minister Noda on Nov. 12. The two leaders discussed the Futenma relocation, Japan's beef import restrictions, the upcoming East Asia Summit in Indonesia, and TPP. Noda had announced his decision to enter into discussions over joining TPP a day prior and President Obama welcomed the decision, noting that eliminating trade barriers between the US and Japan presented an opportunity to strengthen the economic partnership between the two countries. A read-out of the meeting issued by the White House caused a kerfuffle by indicating that Noda told Obama he would put all goods and services on the negotiating table for trade liberalization. The Japanese government denied the statement and the dispute was covered widely in the Japanese press. Noda then faced intense questioning back home about the meeting and how he characterized Japan's interest in TPP. This diplomatic row notwithstanding, the APEC meeting generated some momentum for the economic pillar of the relationship.

Rounding out a fall of steadfast diplomacy, Secretary of State Clinton hosted Foreign Minister Gamba at the State Department in Washington on Dec. 19, the day North Korean media reported the death of Kim Jong Il. They discussed the evolving situation on the Korean Peninsula and President Obama discussed the matter with Prime Minister Noda in a telephone call later that day. Clinton and Gamba also addressed bilateral cooperation to support the recovery from the March 11 earthquake, Japan's interest in TPP, Japan's progress in considering accession to the Hague Convention on International Parental Child Abduction, Burma, Afghanistan, Iran, and dialogue with India. Assistant Secretary of State Kurt Campbell and Assistant Secretary of State Robert Blake co-chaired the first-ever trilateral dialogue between the United States, Japan, and India at the State Department that day.

Futenma relocation

The Japanese central government submitted an environmental impact statement on the Futenma relocation to the Okinawa prefectural government on Dec. 28, welcomed by the Pentagon as a sign of progress on the realignment plan agreed to by both governments. But members of Congress remained skeptical about the prospects for success. Congressional appropriators cut \$150 million in projects for the relocation of US Marines from Okinawa to Guam out of the National Defense Authorization Act (NDAA) for 2012 that was signed by President Obama on Dec. 31. The Japanese government then decided to decrease funding for the relocation of US Marines from Okinawa to Guam by 85 percent in the draft budget for fiscal year 2012. The

NDAA called for an independent study of US force posture in the Asia-Pacific and the fate of the current Futenma relocation plan could depend on the outcome.

Perceptions of US-Japan relations

According to an annual survey of attitudes toward foreign countries released by Japan's Cabinet Office on Dec. 4, a record 82 percent of Japanese have a favorable view of the US and 73 percent consider the US-Japan relationship in good condition. But another annual survey published Dec. 18 by *Yomiuri Shimbun* and Gallup found much less sanguine views of the bilateral relationship in Japan. Ninety-four percent of Japanese respondents appreciated US military relief efforts after the March 11 earthquake, but only 35 percent said US-Japan relations were good or very good; 52 percent of US respondents felt that way. When asked whether they trust the US, 47 percent of Japanese said somewhat or very much; 67 percent of US respondents shared those sentiments about Japan. Indicating the degree to which the Futenma issue is covered and impacts perceptions in Japan, 82 percent of Japanese felt the impasse over relocating MCAS Futenma has had an adverse impact on the relationship while 59 percent of US respondents said they were not familiar with the topic. Seventy-two percent of US respondents thought Japan should join TPP negotiations but only 50 percent of Japanese were positive. When Japanese were asked which institutions they trust (with multiple answers allowed), the Japan Self-Defense Forces topped the list for the first time at 75 percent and the National Diet fared worst with 17 percent.

Coming up

Prime Minister Noda faces a bruising battle over the budget in the Diet and could struggle to advance his tax proposals amid concerns about economic growth. The Obama administration is expected to unveil a new defense strategy and outline cuts in defense spending but sustain its emphasis on Asia. Bilateral diplomacy will proceed apace and the two governments may plan a series of events to commemorate the 100th anniversary of Japan's gift of cherry blossoms in appreciation for the US role in helping negotiate the end of the Russo-Japanese War. Should Noda emerge from his legislative session unscathed, he could visit Washington in the spring to take stock of the bilateral relationship.

Chronology of US-Japan Relations September – December 2011

Sept. 2, 2011: Prime Minister (PM) Yoshihiko Noda officially announces his Cabinet after a ceremony at the Imperial Palace.

Sept. 4, 2011: Several media outlets publish surveys on the approval rating for the Noda Cabinet including *Nikkei Shimbun* (67 percent), *Yomiuri Shimbun* (65 percent), *Mainichi Shimbun* (56 percent) and *Asahi Shimbun* (53 percent).

Sept. 5, 2011: The Democratic Party of Japan (DPJ) announces party executive posts including Koshiishi Azuma as secretary general and Maehara Seiji as chair of the Policy Research Council.

Sept. 7, 2011: The Bank of Japan leaves the overnight call rate unchanged at between 0 and 0.1 percent; notes that supply-side constraints caused by the March 11 disasters have mostly been resolved and states that production and exports have almost recovered to pre-quake levels.

Sept. 8-9, 2011: Japanese media reports quote Trade Minister Hachiro Yoshio as having referred to the evacuation zone around the Fukushima Daiichi nuclear power plant as a “town of death.” Some reports also suggest he joked with members of the press about radiation on his clothing being contagious.

Sept. 10, 2011: Hachiro resigns as trade minister.

Sept. 12, 2011: PM Noda appoints Edano Yukio to succeed Hachiro as Trade Minister.

Sept. 13, 2011: PM Noda addresses the Diet and refers to the US-Japan alliance as the cornerstone of Japanese diplomacy and national security.

Sept. 13, 2011: A *Yomiuri Shimbun* survey finds 43 percent of the public supports revising the constitution while 39 percent disapprove.

Sept. 19, 2011: Foreign Minister Gamba Koichiro and Secretary of State Hillary Clinton meet on the margins of the UN General Assembly (UNGA) to discuss bilateral issues including the realignment plan for Marine Corps Air Station (MCAS) Futenma on Okinawa.

Sept. 19, 2011: Mitsubishi Heavy Industries announces it was the victim of a cyber-attack.

Sept. 21, 2011: PM Noda and President Obama meet on the sidelines of the UNGA and discuss the bilateral alliance, trade, continued US support for Japan’s recovery from the March 11 disasters, and their respective plans to boost economic growth.

Sept. 26, 2011: Three former aides to DPJ member Ozawa Ichiro are found guilty of falsifying political funding reports for the former party leader’s fund management organization.

Sept. 27, 2011: PM Noda and DPJ leaders agree on a plan proposed by the government tax commission to generate approximately \$145 billion in revenue by raising taxes over a 10-year period beginning as early as fiscal year 2012.

Sept. 30, 2011: Japan’s Defense Ministry announces that its budget request for fiscal year 2012 is essentially unchanged from the actual budget for the current year with a proposed increase of 0.6 percent.

Oct. 3, 2011: The Noda Cabinet posts a 54 percent approval rating in a poll conducted by *Kyodo News*. Fifty percent of respondents oppose Noda’s plans to increase taxes with 46 percent in favor. The support rate for the ruling DPJ is 27 percent compared to 23 percent for the opposition Liberal Democratic Party (LDP).

Oct. 5, 2011: Japan's Ministry of Finance announces that fiscal year 2012 budget requests from government ministries totaled ¥98.47 trillion, a record high due mainly to projected costs associated with reconstruction efforts in the Tohoku region.

Oct. 6, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Tokyo to confer with Japanese officials on a range of issues including Afghanistan and Pakistan, the Middle East, North Korea, China, and the relocation of MCAS Futenma.

Oct. 6, 2011: Japan's Minister for National Policy Furukawa Motoshisa meets US Federal Reserve Board Chairman Ben Bernanke in Washington.

Oct. 6, 2011: Former DPJ President Ozawa Ichiro pleads not guilty to charges of violating fundraising laws during an appearance in Tokyo district court.

Oct. 7, 2011: The Bank of Japan leaves the overnight lending rate unchanged and extends for six months loan program to support financial institutions in areas affected by the March 11 disasters.

Oct. 7, 2011: The Noda Cabinet approves an outline for a third supplementary budget totaling \$156 billion to support reconstruction efforts and help revive the economy.

Oct. 19, 2011: Foreign Minister Gamba Koichiro visits Okinawa to discuss the realignment plan for MCAS Futenma with Gov. Nakaima Hirokazu and other officials.

Oct. 21, 2011: Noda Cabinet announces establishment of a national strategy council composed of government officials and private citizens to focus on energy strategy and economic revival.

Oct. 21, 2011: In an interview with public broadcaster *NHK*, PM Noda says that the government will spend at least \$13 billion to decontaminate areas affected by the Fukushima nuclear disaster.

Oct. 21, 2011: Over 100 lawmakers from the ruling and opposition parties hold a rally at the Diet and pass a resolution against Japan's participation in the Trans-Pacific Partnership (TPP) trade negotiations.

Oct. 25, 2011: Defense Secretary Leon Panetta meets PM Noda, Foreign Minister Gamba and Defense Minister Ichikawa Yasuo in Tokyo.

Oct. 26, 2011: Thousands of Japanese farmers rally in Tokyo to encourage the government not to participate in TPP negotiations.

Oct. 26, 2011: Deputy Secretary of State William Burns visits Japan to consult with Japanese officials on a range of bilateral and regional issues.

Oct. 27, 2011: The Bank of Japan leaves the overnight interest rate unchanged and expands its asset purchase program from 50 to 55 trillion yen.

Oct. 31, 2011: Japan conducts an intervention in foreign exchange markets to weaken the yen estimated at \$127 billion.

Oct. 31, 2011: Noda Cabinet garners a 58 percent approval rating in a *Nikkei Shimbun* survey. Forty-five percent of respondents support Japan's participation in TPP with 32 percent opposed. Fifty-eight percent support tax increases to support reconstruction from the March 11 earthquake but only 47 percent favor an increase in the consumption tax from 5 to 10 percent by 2015.

Nov. 8, 2011: The leaders of the US House of Representatives Ways and Means Committee and the Senate Finance Committee send a letter to US Trade Representative Ron Kirk expressing concerns about Japan's reported interest in joining TPP negotiations and urging the Obama administration to consult closely with Congress and stakeholders about whether to conduct trade talks with Japan should it apply.

Nov. 10, 2011: The Lower House of the Diet approves a \$158 billion supplementary budget, the third of the fiscal year.

Nov. 11, 2011: PM Noda announces Japan's intent to enter discussions with the countries concerned toward Japan's participation in TPP negotiations.

Nov. 12, 2011: PM Noda and President Obama meet on the margins of the Asia-Pacific Economic Cooperation (APEC) forum in Hawaii.

Nov. 15, 2011: A *Yomiuri Shimbun* survey finds 51 percent of the public supports PM Noda's decision to express interest in joining TPP negotiations. The Noda Cabinet posts a 49 percent approval rating and 86 percent of respondents believe Noda has not explained his policies adequately to the public.

Nov. 21, 2011: Upper House of the Diet approves the third supplementary budget for FY 2011.

Nov. 28, 2011: Japanese media reports allege that in a private session with reporters during a visit to Okinawa, Tanaka Satoshi, director general for Okinawa in the Ministry of Defense, compared the relocation of MCAS Futenma to a rape.

Nov. 29, 2011: Defense Minister Ichikawa apologizes for Tanaka's remarks and announces his dismissal as director general of the Okinawa bureau.

Nov. 30, 2011: PM Noda apologizes for Tanaka's remarks.

Dec. 1, 2011: Defense Minister Ichikawa confesses to being unaware of the details surrounding the 1995 rape of a school girl by US servicemen stationed in Okinawa.

Dec. 2, 2011: Defense Minister Ichikawa visits Okinawa and apologizes to Gov. Nakaima Hirokazu.

Dec. 7, 2011: Diet passes bill establishing special economic zones in the Tohoku region to support reconstruction.

Dec. 9, 2011: Diet passes bill establishing a reconstruction agency to organize earthquake recovery efforts.

Dec. 9, 2011: Upper House passes nonbinding censure motions against Defense Minister Ichikawa and Consumer Affairs Minister Yamaoka Kenji.

Dec. 9, 2011: Derek Mitchell, US special representative and policy coordinator for Burma, visits Tokyo to brief Japanese officials on the relationship with Burma.

Dec. 11, 2011: US Special Representative for North Korea Policy Glyn Davies and Clifford Hart, US special envoy for the Six-Party Talks, visit Japan to exchange views with Japanese officials and pledge support for Japanese citizens abducted by North Korea in a meeting with an association of families of abductees.

Dec. 12, 2011: A poll by *Asahi Shimbun* reveals a 31 percent approval rating for the Noda Cabinet and a disapproval rating of 43 percent. Fifty-nine percent of respondents disagreed with Noda's decision to retain Defense Minister Ichikawa and Consumer Affairs Minister Yamaoka despite the passage of a censure motion against them in the Upper House.

Dec. 12, 2011: According to a *Yomiuri Shimbun* survey, the Noda Cabinet's approval rating stands at 42 percent with a disapproval rating of 44 percent.

Dec. 12, 2011: The Senate Armed Services Committee completes its conference on the National Defense Authorization Act (NDAA) for fiscal year 2012, electing to cut approximately \$150 million for projects associated with the relocation of US Marines from Okinawa to Guam.

Dec. 12, 2011: LDP Secretary General Ishihara Nobuteru suggests in an address in Washington that Japan's Self-Defense Forces should be deployed to the Senkaku Islands.

Dec. 14, 2011: Undersecretary of Defense Michele Flournoy issues a statement encouraging the Japanese government to submit an environmental impact statement on Futenma relocation to the Okinawa prefectural government by the end of the year and reiterating a commitment to work closely with Congress on the realignment plan.

Dec. 14, 2011: Assistant US Trade Representative Wendy Cutler visits Japan for consultations regarding Japan's interest in the TPP negotiations.

Dec. 15, 2011: Deputy Secretary of State Thomas Nides visits Japan to discuss Japan's post-earthquake recovery plans with officials including Foreign Minister Gamba, Reconstruction Minister Hirano Tatsuo and Environment/Nuclear Minister Hosono Goshi.

Dec. 16, 2011: PM Noda announces that the Fukushima Daiichi nuclear power plant has achieved "cold shutdown conditions."

Dec. 19, 2011: Secretary Clinton and Foreign Minister Gamba meet in Washington to discuss the evolving situation on the Korean Peninsula with the death of Kim Jong-il and other issues.

Dec. 19, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell and Assistant Secretary of State for South and Central Asia Robert Blake co-chair the first-ever trilateral dialogue between the US, Japan, and India at the State Department in Washington.

Dec. 19, 2011: President Obama and PM Noda discuss the evolving situation on the Korea Peninsula in a telephone call.

Dec. 19, 2011: Government of Japan selects the *F-35* as its next-generation fighter and announces plans to purchase four of the planes in fiscal year 2012.

Dec. 20, 2011: Noda Cabinet approves plans to dispatch Ground Self-Defense Force personnel to South Sudan for peacekeeping activities under the United Nations Mission in the Republic of South Sudan (UNMISS).

Dec. 20, 2011: US Nuclear Regulatory Commission Chairman Gregory Jaczko visits Japan to consult with Japanese officials on efforts to stabilize the Fukushima Daiichi nuclear power plant.

Dec. 20, 2011: The Japanese government approves a draft supplementary budget totaling \$32 billion to support economic recovery, the fourth of the fiscal year.

Dec. 21, 2011: The Bank of Japan leaves the overnight interest rate unchanged and notes that the economic recovery has stalled due to the global economic downturn and appreciation of the yen.

Dec. 21, 2011: Secretary Clinton issues statement congratulating the Emperor of Japan on his 78th birthday and reiterating US support for Japan and its global leadership in recognition of Japan's National Day holiday.

Dec. 22, 2011: Japanese government downgrades its growth forecast for FY 2011, suggesting the economy will shrink 0.1 percent compared to 0.5 percent growth predicted previously. The government also lowers its economic growth forecast for 2012 to 2.2 percent from the 2.7-2.9 percent range estimated earlier in the year due to the strong yen and the euro zone debt crisis.

Dec. 24, 2011: Noda Cabinet approves draft budget for FY 2012, down 2.2 percent from 2011 (excluding a special account for post-March 11 reconstruction and basic pension benefits).

Dec. 24, 2011: The government decides to decrease funding for the relocation of US Marines from Okinawa to Guam by 85 percent in the draft budget for fiscal year 2012.

Dec. 25, 2011: PM Noda apologizes to Okinawa Gov. Nakaima for Tanaka Satoshi's remarks about Futenma.

Dec. 26, 2011: Committee established by the Japanese government to investigate the Fukushima Daiichi nuclear power plant accident issues an interim report critical of the initial response.

Dec. 27, 2011: US Treasury Department in its semiannual currency report urges Japan to increase the dynamism of the domestic economy and criticizes a recent foreign exchange market intervention to stem the appreciation of the yen.

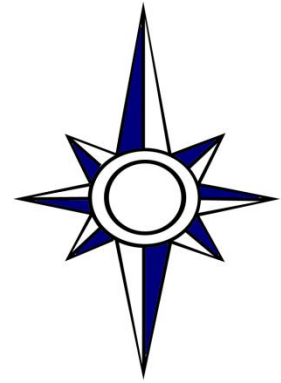
Dec. 27, 2011: Japan's Chief Cabinet Secretary Fujimura Osamu announces revision of the three principles on arms exports.

Dec. 28, 2011: Japanese government submits an environmental impact statement for the Futenma relocation plan to the Okinawa prefectural government.

Dec. 28, 2011: Pentagon issues statement welcoming the submission of the environmental impact statement on Futenma relocation and cites it as an example of progress on the realignment plan.

Dec. 29, 2011: Noda government reaches a compromise with the ruling DPJ on a proposal for tax increases, including language suggesting the possibility of a delay based on a review of economic conditions and promising to submit separate legislation to the Diet to reduce the size of the legislature and cut civil servant salaries.

Dec. 31, 2011: President Obama signs the National Defense Authorization Act into law.



US-China Relations:
US Pivot to Asia Leaves China off Balance

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A spate of measures taken by the Obama administration to bolster US presence and influence in the Asia-Pacific was met with a variety of responses from China. Official reaction was largely muted and restrained; media responses were often strident and accused the US of seeking to contain and encircle China. President Obama met President Hu Jintao on the margins of the APEC meeting in Honolulu and Premier Wen Jiabao on the sidelines of the East Asia Summit. Tension in bilateral economic relations increased as the US stepped up criticism of China's currency and trade practices, and tit-for-tat trade measures took place with greater frequency. Amid growing bilateral friction and discontent, the 22nd Joint Commission on Commerce and Trade (JCCT) convened in Chengdu, China. An announcement by the US of a major arms sale to Taiwan in September prompted China to postpone a series of planned exchanges, but the Defense Consultative Talks nevertheless proceeded as planned in December.

China reacts to US pivot to Asia

Official responses

The series of foreign policy initiatives taken recently by the Obama administration in the Asia-Pacific region has left China feeling uneasy and off balance. In mid-November, the US hosted the Asia-Pacific Economic Cooperation (APEC) forum in Hawaii where President Barack Obama made a big push for the Trans-Pacific Partnership (TPP), a multilateral free trade agreement that seeks to reduce and eventually eliminate trade tariffs among member countries, and for which the bar for joining is set so high that China would not likely be able to qualify for many years. During a visit to Australia, Obama announced plans for rotational deployments of Marines to Darwin, expanding the US military presence in Asia beyond traditional US allies South Korea and Japan and into Southeast Asia. As the first US president to participate in the East Asia Summit (EAS), which convened in Bali this year, Obama reiterated the US commitment to ensuring freedom of navigation in the South China Sea and stressed the need to settle sovereignty disputes in accordance with international law, including the UN Convention on the Law of the Sea (UNCLOS).

Secretary of State Hillary Clinton declared in Honolulu that the 21st century will be "America's Pacific Century." She then visited US treaty allies Thailand and the Philippines. In Manila, Clinton boarded the *USS Fitzgerald*, a US Navy destroyer docked in Manila Bay, where she signed a declaration marking the US-Philippines Mutual Defense Treaty's 60th anniversary. After joining President Obama in Bali, Clinton made an historic visit to Burma, where she pledged upgraded diplomatic ties and rewards for that country's leaders if reforms continue.

None of these policy steps were presented as being aimed at containing, encircling, or counterbalancing China. Rather, they were billed as a necessary rebalancing of US attention to advance US interests, exploit opportunities, and reassure allies and friends of US staying power and commitments. At a joint press conference in Canberra with Australian Prime Minister Julia Gillard, President Obama reiterated that the US “welcomes a rising, peaceful China.” He explicitly denied that the US and other countries fear China or are seeking to exclude China from regional agreements. At the same time, however, Obama called on the Chinese to “play by the rules of the road” and rise “into the global rules-based order.” In his address to the Australian Parliament, Obama said the US would “seek more opportunities for cooperation . . . even as we continue to speak candidly to Beijing about the importance of upholding international norms and respecting the universal human rights of the Chinese people.”

In an interview with *ABC news*, Secretary Clinton insisted that the Asia tour was “not about countering anybody else’s power.” “Now that we are winding down a war in Iraq and transitioning out of Afghanistan,” she explained, “we have the chance to turn back and look at the opportunities that the Asia Pacific offers us economically in terms of our security and strategic interest to promote democracy, human rights, freedom, things we stand for.” Writing in *Foreign Policy*, Clinton maintained that “a thriving America is good for China and a thriving China is good for America” and that both countries “have much more to gain from cooperation than from conflict.” She also underscored the need to “consistently translate positive words into effective cooperation” and “to meet our respective global responsibilities and obligations.”

China’s official reaction to the Obama administration’s “pivot to Asia” was generally muted and restrained. Commenting on the TPP, a Ministry of Foreign Affairs (MFA) spokesman insisted that China holds “an open attitude toward all cooperative initiatives conducive to the economic integration and common prosperity in the Asia-Pacific.” In a remark that suggests China may have doubts that many countries will join the TPP, Chinese Assistant Minister of Commerce Yu Jianhua noted that “TPP has set very high benchmarks; whether or not all these members will reach that high benchmark we’ll have to wait and see.”

Asked to provide China’s response to the planned deployment of US Marines in Australia, a Chinese MFA spokesman initially simply noted the “relevant report” and expressed “hope that bilateral cooperation between relevant countries will be conducive to peace, stability, and development of the Asia-Pacific region. A week later, however, another MFA spokesman questioned whether “strengthening and expanding military alliance is appropriate and consistent with the common aspiration of regional countries and the whole international community.” He added that the US had stated many times that it welcomes a strong, prosperous and stable China and has no intention to contain China, saying that “We hope the US does what it says.” Using tougher language, the Defense Ministry spokesman charged that the US-Australia agreement “does not help to enhance mutual trust and cooperation between countries in the region, and could ultimately harm the common interests of all concerned.” He added that “any strengthening and expansion of military alliances is an expression of a Cold War mentality.”

Responding to a question about Secretary Clinton’s visit to Burma, which shares a border with China, an MFA spokesman expressed China’s willingness to see that country, which it calls

Myanmar, strengthen contact and improve relations with a “relevant Western country” based on mutual respect and called for the US to lift the sanctions against Burma.

A press inquiry during an MFA press briefing regarding Secretary Clinton’s “America’s Pacific Century” speech in Hawaii provoked no official expressions of concern. Instead, the spokesman highlighted US and Chinese common interests and responsibilities in the Asia-Pacific, called for greater coordination, communication and cooperation between them, and noted that during the meetings between Presidents Hu Jintao and Obama and between Secretary Clinton and State Councilor Dai Bingguo and Foreign Minister Yang Jiechi respectively that the two sides “stressed their willingness to advance cooperation in the region.”

Ahead of the EAS in Bali, China signaled its displeasure with US involvement in the South China Sea issue. The MFA spokesman reiterated Beijing’s “clear and consistent” position that territorial disputes should be handled bilaterally and that “foreign intervention will not help settle the issue but will complicate it instead and is not conducive to peace, stability, and development of the region.” In his speech to the 14th China-ASEAN leaders meeting on Nov, 18, Premier Wen Jiabao similarly stated that South China Sea disputes “ought to be resolved through friendly consultations and discussions by the sovereign countries directly involved. Outside forces should not use any excuses to interfere,” he warned. In an unscheduled meeting with President Obama on the morning of the EAS that was set up at the request of Wen Jiabao after the two leaders chatted at dinner, Wen urged Obama to not raise concerns about the South China Sea in the meeting, but was reportedly told that the topic was unavoidable, and that the purpose of raising it was to seek a peaceful solution not confrontation.

The most prickly remark came from a deputy director-general at China’s Foreign Ministry, Pang Sen, who maintained that China would abide by rules that “are made collectively through agreement and China is part of it,” but insisted that China does not have the obligation to abide by rules that “are decided by one or even several countries.” Pang’s comment seemed to be a direct retort to President Obama’s statement that “enough’s enough” when it comes to China “gaming” the world community and pursuing unfair trading practices. Obama also called on China to operate by the same rules as everyone else, and criticized China’s claim that it is a developing country, insisting that China is now “grown up” and should act that way in global economic affairs.

Commentator and scholar reactions

In contrast to the generally composed official response, many articles published in the Chinese media adopted a more strident tone. An article in *China Youth Daily* by Han Xinyang and Dong Wei portrayed the deployment of US Marines in Darwin as a move to “contain” and “encircle” China and maintained that the move would pose “a huge threat to the maritime energy passages of China.” Chen Xiangyang, deputy director of the Institute of World Political Studies in the China Institutes of Contemporary International Relations (CICIR), wrote in *Liaowang* that the “real intention” of the US in getting involved in the South China Sea issue is to “sow discord between China and ASEAN” and promote its new Asia-Pacific strategy.

In an article posted on the *People's Daily* website, Maj. Gen. Luo Yuan from the Academy of Military Sciences rhetorically asked how the US would obtain energy and strength to “expand into the Asia-Pacific region and stick its nose into the South China Sea.” Luo advised the US to “get its own house in order and prevent its people from coming under attack by terrorists.”

Analyzing Secretary Clinton’s visit to Burma, Li Xiguang, a communication scholar at Qinghua University, suggested in *Global Times* that America’s interest in improving ties with China’s neighbor was aimed at preventing China from diversifying its supply lines of gas and oil through Burma and away from possible US sea blockades. He asserted that the visit would exacerbate Chinese fears that “the aim of the new US Asia policy is to isolate and encircle China.”

Some Chinese experts suggested that US actions were related to the presidential campaign. Li Wei, a researcher with the Chinese Academy of International Trade and Economic Cooperation, contended that President Obama was pinning his re-election hopes on a toughening of US policy toward China to deflect attention from the US high unemployment rate and weak economic growth. Niu Xinchun of CICIR similarly suggested in *China Daily* that the US pivot to Asia was at least partially an attempt by President Obama’s to impress voters and counter his Republican rivals ahead of the 2012 presidential election.

A small number of Chinese analysts argued that China should bear some responsibility for the resurgence of US influence and power around its periphery. Shi Yinhong, professor at People’s University, advised the Chinese government to “think about the reason why the [US] is suddenly so popular in the region.” “Is it because China has not been good enough when it comes to diplomacy with its neighboring countries?” he remarked to the *New York Times*. Writing in the CSIS Freeman Chair newsletter, Beijing University professor Zhu Feng called for China to “stop blaming the United States, Japan, Vietnam or the Philippines, and reflect first on its own diplomatic blunders.”

An additional recurrent theme in Chinese media was that given China’s growing power, time is on China’s side, and therefore Beijing should not panic or overreact to the US pivot to Asia. One such article in *Global Times* urged China to follow Deng Xiaoping’s guidance to “observe calmly and secure our position,” and focus on its own economic development.

Sparks fly over economic issues

Tension in bilateral economic relations increased in the fall as the US stepped up criticism of China’s currency and trade practices, a development which Chinese experts largely blamed on a slew of US domestic economic problems. Low economic growth, high unemployment, the US national debt and deficit crisis, and political gridlock in Washington has led – they argued – to politically motivated trade cards being played more frequently and a consequent deflection of blame onto China.

One case in point cited by Chinese experts is the Currency Exchange Rate Oversight Reform Act of 2011. On Oct. 3, the US Senate voted to open debate on the legislation, which would require the Department of Commerce to determine if undervalued currencies are acting as an export subsidy and thereby justify the application of countervailing duties in response. The move

prompted an angry response from China, which warned the legislation could spark a trade war. It also produced caution from House Speaker John Boehner, who described it as “dangerous,” and stated that he was not sure if passing punitive legislation was the best means to address China’s currency policy. The bill nevertheless passed in the Senate on Oct. 12 with a 63-35 vote in favor, although it remains unlikely to pass in the House, considering Boehner’s apprehension.

On Dec. 19, 2011, the US Court of Appeals for the Federal Circuit ruled that countervailing duties leveled against Chinese tires were illegal under US law. The decision says that China cannot simultaneously be considered both as a market economy and a non-market economy when applying anti-dumping and countervailing duties. Until this ruling, the US Department of Commerce had conveniently labeled China a non-market economy when assessing dumping and as a market economy when implementing countervailing duties. The December ruling is highly unpopular with many US unions, like United Steelworkers, and certain US industries, but China obviously views this as a victory, and it is likely a win for the rule of law. It is liable, however, to bring increased scrutiny of China’s trade-distorting subsidies, possibly in the form of China-focused legislation in 2012, which could open the door for the inclusion of currency issues.

Public discourse in the US in the lead-up to Republican primaries has also been riddled with criticism of China’s trade and economic policies as candidates have focused their attention on unfair Chinese trade practices and the undervaluation of the renminbi in order to bolster public support. Mitt Romney, for instance, stated that he would designate China as a “currency manipulator” his first day in office. The statement rattled the Chinese, who are unaccustomed to such harsh rhetoric on trade issues from Republicans.

The barrage of attacks from the US on Chinese trade and economic policies, paired with broader US-China trade tensions throughout the fall, were met with criticism and counter arguments from Beijing. The Chinese Foreign Ministry responded to the passage of the Currency Exchange Rate Oversight Reform Act of 2011 by calling it a protectionist measure, and argued that it could disrupt bilateral efforts to bolster global economic recovery. It urged the Obama administration to oppose the legislation. The Chinese central bank also said that the renminbi was not the cause of China’s trade surplus. The People’s Bank of China maintained that an appreciation of the renminbi would neither affect the bilateral trade imbalance nor resolve US unemployment woes. According to the *AFP*, Chinese Vice President Xi Jinping pressed the US through former US Treasury Secretary Henry Paulson to “curb its tendency towards protectionism and of politicizing economic issues.” Later, following Obama’s statements in Australia which called for China to follow the “rules of the road,” *Xinhua* published a commentary that argued it was “high time” for the US to review its own record of compliance with international norms, and that observing international rules “starts with respecting the fundamental rights and interests of others, especially their sovereignty and territorial integrity.”

The 10th anniversary of China’s accession to the World Trade Organization in December served as another twist of the screw. On Dec. 11, in a speech marking the event, President Hu Jintao pledged to pursue an “even more active opening strategy [and] expand into new areas for opening up.” He also vowed to seek more balanced trade relations and ensure a fair and transparent playing field. The next day, the US Trade Representative released the 2011 USTR Report to Congress on China’s WTO Compliance. In her testimony before the Congressional-

Executive Commission on China, Assistant US Trade Representative for China Affairs Claire Reed pointed to China's "trade-distorting government actions" which favor domestic enterprises and industries. She called for enforcement of intellectual property rights, transparency and predictability in the market for agricultural products, and greater market access for US firms. She also pointed out three areas where Chinese implementation of its commitments require further efforts: 1) to publish its trade laws and regulations; 2) to publish all such measures for public comment before their implementation; and 3) to make all of these measures available in one or more WTO languages.

Tit-for-tat trade measures occurred with greater frequency over the past months. In mid-December, China leveled anti-dumping and anti-subsidy tariffs on imported cars and SUVs with an engine capacity greater than 2.5 liters. While the tariffs came to nearly 22 percent of the import prices, reports suggested the act was more symbolic than substantive since sales of such vehicles are relatively low to begin with. The move came a week after the White House announced that it was taking China to the WTO to challenge its use of anti-dumping measures against US poultry exports. The Chinese Ministry of Commerce has also expressed serious dissatisfaction and open criticism of a US investigation into whether Chinese solar panel exports have been receiving illegal subsidies or have been dumped into the US market. If the investigation finds the solar panel exports have harmed the market, it is possible that the US will impose its own anti-dumping duties on China next year, as well as consider the creation of new legislation to deal with subsidies.

High-level meetings illustrate disconnect

For the Obama administration, formal meetings provided prime opportunities to directly press China on persistent issues of concern. At near back-to-back engagements at the APEC Leader's Meeting, EAS, and the Joint Commission on Commerce and Trade in November, the US raised concerns about Chinese trade and economic practices with Chinese counterparts. The Chinese side occasionally pushed back, but generally its official responses remained moderate, perhaps to avoid excessive high level conflict as Beijing prepares for its own leadership transition.

The Nov. 12-13 APEC meeting in Honolulu served as one such opportunity to discuss economic issues affecting the bilateral relationship. In his remarks at the CEO Summit, Chinese President Hu Jintao focused on Beijing's vision for the evolution of the global economic system and stressed China's desire to work through trade issues within the current international economic architecture. Hu repeated prior commitments to market reform and said "the new mechanism for global economic governance should reflect the changes in the world economic landscape, ... observe the principle of mutual respect and collective decision making, and increase the representation and voice of emerging markets and developing countries."

Following President Hu's remarks, President Obama delivered his statement, which emphasized ongoing friction in the US-China economic relationship. While the US is "rooting for China to grow," Obama said that it also wants China to "play by the rules." He argued that the renminbi's undervaluation makes US exports to China more expensive and "disadvantages" US businesses and workers. He emphasized the need to protect US intellectual property. In the area of trade disputes, Obama said, the US could not be expected to "stand by" if it did not see the kind of

reciprocity it needed in its economic relationships. In addition, if the US saw “rules being broken,” it would “speak out and in some cases ... take action.” The US president offered reassurance, however, that the increased number of trade measures against China over the past few years were to ensure protection of US businesses and workers’ interests; the US was not seeking conflict with China.

US media reporting on a private bilateral meeting on the sidelines of APEC between the US and Chinese presidents focused on Obama’s pressure on Hu for China to “do more” to promote faster appreciation of the renminbi, improve protection of US intellectual property, and create a “level playing field” for trade. US Deputy National Security Adviser for International Economic Affairs Michael Froman told the press that Obama had told Hu “that the American people and the American business community were growing increasingly impatient and frustrated with the state of change in China’s economic policy and the evolution of the US-China economic relationship.” Chinese media reporting on the meeting was mostly upbeat and stressed the leaders’ pledges to advance bilateral ties. A *China Daily* report highlighted Hu’s three-point proposal to advance bilateral relations, which called for the two countries 1) to become cooperative partners and respect one another, 2) to forge a “mutually beneficial and reciprocal” partnership, and 3) pull together in times of trouble. Nevertheless, Chinese media reported that Hu rebuffed Obama’s charges that the renminbi is undervalued, insisting that China’s exchange rate policy is not to blame for the US trade deficit and unemployment problems.

Progress on the TPP trade agreement also ruffled some feathers. At the APEC Leaders Meeting, President Obama announced that the US and eight other countries – Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam – had agreed to complete the TPP accord within one year. China was noticeably absent from the negotiations, and several Chinese officials commented that US expectations for the TPP were “too high” for other Asian countries. Chinese Assistant Commerce Minister Yu Jianhua stated at a press briefing in Beijing that such new trade mechanisms should be “open and inclusive” and called for members to find a balance between TPP and pre-existing trade mechanisms, arguing that the latter should act as the major channel while other regional mechanisms could be supplemental. Yu complained that China had not received “any invitation from any TPP economy,” but that if it did, China would “seriously study the invitation.” US Trade Representative Ron Kirk responded that the TPP is an open architecture and it “is not designed to be a closed clubhouse.” Michael Froman retorted that the TPP “is not something one gets invited to. It’s something one aspires to.”

Despite US reassurances, criticism of the TPP continued in Chinese media, where some argued that the trade agreement was aimed at diminishing China’s role and ensuring US leadership in regional economic integration. For instance, Li Hongmei argued in *Xinhua* that the US intention behind the TPP was to play a “dominant role” in the Pacific by “handpicking its members and systemizing and regulating” these other countries in accordance with US standards. While Li recognized that the TPP was part of the US pivot to Asia, the trade pact could also become a replacement for APEC and would thus “contain and counterbalance” China’s influence and “strategic space” in the region.

Later that month, President Obama had another opportunity to press the US agenda on trade relations with China, in a meeting on the sidelines of the EAS in Indonesia with Chinese Premier

Wen Jiabao on Nov. 19. While Wen and Obama “briefly” discussed the South China Sea, according to National Security Adviser Tom Donilon, the conversation focused on “specific [economic] issues and business practices,” such as the rate of China’s currency appreciation and US desire for China to follow international “rules and norms.”

JCCT makes some headway

Amid growing bilateral friction and discontent, the 22nd Joint Commission on Commerce and Trade (JCCT) convened in Chengdu, China Nov. 20-21, co-chaired by US Commerce Secretary John Bryson, US Trade Representative Ron Kirk, and Chinese Vice Premier Wang Qishan. The US delegation included Secretary of Agriculture Tom Vilsack, Ambassador to China Gary Locke, and Trade and Development Agency Director Leocadia Zak. Senior Chinese officials from 23 ministries and agencies also attended the meeting.

Among the meeting’s accomplishments were five signed documents, including a bilateral Agreement on Intellectual Property Rights Cooperation; Implementation Measures for Carrying out the Cooperation Action Plan in Key Fields of Hi-tech Trade; Report on Progress of the JCCT Trade Statistics Work Team; and two memoranda of understanding on “Supporting China-U.S. Energy Cooperation Projects” and “China-U.S. Enterprise Cooperation Link Projects.”

The US committed to complete an assessment of Chinese poultry imports; hold technical discussions with Chinese counterparts on quarantine and access work for produce and seed imports; announce draft regulations on Chinese and Asian pear imports as soon as possible; and strive for trade in these pears by the end of March 2012. During the meetings, Vice Premier Wang Qishan reportedly asked the US to make further progress on relaxing its control of high-tech exports to China, recognize China’s market economy status, give equal treatment of Chinese businesses investing in the US, and avoid abuse of trade remedies. However, Chinese attempts to secure firm US commitments in these areas were to no avail.

Meanwhile, China’s commitments included pledges to invest \$1.5 trillion in “strategic newly emerging industries” such as biotechnology and energy conservation over the next five years, speed up progress in removing bird flu-related trade bans, provide market access for American pears, and issue dairy product certificates. China clarified its technical innovation policy, assuring the US delegation that foreign automobile manufacturers are not required to transfer technology to China or build Chinese brands, and promised to provide a “level playing field” for US and other foreign enterprises. In the area of intellectual property rights, China reiterated its commitment to bolstering IPR protection. Vice Premier Wang Qishan promised to create and head an office solely focused on protecting IPR, which Secretary of Commerce Bryson later described as a “step in the right direction.” China also committed to fully implement its software legalization project at the provincial level by mid-2012 and at the local level by the end of 2013.

A comment made Wang Qishan during the JCCT discussions regarding the global economy, reported by *Xinhua*, represented the bleakest assessment yet by a senior Chinese official. “The one thing that we can be certain of, among all the uncertainties, is that the global economic recession ... will be chronic,” Wang reportedly said, adding that “an unbalanced recovery would be better than a balanced recession.” He called on the US and China to make a “positive

contribution to the world through their own steady development,” suggesting that the two countries should attach priority to their own economies.

Taiwan arms sale and US-China defense ties

In the third week of September, the Obama administration announced that it had approved the sale of a new arms package worth \$5.85 billion to Taiwan. Included in the package was a major retrofit program to upgrade Taiwan’s 145 *F-16A/B* fighters procured in the early 1990s, spare parts for Taiwan’s *F-16*, *F-5* and *C-130* aircraft, and training for *F-16* pilots at Luke Air Force Base in Arizona. The sale was condemned by China’s Defense Ministry spokesman Geng Yansheng, who stated that “planned China-US military exchanges, including high-level visits and joint exercises, will definitely be impacted.” Geng strongly urged the US “to take immediate and effective measures to reduce any negative impact, respect China’s core interests, and honor its solemn commitment on the Taiwan issue through practical actions.” Vice Foreign Minister Zhang Zhijun summoned US Ambassador to China Gary Locke and lodged a protest. In addition, Guan Youfei, deputy chief of China’s Defense Ministry’s Foreign Affairs Office issued a demarche to the US military attaché to China.

The People’s Liberation Army subsequently postponed several bilateral exchanges, including a visit to China by the US Army Band, a visit by Pacific Command (PACOM) Commander Adm. Robert Willard, joint US-China counter-piracy exercises, and a US-China military medical exchange. The MFA delayed a planned meeting to discuss arms control and nonproliferation issues with Under Secretary of State for Arms Control and International Security Ellen Tauscher.

The decision to upgrade Taiwan’s fleet of *F-16A/Bs* did not come as a surprise to Beijing. The Chinese were undoubtedly relieved that Taipei’s request to purchase 66 new *F-16C/D* fighters had not been approved, though they were peeved that in a background briefing on the decision, a senior US administration official stated that the request was “still under consideration.”

In a diplomatic *faux pas*, Defense Secretary Leon Panetta praised China for handling the arms sale in a “professional and diplomatic way” during a news conference on the Indonesian resort island of Bali. Such praise could render Chinese leaders vulnerable to criticism of being too soft on the US and failing to defend Chinese sovereignty and territorial integrity.

Defense Ministry spokesman Yang Yujun responded indirectly to Panetta’s remark in a monthly press briefing, saying that “the way the United States handles some issues in Sino-US ties is neither professional nor diplomatic.” He added that respect for the core interests and major concerns of both sides is an important precondition for the steady development of Sino-US military relations and urged the US to “stop selling weapons to Taiwan and make joint efforts with the Chinese side to advance bilateral military ties in a healthy, stable, and reliable way.”

In early December, less than three months after the Taiwan arms sale was announced, Under Secretary of Defense Michele Flournoy traveled to Beijing to co-chair the 12th US-China Defense Consultative Talks (DCT) with her counterpart Gen. Ma Xiaotian, deputy chief of the People’s Liberation Army General Staff. China’s willingness to proceed with the DCT suggested that Beijing has accepted US calls to put the bilateral military relationship on a more

sustained, reliable, and continuous footing. In 2008 and 2010, China had postponed all military dialogues and exchanges for six and nine months respectively.

Topics discussed at the DCT included the Middle East and North Africa, Pakistan, North Korea, the South China Sea, Taiwan, and bilateral cooperation in counter-piracy, humanitarian assistance and nonproliferation. In a press briefing, Flournoy said that she assured the Chinese that the rotational deployment of US Marines to Darwin, Australia is not directed at China, but rather is about strengthening the US-Australia alliance. “The US does not seek to contain China; we do not view China as an adversary,” she said. Flournoy termed the round of talks “very constructive” adding that “We had a good exchange of views and I think both sides understood each other well.”

According to *Xinhua*, Ma told Flournoy that the US and China “share extensive mutual interests, . . . bear common responsibilities in many areas and have a strong desire to cooperate.” He also noted that “building a sound and steady military-to-military relationship . . . serves the mutual interests of both countries and will contribute to the enhancement of strategic mutual trust between the two sides, the maintenance of China-U.S. common security, and the management and control of crisis and prevention of risks.” Ma called on the US to take steps to remove the obstacles to the development of bilateral military ties, which, he indicated, include US arms sales to Taiwan, legislation that restricts exchanges between the two militaries, and the conduct of high-frequency close-in reconnaissance activities by US warships and planes against China. *Xinhua* characterized the talks as taking place in a “candid and constructive atmosphere,” and added that they “reached the anticipated goals.”

Reflecting persisting tensions over the US arms sale to Taiwan, the two sides did not agree on an agenda of bilateral exchanges for the coming year as they did in past rounds of the DCT, although they did agree to continue their engagements. Flournoy said that she hoped that their bilateral interactions in 2012 would include “a number of high level visits as well as a number of joint exercises such as humanitarian assistance and counter-piracy.”

Kim Jong Il dies suddenly

Signs were pointing toward progress on a deal between the US and North Korea that could pave the way for the resumption of Six-Party Talks aimed at denuclearization of Korea. Pyongyang reportedly agreed to suspend its enriched-uranium nuclear weapons program and Washington had agreed to provide the North with up to 240,000 tons of food aid. Then, on Dec. 19, North Korean television announced the unexpected death of its leader, Kim Jong Il. All negotiations were put on hold while the country went into mourning and measures were announced that further consolidated the accession to power of Kim’s youngest son, Kim Jong Un.

A day after Kim Jong Il’s death was announced, Foreign Minister Yang Jiechi and Secretary of State Hillary Clinton exchanged views on the matter in a telephone call. According to a statement posted on China’s Foreign Ministry website, Yang said that “safeguarding peace and stability on the Korean Peninsula serves the interests of all parties and China is ready to work with them toward that end.” Clinton reportedly said that the US would maintain close communication and coordination with China on the issue. It remained to be seen, however,

whether Kim's death would alter Beijing's longstanding reluctance to discuss with the US how the two countries might respond to potential instability in North Korea, including the challenges posed by refugee flows, civil conflict, or "loose nukes."

Looking forward to 2012

Chinese Vice President Xi Jinping, who is expected to assume the powerful position of general secretary of the Communist Party of China in the fall and become state president in early 2013, will likely visit the US in early 2012. His visit provides an important opportunity to deepen US-China mutual understanding. During his trip, Xi will travel to Washington DC and another major US city. More importantly, he will meet President Obama, Vice President Joseph Biden, and key business and opinion leaders. Growing economic friction and intensified competition in the security arena are producing a more prickly US-China relationship. Xi's visit provides a chance for the US to engage with China's incoming leader on critically important issues such as rebalancing the global economy, preventing Iran from going nuclear, and managing potential instability in North Korea. It also presents an opportunity for the US to underscore the need for a closer and more effective military-to-military relationship and to find ways to cooperate to meet common challenges. Finally, the US can seek to explain its concerns about Chinese domestic and foreign policies that contravene international laws or norms and listen to Chinese concerns about the US pivot to Asia and US intentions toward China. Candid talks with Xi Jinping can help ease mutual suspicions and navigate rough waters that may emerge in the relationship.

Chronology of US-China Relations* **September – December 2011**

Sept. 9, 2011: *Global Times* article warns that the US sale of *F-16s* to Taiwan would be viewed as damaging to Chinese core interests.

Sept. 20, 2011: US Trade Representative Ron Kirk announces that the US has filed a case with the World Trade Organization (WTO) against China's imposition of anti-dumping and countervailing duties against the import of US chicken broiler products.

Sept. 21, 2011: Chinese Vice Premier Li Keqiang meets a delegation headed by US Secretary of Energy Steven Chu in Beijing and exchanges views on China-US energy cooperation.

Sept. 21, 2011: The US Senate unanimously passes a resolution in support of Taiwan's observer status in the International Civil Aviation Organization (ICAO) to enable it to play a part in maintaining global air transport security.

Sept. 21, 2011: The US administration announces a new arms package worth \$5.8 billion to Taiwan, which includes the upgrading of 144 *F-16A/B* fighter jets.

Sept. 22, 2011: Defense Ministry spokesman Geng Yansheng says the latest US arms sale have created severe obstacles to normal military-to-military exchanges between the two countries.

* Chronology and research assistance by CSIS intern Mei Shanshan

Sept. 26, 2011: Chinese Foreign Minister Yang Jiechi meets US Secretary of State Hillary Clinton on the sidelines of the 66th Session of UN General Assembly in New York.

Sept. 30, 2011: Chinese Vice Premier Wang Qishan meets Lael Brainard, the US Treasury undersecretary for international affairs.

Oct. 4, 2011: US Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell and Acting Assistant Secretary of Defense for Asian and Pacific Affairs Peter Levoy give testimony on “Why Taiwan Matters, Part II” before the House Foreign Affairs Committee.

Oct. 5, 2011: Secretary of State Clinton says China and Russia are on the wrong side of history after vetoing a UN Security Council resolution condemning Syria for its brutal crackdown on pro-reform protesters.

Oct. 6, 2011: President Barack Obama criticizes China’s currency manipulation, but also says he wants to avoid passing laws that are symbolic but will not be upheld by the WTO.

Oct. 6, 2011: US Trade Representative Ron Kirk says the US has notified the WTO of nearly 200 Chinese subsidy programs, claiming many of them may violate free trade rules.

Oct. 11, 2011: China and the US hold their second consultation on Asia-Pacific issues in Beijing, co-chaired by Vice Foreign Minister Cui Tiankai and Assistant Secretary Campbell.

Oct. 11, 2011: The US Senate votes 63-35 in favor of legislation aimed primarily at China that tightens guidelines used to determine when a country is unfairly manipulating its currency.

Oct. 12, 2011: China’s Foreign Ministry spokesperson criticizes the Senate bill as protectionist and a serious violation of WTO rules, adding that “it won’t solve America’s own economic and employment problems.”

Oct. 13, 2011: The Congressional-Executive Commission on China releases its annual report on human rights and rule of law developments in China. It says that Chinese officials ignored the law or used the law as a tool to repress human rights, stifle dissent, and unfairly subsidize Chinese industry.

Oct. 13, 2011: Commerce Department reports that the US trade deficit with China hit a record high for a single month of \$29 billion in August and is running 9 percent above last year’s level, when the deficit hit a record \$273 billion.

Oct. 14, 2011: US Treasury Department announces that it is delaying release of its biannual currency report, postponing a decision on whether China is manipulating its currency.

Oct. 14, 2011: In a speech to the New York Economic Club, Secretary Clinton says China is deliberately holding down the value of its currency to boost exports and has the largest trading surplus in world history to the detriment of the US and other major economies.

Dec. 16, 2011: Vice Foreign Minister visits Washington and meets Secretary Clinton and Undersecretary Wendy Sherman.

Oct. 19, 2011: Seven US solar panels manufacturers file a trade case with the US Commerce Department against the Chinese solar industry, accusing it of using billions of dollars in government subsidies to help gain sales in the US market.

Oct. 24, 2011: At a news conference in Bali, Defense Secretary Leon Panetta praises China for its mild response to the US arms sale to Taiwan.

Oct. 27, 2011: State Councilor Dai Bingguo meets Deputy Secretary of State William Burns in Beijing.

Nov. 3, 2011: Office of the National Counterintelligence Executive presents a report to Congress that calls China the world's "most active and persistent perpetrators of economic espionage."

Nov. 7, 2011: Chinese MFA and Ministry of Commerce criticize the agenda for the APEC meeting, specifically proposals on environmental policy and the TPP.

Nov. 10, 2011: US Assistant Secretary of State for African Affairs Johnnie Carson and Vice Foreign Minister Zhai Jun co-chair fifth round of US-China Sub-Dialogue on Africa in Beijing.

Nov. 11, 2011: State Councilor Dai Bingguo meets Secretary Clinton and National Security Adviser Tom Donilon in Honolulu on the margins of the APEC meeting.

Nov. 12, 2011: Presidents Hu and President Obama meet on the margins of the APEC meeting.

Nov. 17, 2011: US House of Representatives' Committee on Foreign Affairs votes unanimously in support of the Taiwan Policy Act of 2011 "to strengthen and clarify the commercial, cultural, and other relations between the people of the U.S. and Taiwan," and the Taiwan Airpower Modernization Act, "to provide Taiwan with critically needed multirole fighter aircraft."

Nov. 19, 2011: President Obama and Premier Wen Jiabao hold an unscheduled meeting on the sidelines of the EAS in Bali.

Nov. 20-21, 2011: US Commerce Secretary John Bryson and US Trade Representative Ron Kirk, together with Vice Premier Wang Qishan, co-chair the 22nd Joint Commission on Commerce and Trade (JCCT) in Chengdu, China.

Nov. 21, 2011: Vice Minister of Commerce Wang Chao and US counterpart Bryson sign the Sino-US Intellectual Property Rights (IPR) Cooperation Framework Agreement at the JCCT.

Nov. 23, 2011: US Undersecretary of State Wendy Sherman visits Beijing and meets Wang Jiarui, head of the International Department of the Communist Party of China (CPC) Central Committee, and Foreign Minister Yang Jiechi.

Nov. 25, 2011: China's Ministry of Commerce announces an investigation into US government policy and subsidy support for renewable energy.

Dec. 7, 2011: Undersecretary of Defense Michele Flournoy meets Gen. Ma Xiaotian, deputy chief of the People's Liberation Army General Staff for the 12th Defense Consultative Talks.

Dec. 7, 2011: The US and China announce implementation of the Megaport Initiative to monitor for "nuclear and other radioactive materials in cargo containers" at Shanghai's Yangshan Port.

Dec. 8, 2011: The fourth high-level dialogue between the Communist Party of China and the Democratic and Republican parties of the US is held in Washington.

Dec. 10, 2011: Wang Jiarui, head of the International Department of the CPC Central Committee, meets US Deputy Secretary of State William Burns to further promote bilateral ties.

Dec. 12-13, 2011: Derek Mitchell, US special representative and policy coordinator for Burma, visits China to discuss US policy toward Burma and Secretary Clinton's visit to that country.

Dec. 15, 2011: US Special Representative for North Korea Glyn Davies visits Beijing and meets Foreign Minister Yang Jiechi.

Dec. 19, 2011: A federal circuit court rules that the US cannot impose "countervailing duties" or emergency anti-subsidy tariffs, on imports from countries such as China that are designated as "non-market economies."

Dec. 20, 2011: Foreign Minister Yang Jiechi speaks by phone with Secretary Clinton regarding North Korea's leadership succession.

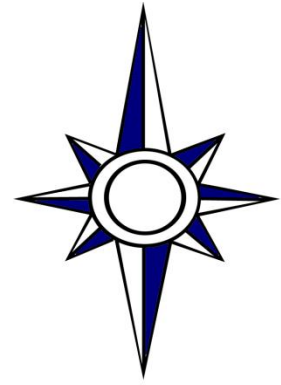
Dec. 27-29, 2011: The *USS Carl Vinson* visits Hong Kong, marking the fourth port call to Hong Kong by a US carrier strike group this year.

Dec. 27, 2011: US Treasury Department declines to brand China a manipulator of its exchange rate, but says the yuan is undervalued and vows to press for greater exchange-rate flexibility.

Dec. 30, 2011: State Councilor Dai Bingguo and National Security Advisor Tom Donilon hold a telephone conversation on US-China relations.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-Korea Relations:

Death of Kim Jong Il

**Victor Cha, Georgetown University/CSIS
Ellen Kim, CSIS**

South Korean President Lee Myung-bak's state visit to the US was a big event that attested to the strength of the two countries' relationship and the personal ties between Presidents Obama and Lee. The timely passage of the KORUS FTA in the US was the big deliverable for the summit. Final ratification of the FTA in both countries clears one longstanding issue and lays the foundation for greater economic integration and a stronger alliance. Meanwhile, the most shocking news for the final third of the year was the death of North Korean leader Kim Jong Il in late December. His death disrupted US-DPRK bilateral talks as North Korea observed a mourning period for its late leader. The US and South Korea spent the last two weeks of December quietly watching developments in North Korea as the reclusive country accelerated its succession process to swiftly transfer power to the anointed successor, Kim Jong Un.

A visit to the White House like no other

In mid-October, President Lee Myung-bak made a state visit to the US – the first by a South Korean head of state since Kim Dae-jung's 10 years ago. For the US, this was the fifth state visit that President Obama has hosted since he took office in 2009. During his five-day visit, Lee was widely celebrated in Washington, including his visit to the Pentagon, a welcome luncheon hosted by Vice President Joseph Biden and Secretary of State Hillary Clinton, an address to a joint session of Congress, and a state dinner hosted by Obama. The presidents also held a pair of meetings where they discussed their countries' approach toward North Korea and the road ahead for the Six-Party Talks. After his day at the White House and the Congress, on Oct. 14, Lee also attended a foreign policy breakfast at the Blair House hosted by CSIS and Korea Economic Institute with CSIS Trustee members and former senior US officials including Steve Hadley, Jim Jones, Jim Schlesinger, Rich Armitage, Susan Schwab, and Jim Steinberg.

The state visit was a very successful event. It was a grand ceremony to celebrate the renaissance of the two countries' relations, a stronger US-ROK alliance, and reflected growing trust between the Obama and Lee administrations. After North Korean provocations in 2009 and 2010 and the unexpected turns in US strategy toward Japan and China, South Korea has emerged as the most important Asian ally of the US in the region. Close cooperation between Presidents Obama and Lee on a range of global issues has brought the two countries together as global partners, elevating US-ROK relations to one of its highest points, if not the highest in the history of the relationship. Nevertheless, Lee's state visit was substantively about overcoming the stubborn foreign policy issue regarding the ratification of the Korea-US free trade agreement (KORUS FTA) as it came against the backdrop of various efforts within and between Obama and Lee administrations to increase pressure on Congress to ratify the long-stalled FTA. A failure to

achieve ratification as a deliverable would have been an embarrassment for the Obama administration and a major stain on Lee's visit as the House of Representatives Speaker John Boehner would not commit to Lee's addressing a joint session of Congress if the FTA had not been ratified. In the end, the White House was able to achieve an 11th-hour deal that pulled everyone's chestnuts out of the fire, albeit at the expense of many new gray hairs for staffers planning the visit.

One of the highlights of the visit was the unprecedented level of hospitality President Lee received from Obama during his stay. Lee was invited to "The Tank" – a secure conference room at the Pentagon – and given a personal briefing by Secretary of Defense Leon Panetta and other top US military officials. Pentagon spokesman Capt. John Kirby noted that it was "the first time in recent history that a foreign head of state has been briefed by the service chiefs in The Tank." Lee's address to a joint session of Congress received high praise from US lawmakers. In addition, Obama invited Lee to a Korean restaurant for an intimate dinner. The leaders also made a trip to Detroit to visit General Motors assembly plant and touted the KORUS FTA to US auto industry workers. No other head of state has received such warm hospitality from Obama. As *The New York Times* described it, "the carpet does not get any redder than that." Others also chimed in to explain why Obama treated Lee so well and paid such close attention to their bonds and friendship. Certainly, Lee was treated well because South Korea is a reliable US partner in Asia but also because this is one of the closest personal friendships that Obama has struck with any world leader. Obama's personal admiration for Lee and Koreans is evident in the extraordinary number of times the US president refers to Korea in his speeches. These close personal ties have also had a positive impact on the current US-ROK relationship.

Final passage of KORUS FTA

By yearend, the KORUS FTA was ratified by the legislatures of both countries. It took five years to reach this point since being signed by former presidents, George W. Bush and Roh Moo-hyun. Congressional ratification of KORUS is significant for the US because it is the first bilateral FTA that the US signed with a major Asian economy and it's the largest FTA since the North American Free Trade Agreement. It has infused new energy into the US trade agenda and other multilateral trade negotiations like the Trans-Pacific Partnership. As for South Korea, this is the second largest free trade agreement following the Korea-European Union FTA, which came into effect on July 2011.

The ratification of KORUS was long-delayed by a difficult political and economic environment in both countries, but also by the especially thorny issues of autos and US beef. After the global financial crisis and the economic recession hit the US, historic unemployment rates and large trade deficits raised the protectionist bar. When Democrats gained control of both US chambers in 2009, FTAs were pushed aside by other pressing domestic agendas. A turning point came in January 2010 when President Obama in his State of the Union Address touted the KORUS FTA as part of his National Export Initiative that would stimulate the economy by increasing US exports and creating jobs. To resolve all outstanding issues and clear the path for ratification in the US, Obama and Lee administrations renegotiated a supplemental amendment in late 2010.

President Lee's state visit served as a deadline for the White House and Republicans to resolve their lingering differences on the extension of the Trade Adjustment Assistance (TAA). The Senate's passage of the scaled-back version of TAA in September was a breakthrough that enabled finding a middle ground. President Obama then swiftly submitted the three FTAs with South Korea, Colombia, and Panama for congressional approval. The House passed the bill 278-151 and the Senate 83-15.

After both chambers of the US Congress approved KORUS, pressure to ratify the agreement dramatically increased in South Korea. However, the ruling Grand National Party (GNP) and opposition parties could not find a compromise to break their impasse. In particular, the Democratic Party (DP) was locked in a boisterous struggle with the Lee administration. Claiming that the investor-state dispute settlement (ISD) clause of the agreement favors the US, the DP demanded a written agreement with the US to renegotiate ISD prior to ratification by the National Assembly. President Lee offered that the ROK government would raise ISD with the US within three months of ratification, but the DP turned down his offer. With the resulting deadlock, the GNP pushed the agreement through the legislature, exercising its majority. This spectacle of legislators physically fighting over the FTA's passage made Korean democracy look bad in international eyes. But in the end, it was necessary.

The FTA's passage is a critical step in helping Korea out of its current "funk." As the recent Seoul mayoral election showed, Koreans are angry at politics in the country and dismayed at their socioeconomic situation. Slow growth, high commodity prices, high tuition, and high unemployment have created popular disenchantment. While the official unemployment rate is around 3.2 percent, youth unemployment is closer to 20 percent. According to Professor Park Yoon-shik at George Washington University, the work force participation rate for the 15-24 age group in Korea is only 25 percent, which is half the OECD average (48.5 percent). These numbers have fueled DP criticism of the Lee government for failing to deliver. The underlying problem is that the economy is going through a transformation now where traditional manufacturing jobs that fueled Korea's spectacular growth are both less available and less appealing to affluent Koreans. The key area for future growth in employment for Korea is not in manufacturing but in the service sector. What is needed is drastic deregulation of the banking, finance, insurance, medicine, telecommunications, and other high-value sectors.

Implementation of the KORUS FTA will serve as an impetus to deregulate the service sector and shift the Korean economy into the service sector. It will open the Korean domestic market to competition from the US and European, which will benefit consumers as they will have more choices in everything from legal services to overnight delivery services. It will also create new jobs with both foreign and domestic companies in Korea. The KORUS FTA is more than simply a trade agreement or a decorative ornament to hang on the US-Korea alliance tree. It is fundamental to Korea's future as a competitive economy and as a vibrant and confident society. That's why the FTA was approved in the National Assembly, even if the passage was not pretty.

Six-Party Talks

The unfortunate timing of Kim Jong Il's sudden death (discussed below) struck a major blow to diplomatic efforts by the US to resume the Six-Party Talks. In mid-December, the US and DPRK

officials held another round of talks in Beijing. Substantial progress was made as North Korea reportedly agreed to take initial steps to denuclearize, including a temporary freeze of its uranium enrichment program in return for food aid. This breakthrough agreement, pending final negotiation of technical details, appeared to set the stage for a resumption of the Six-Party Talks. But, with the sudden death of Kim, all talks with North Korea were put on hold, and it now remains unclear how North Korea's transition will factor in the country's position on the resumption of the Six-Party Talks.

The North Korean leader's death set off a flurry of meetings among the six-party member countries at the end of the year. South Korea immediately dispatched its new special representative for Korean Peninsula peace and security affairs, Lim Sung-nam, to Beijing and Washington. In Beijing, Lim met counterpart Wu Dawei and had a "useful discussion" on North Korea's transition following Kim Jong Il's death and agreed to renew efforts to resume the Six-Party Talks. In Washington, Lim and Glyn Davies, the new US envoy for North Korea, discussed the two countries' next steps in dealing with North Korea. Seoul and Washington agreed to maintain their current wait-and-watch approach, while making it clear to North Korea that both the US and South Korea are open to talks with the North when the country is ready. The ball is now in Pyongyang's court. All countries are hopeful that the new regime will reaffirm the DPRK's agreement to suspend its uranium enrichment program and its commitment to denuclearization before they return to the denuclearization talks.

The king is dead, long live the kid?*

North Korea surprised the world with the announcement of its leader Kim Jong Il's death. On Dec. 19, the country's state media reported that he had died two days earlier of a massive heart attack caused by stress and overwork and declared a 10-day mourning period. The breaking news spurred immediate responses from China. Beijing immediately expressed its official condolences over the death of Kim Jong Il, recognized his not-yet-30-year-old son, Kim Jong Un as the new leader, and extended an invitation for the young Kim to visit Beijing. The Chinese Foreign Ministry reportedly summoned ambassadors from the US, ROK, Japan, Russia, and others in Beijing to caution them against any undesirable behavior toward the North and to assure them that the power transition was proceeding well. In South Korea, the ROK military went to a moderately higher level of alert. President Obama released a joint statement with President Lee, reaffirming a strong commitment to the stability of the Korean Peninsula and the security of South Korea. In her press briefing with Japanese Foreign Minister Gamba Korchiro, Secretary of State Hillary Clinton made it clear that the common US-Japan interest lies in a "peaceful and stable transition in North Korea as well as ensuring regional peace and stability." To avoid inflaming tensions with North Korea during its mourning period, Seoul softened its stance toward Pyongyang and canceled a scheduled Christmas tree lighting near the DMZ, which was deemed by North Korea as propaganda to arouse public unrest.

* An earlier version of this section was published for CNN's Fareed Zakaria Global Public Square <http://globalpublicsquare.blogs.cnn.com/2011/12/27/cha-north-koreas-moment-of-truth/?iref=allsearch> as "North Korea's Moment of Truth," by Victor Cha.

It would be wrong to interpret from the funeral proceedings that all in Pyongyang is back to normal. Many analysts have watched the speed with which Kim Jong Un has been adorned with titles (“Great Successor”) and deduced that the North Koreans are carrying out their succession plan with precision. Nothing could be further from the truth.

First, a well-choreographed funeral procession is something the North Koreans did in July 1994 when Kim Il Sung died. In a society where carefully choreographed displays of nationalism are the norm, managers dust off the playbook and carry out the task with the same precision. However, if anyone thinks that the North Koreans had a well-laid plan for succession before Kim’s death, they have been reading too many Cold War spy novels.

Just think about it – in North Korean society, do you think any leader could have said, “Hey, let’s come up with a succession plan for when Kim Jong Il dies”? This is a place where an undusted portrait of Kim Jong Il could get you thrown into a gulag. The only time when the topic was broached was in the aftermath of Kim Jong Il’s stroke in August 2008. Yet, even then, when Kim Jong Un was anointed and the party propaganda machine started churning out tales of the young son to build his cult of personality, these preparations were suddenly stopped, most likely by the father who did not want anyone starting to write him off. No, this succession has not been planned. They are improvising each day.

Lately, we have seen Chang Song Taek, junior Kim’s uncle and regent in the power transition, donning a military uniform to show he is in charge. We have seen footage of Kim Jong Un in a leadership role. Yet these are not signs that the leadership transition is well underway; they are signs of a desperate rush to establish leadership when none really exists. The efforts now to show images of the young Kim and his uncle manifest insecurity and the anxiety to show all is under control when it is not. Unlike the funeral, there is no playbook for running the country after the Dear Leader’s death. They are making it up as they go.

For the US, there is only one thing worse than a nuclear North Korea – a leaderless regime without clear control of its nuclear arsenal. Denuclearization has been the cornerstone of US policy for 25 years. If the regime cannot hold itself together, policymakers need to have a plan for a “loose nukes” disaster. This may sound alarmist, but only until we hear the first rumors in the coming weeks and months that things are amiss in Pyongyang – factional struggles, rogue military units, Kim family squabbles. Then, such admonitions will be deadly sober.

Can we negotiate with the post-Kim Jong Il leadership? Maybe offer them a once-in-a-lifetime opportunity to get out of their current mess? Analysts surmise that the young Kim’s brief period of secondary schooling in Switzerland – where he reportedly took courses on democratic political systems and US elections – might make him a more enlightened leader. Here’s the problem: First, we don’t know who the leader of North Korea is yet. Reaching out to Pyongyang now could poison the hand we touch in the dark dynasty’s palace politics and create more instability in a country where “Juche” or “self-reliance” laced with a heavy dose of anti-Americanism is the ruling ideology. Second, watershed change requires strong and visionary leadership – like Deng Xiaoping’s modernization reforms or Mikhail Gorbachev’s *perestroika*. The Chinese will go “all-in” with North Korea to prevent a

premature collapse of its communist brother on its northeastern flank. But no matter what Beijing does, it cannot turn the 20-something-year-old boy we see weeping at his father's wake into North Korea's Deng Xiaoping.

North Korea's post-Kim Jong Il transition is likely to feature increased roles by the party vanguard and the military. These two groups are not likely to pursue an ideology that opens up to the outside world. On the contrary, the defining moments that this generation of North Korean leaders has seen were the near-collapse of the Chinese communist party in 1989, the fall of the Berlin Wall, and the Arab Spring. Moreover, breathing down their necks is a spectacularly successful South Korea. Insecure regimes like this in the middle of a power transition tend to get tougher, not more liberal. The emerging ideology built for Kim Jong Un is more hard line and more conservative than his father's – what we describe as “neo-Juche conservatism.”

The ultimate irony is that this new hardline ideology will not succeed under Kim Jong Un because of an unintended legacy left by his father. Kim Jong Il not only bequeathed nuclear weapons to his country, but he also gave them markets. Driving the economy into the ground and abandoning the government ration system in 2002, Kim Jong Il let the starving North Koreans fend for themselves, which led to the creation of markets where people bought and sold goods to survive. Even after the government reinstated rations, it could not squelch the markets which went underground. Defectors today report that people obtain nearly 60 percent of their livelihood from the market.

This is the future of North Korea: A market-based mentality that is creating an independence of thought from the government and a weak, inexperienced leadership that is taking a more orthodox communist stance to cover up its own failings. This system cannot hold, and rather than hoping that the leadership transition will not impede US desires to return to another unfruitful cycle of denuclearization talks, they should all be ready when the moment of truth for this dark kingdom's dictatorship arrives.

Chronology of US-South Korea Relations* **September-December 2011**

Sept. 1, 2011: ROK rival parties agree to begin the ratification process for the Korea-US Free Trade Agreement (KORUS FTA) at the same pace with the US Congress.

Sept. 5, 2011: President Lee names Yu Woo-ik as the new unification minister and Hyun In-taek as special presidential advisor for unification policy.

Sept. 7-9, 2011: ROK's Special Representative for Korean Peninsula Peace and Security Affairs Wi Sung-lac visits the US for consultations on the resumption of the Six-Party Talks.

Sept. 15, 2011: ROK sends a shipment of flood aid (200,000 packets of baby food) to DPRK.

* Compiled by Barbra Kim

Sept. 16, 2011: ROK ruling party presents KORUS FTA to a parliamentary committee as a first step toward its ratification.

Sept. 20, 2011: ROK Defense Minister Kim Kwan-jin states that Seoul and Washington are discussing a revision of restrictions on the range of South Korean missiles.

Sept. 21, 2011: ROK Special Representative Wi Sung-Lac and DPRK Vice Minister of Foreign Affairs Ri Yong Ho meet for a second round of talks aimed at restarting the Six-Party Talks.

Sept. 21, 2011: President Obama warns that DPRK will face “greater pressure and isolation” if it continues its nuclear weapons program and hostile actions against ROK.

Sept. 28, 2011: US government issues an apology for the rape of a Korean girl by a US soldier stationed in South Korea.

Oct. 3, 2011: President Obama submits three pending free trade agreements with South Korea, Panama and Colombia to Congress for approval.

Oct. 6, 2011: Lim Sung-nam becomes South Korea’s special representative for peace and security affairs on the peninsula, which entails serving as ROK envoy to the Six-Party Talks.

Oct. 12, 2011: US Congress approves long-delayed KORUS FTA.

Oct. 13-14, 2011: President Lee Myung-bak makes state visit to the US, meets President Obama, delivers a speech before a joint session of Congress, and visits a GM plant in Michigan.

Oct. 13, 2011: ROK’s ruling party officials vow to approve KORUS FTA within the month even in the face of strong opposition from opposition parties.

Oct. 17-21, 2011: UN Humanitarian Chief Valerie Amos visits the DPRK to assess the chronic food shortage situation.

Oct. 18, 2011: US and DPRK begin talks in Bangkok on resuming efforts to recover the remains of US soldiers killed during the Korean War.

Oct. 19, 2011: Members of the ROK Democratic Party storm the committee room at the National Assembly to prevent deliberations and a vote on the KORUS FTA bill.

Oct. 20, 2011: State Department announces that current US Special Representative for North Korea policy Stephen Bosworth will be replaced by Glyn Davies.

Oct. 24-25, 2011: Representatives from the US and North Korea meet in Geneva for what is described as a “continuation of the exploratory meetings.”

Oct. 26-27, 2011: US Defense Secretary Leon Panetta visits Seoul to attend the 43rd Security Consultative Meeting.

Oct. 27, 2011: Assistant Secretary Campbell visits Seoul to debrief ROK officials on the outcome of the US-DPRK talks in Geneva.

Oct. 28, 2011: ROK military conducts large-scale military exercise as US and ROK agree to complete joint operational plan against DPRK this year.

Nov. 2-7, 2011: ROK Unification Minister Yu Woo-Ik visits the US and meets Deputy Secretary Burns and Sen. Joe Lieberman in an effort to strengthen coordination on North Korean affairs.

Nov. 4, 2011: About 1,000 people hold a candlelight vigil in Seoul to protest the KORUS FTA.

Nov. 8, 2011: ROK agrees to resume sending medical aid to DPRK through the World Health Organization.

Nov. 10, 2011: ROK Special Representative Lim Sung-nam visits Vienna and meets US Special Representative for North Korea Policy Glyn Davies.

Nov. 13, 2011: President Lee attends the APEC forum held in Hawaii.

Nov. 15, 2011: President Lee promises to renegotiate the investor-state dispute (ISD) settlement provision with the US within three months after KORUS FTA passes in the National Assembly.

Nov. 16, 2011: ROK's main opposition party the Democratic Party rejects President Lee's offer to demand renegotiations with the US on KORUS FTA after ratification.

Nov. 17, 2011: South Korea, Japan, and the US hold trilateral talks on the resumption of the stalled Six-Party Talks, at the East Asia Summit in Bali.

Nov. 20, 2011: US Undersecretary of State for Political Affairs Wendy Sherman meets senior ROK officials in Seoul to discuss US-ROK alliance issues.

Nov. 22, 2011: KORUS FTA passes the ROK National Assembly with the ruling Grand National Party pushing a surprise floor vote.

Nov. 23, 2011: US and ROK agree to seek improvements to the Status of Forces Agreement following a series of crimes committed by US service personnel in Korea.

Nov. 28, 2011: President Lee signs 14 bills linked to the implementation of KORUS FTA.

Nov. 29, 2011: US Secretary of State Hillary Clinton visits South Korea to attend the Fourth High-Level Forum on Aid Effectiveness held in Busan.

Nov. 30, 2011: Opposition parties in South Korea vows to continue their campaign against implementation of the KORUS FTA.

Nov. 30, 2011: US House Subcommittee on Asia and the Pacific unanimously passes a resolution that calls on North Korea to disclose the whereabouts of and repatriate all those kidnapped during the Korean War.

Dec. 5-6, 2011: US State Department Advisor for Nonproliferation and Arms Control Robert Einhorn visits Seoul to encourage the ROK to participate in mutual sanctions against Iran and to review the US-ROK Civil Nuclear Cooperation Agreement.

Dec. 8, 2011: US Special Representative Davies and Clifford Hart, US envoy and chief representative to the Six-Party Talks, visit Seoul to meet ROK foreign minister, unification minister and national security adviser to discuss DPRK nuclear issues.

Dec. 8, 2011: Derek Mitchell, US special envoy to Burma, visits Seoul to brief ROK government officials on the background of Secretary Clinton's visit to the country.

Dec. 13, 2011: ROK Foreign Minister Kim Sung-hwan says KORUS FTA could be delayed until after Jan. 1, as further consultations with the US may be needed.

Dec. 14, 2011: ROK Trade Minister Kim Jong-hoon says that KORUS FTA could be delayed until next February.

Dec. 14-15, 2011: US Special Envoy for North Korean Human rights Issues Robert King and senior USAID official Jon Brause meet DPRK Director General for American Affairs Ri Gun in Beijing to discuss food aid.

Dec. 16, 2011: ROK imposes new sanctions on Iran, limiting financial deals with 99 Iranian groups and six individuals from the Middle Eastern country.

Dec. 17, 2011: *Yonhap* reports that the US has agreed to provide up to 240,000 tons of food aid to North Korea based on North Korea's pledge to implement initial measures of denuclearization that include a suspension of its uranium enrichment program.

Dec. 19, 2011: North Korean media report that DPRK leader Kim Jong Il died on Dec. 17.

Dec. 20, 2011: ROK government expresses sympathy to the people of DPRK over the death of Kim Jong Il, but decides not to send an official condolence delegation to the communist nation.

Dec. 20, 2011: Secretary Clinton offers prayers to the people of DPRK while urging the country's new leadership to follow "path of peace" following the death of Kim Jong Il.

Dec. 22, 2011: The US says that it is willing to continue talks with the DPRK on possible food aid and the resumption of the Six-Party Talks after the death of Kim Jong Il.

Dec. 22, 2011: Special Representative for Korean Peninsula Peace and Security Affairs Lim Sung-nam meets Chinese counterpart Wu Dawei to discuss North Korea in the aftermath of Kim Jong Il's death and ways to revive the Six-Party talks.

Dec. 22, 2011: President Lee says that the ROK does not want to show hostility to the DPRK and that it is willing to soften its official stance toward the DPRK as much as possible.

Dec. 26, 2011: DPRK's *Rodong Sinmun* calls Kim Jung Un head of the Worker's Party's Central Military Commission.

Dec. 27, 2011: ROK National Assembly's Foreign Affairs Committee adopts a resolution demanding renegotiation of KORUS FTA, especially for the modification, reversing or abolition of the Investor-State Dispute settlement clause.

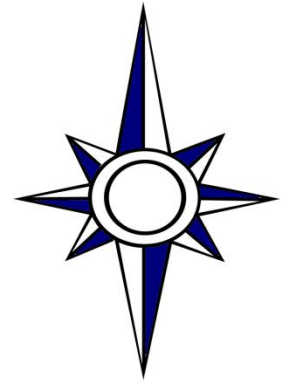
Dec. 28, 2011: DPRK leader Kim Jong Il's funeral ceremony is held in Pyongyang.

Dec. 28, 2011: Lim Sung-nam, ROK's chief negotiator to the Six-Party Talks, visits Washington and meets Special Representatives Davies and King to discuss next steps on North Korea.

Dec. 29, 2011: DPRK holds a massive memorial service for Kim Jong Il and declares Kim Jong Un as the North's "supreme leader."

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



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US-Southeast Asia Relations: Rebalancing

With visits to Hawaii, Indonesia, Australia, the Philippines, and Burma, President Obama and Secretaries Clinton and Panetta demonstrated a renewed US commitment to Southeast Asia despite concern over a projected steep decline in the US defense budget. Southeast Asian reactions to the announcement of an increased rotation of US military assets to Australia range from ambivalence in Indonesia to enthusiastic endorsement in the Philippines and Singapore. Generally, the additional US forces are seen as evidence of Washington's decision to remain involved in regional security. At the East Asia Summit (EAS), Obama outlined his hope that it could serve as a high-level security conclave whose agreements would be implemented through other multilateral organizations. In visits to the Philippines and Indonesia, Clinton and Obama promised naval and air force upgrades to each, including two squadrons (24 aircraft) of refurbished *F-16C/Ds* for Jakarta. Hoping for a breakthrough in US-Burma relations, Obama sent Clinton to see whether the situation warranted the easing of US economic sanctions and if Naypyidaw was moving to meet US conditions for the restoration of full diplomatic relations.

US security shifts toward Asia

Despite the worst US economic downturn in decades and the prospect of a trillion dollar cut in defense spending over the next 10 years, the Obama administration is enhancing its security presence and commitments in Asia generally and toward Southeast Asia specifically, hoping to reassure partners and allies that the US pledge to the region remains strong and reliable. As National Security Adviser Tom Donilon said at the end of the East Asia Summit (EAS) in Bali on Nov. 19, "What we've seen in this trip is the implementation of a substantial and important reorientation of our efforts toward the challenges and opportunities in Asia on the part of the United States." This is a multidimensional enterprise involving the expansion of the Trans-Pacific Partnership (TTP) trade pact with eight other nations so far, the creation of a US marine air and ground presence in northern Australia on a rotating basis to exercise with Australian forces, a new diplomatic initiative toward Burma's autocratic government that has shown glimmers of liberalization, and enhanced military ties with the Philippines as well as the provision of combat aircraft to Indonesia plus two new US ships to Singapore. Speaking to the Australian Parliament in Canberra, President Obama averred that "Reductions in US defense spending will not – I repeat, will not – come at the expense of the Asia-Pacific. We will preserve our unique ability to project power and preserve peace."

In her wide-ranging article on US involvement in Asia in the November issue of *Foreign Policy*, Secretary of State Hillary Clinton highlighted support for India's "Look East" efforts in Southeast Asia as well as Japan's enhanced activities, including a new trilateral

dialogue. President Obama buttressed this assessment in his Canberra speech. In an earlier October visit to Italy, Defense Secretary Leon Panetta, responding to a question about America's Asian commitments, stated, "The most important thing we can do is to project our force into the Pacific – to have our carriers out there, to be able to make very clear to China that we are going to protect international rights to be able to move across the oceans freely." In this vein, the US-Australian joint statement announcing the rotation of up to 2,500 Marines to Darwin, including their aircraft, can be seen as a southern anchor to US positions from Japan and Korea in the north to regular training exercises with Southeast Asians that will now include collaboration with US and Australian partners. As National Security Council Asia Director Danny Russel stated on Nov. 16, "US and Australian Marines [will] train together ... and mentor third countries together." Singapore, Indonesia, and Vietnam are specifically mentioned among the countries that may exercise with them in addition to Washington's regular partners, Thailand and the Philippines.

In September at the Australian-US Ministerial Meeting in San Francisco, the two countries agreed that US forces would be granted additional access to three Australian bases in western Australia. The arrangement also permits the pre-positioning of US equipment. According to Australian Defense Minister Stephen Smith, the basing deal is "the single biggest change for advancement of the alliance relationship since ... the 1980s." The new access arrangements will place US Marine, Navy, and Air Force assets closer to Southeast Asia and out of range of any PRC ballistic missiles. (Fremantle port in western Australia is closer to Singapore than it is to Sydney. Darwin is only 820 km from Indonesian territory.)

Southeast Asian reactions to the new Australian-US base arrangements are mixed. Indonesian Foreign Minister Marty Natalegawa on Nov. 18 expressed concern that they could cause "complications" for ASEAN. He also asked for more transparency on "security scenarios" and plans for the use of Australian and US forces. Indonesian Commander-in-Chief Adm. Agus Suhartono fears that ships from Darwin will put the Indonesian archipelago in the midst of the South China Sea disputes. Some members of Indonesia's legislature wondered if the US deployments so close to Indonesia portended US involvement in Papua with respect to the labor strike at the Freeport mine (a US company). By contrast, Singapore and the Philippines have welcomed the Australian-US agreement and even Indonesian President Susilo Bambang Yudhoyono has said he did not expect the new arrangements to upset regional security, saying "My hope is that China with the US will help establish Asia Pacific as a pillar of global growth." Along similar lines, Defense Minister Purnomo Yusugiantoro on Nov. 25 said that US forces in Darwin "can become our partners in joint exercises." And the Indonesian State Intelligence Agency (BIN) stated the US military presence in Australia will create no problems for Indonesia.

The East Asia Summit (EAS) and the South China Sea

Over the past few months, Washington has continued to emphasize freedom of navigation in the South China Sea and multilateral negotiations as the preferred way for resolving sovereignty disputes. To this end, US officials have insisted that the 1982 UN Law of the Sea (UNCLOS) is the legal foundation for these negotiations and that all disputants devise a common Code of Conduct (COC) to insure that the activities of claimant states in the South China Sea remain

peaceful. At the EAS in November, President Obama worked to fill in the gap he had identified in Asian regional architecture. While the infrastructure for the discussion of economic issues was fairly well developed through APEC, ASEAN Plus 3, the TPP, and the ASEAN Free Trade Area, political-security discussions remained underdeveloped. In a Nov. 9 press briefing, NSC Senior Director Danny Russel stated that Obama hoped “to transform the existing East Asia Summit into a venue where the leaders can not only discuss but provide guidance and leadership to other regional institutions, such as the ASEAN Regional Forum and the meetings of the ministerials.” The US acknowledged that ASEAN is the core for institution building in Asia and sees the EAS as an ASEAN-based expansion for regional security.

Specifically, President Obama urged the 18 nations represented at the EAS to discuss maritime security – a topic China hoped to keep off the agenda as inappropriate for a large regional gathering. In the event, 16 of the leaders in attendance spoke on the issue – only Cambodia and Burma remained silent. The first to speak were Singapore, the Philippines, and Vietnam. Manila and Hanoi have experienced tensions with China over confrontations in the South China Sea in 2011. The Southeast Asian leaders agreed that maritime disputes required a multilateral solution and that creation of a Code of Conduct would be an important first step. Obama waited for the Asian leaders to speak and then reiterated the US position that Washington had no claims in the South China Sea territorial disputes and did not take sides. However, the US has “a powerful stake in maritime security in general, and in the resolution of the South China Sea issue specifically – as a resident Pacific power, as a maritime nation, and as a guarantor of security in the Asia-Pacific region.” His description of the US as an Asian security guarantor carried particular resonance in the immediate aftermath of Washington’s forthcoming enhanced military presence in northern and western Australia.

Further on the diplomatic front, at the ASEAN Summit, Philippine President Benigno Aquino proposed a “zone of peace, freedom, friendship, and cooperation” – a rather grandiose name for an appeal to ASEAN to facilitate a meeting among all South China Sea claimants, including China. Its purpose would be to reach agreement on which areas of the SCS are in dispute and differentiate them from those that are not contested. In the latter, littoral states could engage in economic activities unmolested; in the former, negotiations among the claimants under ASEAN auspices could lead to joint economic arrangements while putting sovereignty claims aside.

ASEAN’s reaction to the Philippine proposal was cool. The 2011 ASEAN chair, Indonesia’s Foreign Minister Natalegawa, said that no additional proposal should get in the way of ongoing ASEAN-China negotiations for a Code of Conduct. Under its new chair, Cambodia, the ASEAN states agreed to have a draft CoC ready for review at the July 2012 ARF meeting. To date, it appears that discussions have yet to address the tough issue of maritime security practices in overlapping EEZs. This concern has already led to confrontations between China and the Philippines and Vietnam. Manila and Hanoi have awarded petroleum exploration contracts to Exxon Mobil, Talisman Energy, Inc., Energy Forum, Plc, and ONGC Vigdesh.

US enhances military ties with the Philippines

With the weakest armed forces among the South China Sea claimants, the Philippines has set out to enhance its military capabilities as well as strengthen security ties with the US, a defense

treaty partner. A small number of US Special Forces have been in Mindanao for almost a decade, training Philippine troops in counterinsurgency and probably also providing operational help via unmanned spy drones that monitor enemy positions. In early September, Manila announced that it would increase spending to defend its South China Sea territories, particularly the area of a \$4.5 billion natural gas project operated with Shell Philippines. That project supplies half of Luzon's natural gas needs and is located 50 miles off the coast of Palawan in waters also claimed by China. The new defense appropriation – a \$118 million addition to the current budget – will purchase a new naval patrol vessel and six helicopters, all destined for service in the Palawan region. Also emphasizing the importance of the Palawan area, US and Philippine forces held their annual *PHIBLEX* exercise there with combined forces of 3,000 that included a beach assault exercise. US Marine Col. Andrew MacMannis said one of the purposes of the exercise was to familiarize Philippine marines with advanced American equipment. (The Philippine navy has one of the oldest fleets, including many World War II vessels.) China's *Global Times* displayed China's ire at the Philippine-US military drills near the Spratlys by stating that they “provide no better excuse to strike back.”

In a mid-November visit to the Philippines – her second in a month – Secretary of State Clinton spoke of updating the defense treaty between the two countries. Referring to the South China Sea by the name recently given to it by the Philippine government – the West Philippine Sea – Clinton stated that “The United States does not take a position on any territorial claim because any nation has the right to assert it, but they do not have a right to pursue it through intimidation or coercion.” Updating the defense treaty, according to Clinton, “will require ... greater support for external defense, particularly maritime domain awareness – defensive ones – maritime boundaries.” A formal meeting involving the two countries' foreign affairs and defense secretaries to discuss these issues is scheduled for January.

Secretary Clinton also committed to bolster Philippine naval power while on board the *USS Fitzgerald* in Manila Bay with Philippine Foreign Secretary Albert del Rosario. Celebrating the 60th anniversary of the Philippine-US defense treaty, a senior State Department official traveling with Clinton promised additional US support for Philippine “maritime capabilities and other aspects of expeditionary power.” As a token of this pledge, Clinton assured Philippine Defense Secretary Voltaire Gazmin on Nov. 16 that the US would provide a second refurbished *Hamilton*-class cutter to the Philippine Navy next year. The first, renamed the *BRP Gregario del Pilar*, was deployed in November off Palawan in Philippine territorial waters. The *Hamilton*-class vessels – over 30 years old – constitute the most modern ships in the Philippine Navy.

US defense support for Indonesia

Indonesia, despite being an archipelagic country, has traditionally privileged the Army because the government's primary concern has been internal security against communist rebels, insurgent secessionists, and radical Islamists. As a result, Indonesia has had difficulty protecting its vast maritime borders from smugglers, fishery poachers, and pirates, many of whom originate in poverty-stricken fishing villages along the Sumatran and Celebes coasts. As part of the Obama administration's rebalancing strategy, the US is assisting Southeast Asian partners in developing air and naval capabilities to protect national air spaces and sea-based jurisdictions as well as strengthen collaboration with US forces in maintaining the sea lines of communication (SLOC).

In 2011, President Yudhoyono announced a 35 percent increase in Indonesia's defense budget to \$7.5 billion. In September, Indonesia agreed to joint patrols with Vietnam of their shared maritime zone and with India on the Andaman Sea approach to the Strait of Malacca. However, even with the enhanced military appropriations, it constitutes only half of the armed forces (TNI) \$14.9 billion budget request. Currently the TNI receives just 1 percent of GDP. By contrast, Malaysia spends 2.5 percent and Singapore 4.5 percent on defense. To boost Indonesian air defense capabilities, Presidents Obama and Yudhoyono announced in sideline meetings during the EAS that the US would provide two squadrons (24 aircraft) of mothballed *F-16C/D* fighter jets at no cost to Jakarta other than \$150 million to equip the aircraft with advanced avionics, weaponry, and new Pratt and Whitney engines. Delivery is reportedly scheduled for 2014. Even with the more modern *F-16s*, however, Indonesia's Air Force remains behind its Malacca Strait neighbors; Singapore deploys six squadrons of advanced *F-15SGs* and *F-16C/Ds*, while Malaysia is equipped with a squadron of *F/A18s* and a squadron each of Russian *SU-30s* and *MiG-29s*. In the longer term, Indonesia is working with South Korea to develop a next generation multi-role fighter with stealth capabilities and a range double that of the *F-16*, which is scheduled to enter service in both countries around 2025. Indonesia chose the used *F-16s* rather than buying new aircraft because the Air Force wants to have enough money to expand its fleet of Russian-made *Sukhoi* fighters. Moreover, Jakarta does not want to become overly dependent on US suppliers so that spare parts and new equipment could be withheld by Washington over the kind of political differences prevalent during the Suharto era when the US suspended military relations because of the military's human rights violations in East Timor.

President Obama also announced in Bali that the US would provide \$600 million in economic and social aid through the Millennium Challenge Corporation to support environmentally sustainable development. The focus would be on rural areas to help villages electrify through renewable energy. Agreements have also been signed on health, educational exchanges, and science and technology. Jakarta has balked, however, at joining the Trans Pacific Partnership (TPP) free trade arrangement. On Nov. 18, Deputy Trade Minister Bayu Krisnamurthi said that segments of the Indonesian economy could be harmed by opening them to the kind of competition required by the TPP.

Although the US regularly praises Indonesia as a quintessential example of an Islamic democracy, Washington still expresses concerns about human rights violations and religious persecution. On Nov. 14, the US Commission on International Religious Freedom sent a letter to the White House citing a number of violent incidents attributed to Indonesian religious extremists, including attacks against Protestants, a church burning in Central Java, and a deadly attack on the minority Ahmadiyah Islamic sect. The letter urged President Obama to raise these concerns during his visit to Indonesia. The US embassy also issued a report in early November along the same lines, expressing disappointment that the central government failed to prevent abuse and discrimination against religious minorities by nonstate actors. In reply, Jakarta's Foreign Ministry said that the government under Indonesia's constitution had no authority to interfere with the legal process controlled by local jurisdictions.

President Obama did express US concern over human rights violations in Papua and urged that Indonesia hold soldiers there accountable for their actions. President Yudhoyono accepted the

need for accountability but insisted that soldiers had the right to defend themselves and others when armed groups fire on citizens and officers saying, “When our soldiers conduct self-defense, this cannot be regarded as a violation of human rights.” Yudhoyono claims that all TNI officers are instructed to pay attention to human rights.

Rebalancing in Burma

When the Obama administration assumed office in 2009, US policy on Burma was characterized by sanctions and political isolation that had been in place since the military junta invalidated the 1990 election that could have created a democratic government for the country. The military government subsequently cracked down on opposition politicians and any indication of domestic dissent. Asia specialists in the US generally agreed that the isolation and sanction policy over those 20 years had failed. It did not lead to a liberalization of the ruling junta, created tensions between Washington and ASEAN, and permitted China to dominate Burma’s external relations. Despite the sanctions, China, India, Thailand, South Korea, and other Asian countries engaged the resource-rich country so that US and European avoidance seemed increasingly irrelevant or worse, harmful to the Burmese people rather than their rulers. At first, the November 2010 National Assembly elections in Burma seemed just another junta plebiscite, although some opportunities for the political opposition were created. These were sufficient for Washington to appoint a new special envoy for Burma – Derek Mitchell – whose brief has been to determine the extent to which the Burmese regime was willing to meet US benchmarks for the removal of sanctions and the restoration of normal diplomatic relations. The benchmarks include the release of over 2,000 political prisoners, reconciliation with the political opposition and ethnic minorities, increased respect for human rights norms, and adherence to UN nonproliferation agreements, particularly with respect to North Korea and Pyongyang’s alleged nuclear weapons and ballistic missile development aid. Together, these constitute a high bar for Naypyidaw to hurdle, but progress is being made.

Over the past four months, President Thein Sein has met opposition leader Aung San Suu Kyi, who announced in November that her National League for Democracy is officially re-registering for upcoming by-elections in which she will run for a parliamentary seat. Special Envoy Mitchell visited Burma three times and with Assistant Secretary of State Kurt Campbell declared they are encouraged by “dramatic developments under way” A National Human Rights Commission has been formed, following a UN request to probe alleged abuses; the head of Burma’s repressive state censorship body has called for press freedom; Southeast Asian leaders have agreed to allow Burma to chair the ASEAN regional bloc in 2014; and Secretary Clinton visited in December – the first US secretary of state to do so in over 50 years. Nevertheless, Aung San Suu Kyi insists that her country remains an incomplete democracy and lacks strong democratic institutions. Human rights groups note that although the government released 200 prisoners in mid-October, almost 2,000 prisoners of conscience – jailed since 2007 – remain incarcerated. Moreover, despite cease-fire agreements, Burma’s Army continues to wage war against several of the country’s ethnic minorities. Fear persists that these reforms could still be reversed if hardline leaders within the government prevail. Nevertheless, there are other flickers of hope. For example a mid-October law permitted workers to unionize and go on strike for the first time in decades. The International Labor Organization is particularly encouraged by this change.

The Obama administration seems ambivalent about these developments. One problem is that US officials do not know how decisions are made in the secretive Burmese government, whether the nominally civilian leadership of President Thein Sein has significant authority over the traditional ruling generals. In early November, Thein Sein approved changes to a law on political parties, paving the way for Aung San Suu Kyi's NLD to become a legal contender. One change even permits the NLD to criticize or suggest changes to the constitution. The revised law also removes a provision that forbade prisoners from being party members – in effect restoring the political rights of those NLD members still incarcerated. At the EAS, President Obama, after a telephone conversation with Aung San Suu Kyi, decided to seize “what could be an historic opportunity for progress” and dispatched Secretary Clinton for a visit to Burma.

In an intensive set of meetings on Dec. 1-2, Secretary Clinton met with President Thein Sein and members of his government as well as Aung San Suu Kyi and other opposition leaders. While acknowledging that the restoration of full-scale diplomatic relations (the return of a US ambassador) and the elimination of US economic sanctions are not yet on the agenda, Clinton reiterated the well-known set of conditions for their realization. The Obama administration is cautiously optimistic about the visit's accomplishments. Clinton announced a \$1.2 million assistance package for civil society in the areas of education, health, microfinance, and land mine victims; obviously not much more than a symbolic gesture. She also declared that Washington would no longer block assistance from the International Monetary Fund and the World Bank. However, lifting economic sanctions can only occur with congressional endorsement and that in turn depends on further Burmese reforms. Thein Sein told Clinton before her departure that he would explore ways of releasing the remaining political prisoners – reversing an earlier government claim that there were no such prisoner designations – and that his country would henceforth uphold UN resolutions 1718 and 1874 restricting the transfer of military technology from North Korea. The government also agreed to consider signing the additional protocol to the International Atomic Energy Agency's Comprehensive Safeguards Agreement to prevent the proliferation of nuclear technology. Should these promises be kept, US-Burma relations will significantly improve, but that could be still some time away.

An assessment

In her lengthy exposition of the Obama administration's Asia policy in the November issue of *Foreign Policy*, Secretary Clinton summed up US strengths in the region by saying that “We are the only power with a network of strong alliances in the region, no territorial ambitions, and a long record of providing for the common good. Along with our allies, we have underwritten regional security for the decades – patrolling Asia sealanes and preserving stability – and that in turn helped create the conditions for growth.”

In his address to the Australian Parliament, President Obama designated the “US presence and mission in the Asia Pacific a top priority” despite any reductions in defense spending. For Southeast Asia specifically, Obama emphasized helping allies build their own defense capacities “with more training and exercises.” None of these affirmations is particularly new. Washington has practiced this kind of engagement since World War II. It seems to be mostly a change in the emphasis, reducing a focus on land confrontations in favor of maintaining air and naval

power, while strengthening smaller countries' capacities to protect their maritime and air spaces. (Washington's sale of 24 *F-16C/Ds* to Indonesia and the provision of two ships to the Philippines are illustrative.) An increase in the presence of US forces in northern Australia close to the South China Sea, improved relations with Burma, and the expansion of membership in the TPP suggest a reassurance strategy for friends and allies even with a reduced defense budget. Whether these actions are sufficient to sustain US dominance in the Pacific remains to be seen.

Chronology of US - Southeast Asian Relations September - December 2011

Sept. 5, 2011: The aircraft carrier *USS John Stennis* visits Port Klang, Malaysia, as part of a seven-month mission to the western Pacific and South China Sea.

Sept. 6, 2011: US House of Representatives Armed Services Committee delegation visits Manila to determine how Washington can help the Philippines meet its defense needs.

Sept. 9-14, 2011: US Special Envoy to Burma Derek Mitchell visits Burma for the first time and meets officials, political opposition, and civil society members. He meets opposition leader Aung San Suu Kyi at her home in Rangoon.

Sept. 13, 2011: Burma is the only Southeast Asia country included on the State Department's annual black list of states violating religious freedom.

Sept. 13-15, 2011: US Ambassador to the Association of Southeast Asian Nations (ASEAN) Richard Carlen visits Washington to help prepare for President Barack Obama's inaugural visit to the November East Asian Summit and third US-ASEAN Leaders Meeting in Bali.

Sept. 15, 2011: Burma unblocks restrictions on foreign news sites including Reuters, Democratic Voice of Burma, Voice of America, and British Broadcasting Corporation (BBC).

Sept. 18-22, 2011: Philippine President Benigno Aquino visits the US and receives an honorary degree from Fordham University before going to the annual meeting of the United Nations (UN) General Assembly and to Washington, DC.

Sept. 19, 2011: Vietnam and the US hold their second defense dialogue in Washington and sign an agreement which includes the establishment of a regular defense dialogue mechanism and cooperation in maritime security, search and rescue, studying and exchanging experience in UN peace keeping activities, and humanitarian aid and disaster relief.

Sept. 20, 2011: US Ambassador to Malaysia Paul Jones applauds Prime Minister Najib Abdul Razak's stated intention to abolish the country's Internal Security Act, saying this would promote greater freedom for Malaysia. The ambassador also supports the idea of a new anti-terrorism law and invited the government to seek advice from the US.

Sept. 22-23, 2011: ASEAN legal experts meet in Manila to discuss a Philippine proposal for developing a “South China Sea Peace, Freedom, Friendship and Cooperation Zone.”

Sept. 26, 2011: David Shear is sworn in as US ambassador to Vietnam.

Oct. 10, 2011: Assistant Secretary of State for Asian and Pacific Affairs Kurt Campbell says that in light of “dramatic developments under way” in Burma leading to political liberalization that the US is considering some strengthening of relations and that the US will provide an all-around engagement in Asia as part of its global responsibilities.

Oct. 14, 2011: Burma’s Parliament passes legislation permitting labor union organization for the first time since the repressive 1962 Trade Unions Act.

Oct. 16-21, 2011: Assistant Secretary of State for International Security and Nonproliferation Thomas Countryman travels to Malaysia, Vietnam, and Thailand to help establish an agenda for the upcoming November East Asia Summit in Bali.

Oct. 17-28, 2011: US Marines and Philippine troops engage in the 28th annual *Amphibious Landing Exercise (PHIBLEX)* joint exercise in several locations, including Palawan (for the first time) adjacent to the Spratly Islands also claimed by China.

Oct. 20, 2011: The US and Cambodian navies begin their second annual Cooperation Afloat Readiness and Training (CARAT) exercise from the port of Sihanoukville. The exercise includes a civic action component, involving a public health clinic and building water wells.

Oct. 24, 2011: US Defense Secretary Leon Panetta meets Indonesian President Susilo Bambang Yudhoyono in Bali. Speaking to reporters, Panetta affirms US Asian alliance commitments and adds the intention to “build new partnerships ... to improve the security in that region.”

Oct. 24-25, 2011: US Special Representative and Policy Coordinator for Burma Derek Mitchell visits Burma and meets democracy movement leader Aung San Suu Kyi, senior officials including Foreign Minister Wunna Maung Lwin, and representatives of civil society.

Oct. 24, 2011: Paul Jones, US ambassador to Malaysia, becomes the first US ambassador to be given the honorary title of *datuk* by the Sultan of Penang state. The honorific is a signal of strengthening US-Malaysia relations.

Oct. 25-27, 2011: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits Jakarta and Manila.

Nov. 1-4, 2011: Special Envoy to Burma Mitchell visits Burma accompanied by Assistant Secretary of State for Democracy, Human Rights, and Labor Michael Posner.

Nov. 11, 2011: President Yudhoyono rejects Secretary of State Hillary Clinton's allegations of human rights violations in Papua growing out of a workers' strike at the Freeport McMoren copper mine in that province.

Nov. 13, 2011: President Yudhoyono attends the 19th APEC Leaders Meeting in Honolulu and urges greater US economic cooperation with ASEAN.

Nov. 14-19, 2011: Leaders from 18 nations gather in Bali for the sixth annual East Asia Summit that includes the US and Russia for the first time.

Nov. 15-16, 2011: Secretary Clinton visits the Philippines to celebrate the 60th anniversary of the mutual defense treaty between the two countries. She calls for its update.

Nov. 16, 2011: Secretary Clinton visits Bangkok enroute to Bali and the East Asia Summit and offers flood assistance to Thailand

Nov. 17, 2011: Speaking with President Yudhoyono at the Bali ASEAN Summit, President Obama announces the transfer of 24 excess US *F-16s* to the Indonesian Air Force and an expansion of the Peace Corps program in the country.

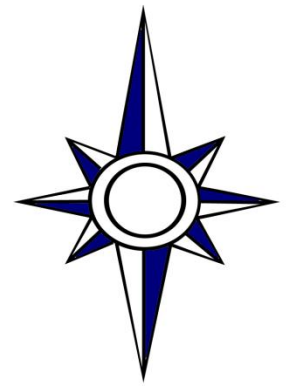
Nov. 17-19, 2011: President Obama attends the ASEAN-US and East Asia Summits in Bali.

Nov.30-Dec 2, 2011: Secretary Clinton, at President Obama's behest, visits Burma to assess that country's progress toward democracy and human rights.

Dec. 8, 2011: A Thai-American, Joe Gordon, receives a 30-month jail sentence in Bangkok for *lese-majeste* (insulting the king) in a book he wrote in the US. The US Embassy has denounced the ruling as excessive and a free speech violation.

Dec. 8, 2011: US Ambassador to Indonesia Scot Marciel announces that the US will refurbish 25 *F-16* fighter aircraft at cost for the Indonesian air force.

Dec. 13, 2011: The Philippines commissions the 3,390-ton frigate *BRP Gregorio del Pilar*, an old US Coast Guard cutter, as its largest and most modern warship.



**China-Southeast Asia Relations:
Setback in Bali, Challenges All Around**

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China endeavored to win regional influence and goodwill by emphasizing reassurance and mutually beneficial relations with Southeast Asian counterparts. Nevertheless, it failed to keep the issue of the South China Sea off the agenda at the East Asia Summit as Prime Minister Wen Jiabao was placed on the defensive and compelled to defend China's approach to resolving territorial and maritime security issues related to China's broad claims and sometimes assertive actions. Official Chinese commentaries reacted to the setback in Bali with criticism directed at the US, but they tended to avoid hyperbole sometimes seen in unofficial Chinese media. Official commentaries were measured as they depicted various economic, political, and security initiatives during President Obama's trip to the region as challenges to Chinese interests. They also registered opposition to initiatives by Japan and India regarding Southeast Asia and the South China Sea that were seen as at odds with Chinese interests. Myanmar's decision to stop a major hydroelectric dam project being built by Chinese firms added to China's challenges and complications as it raised questions about China's influence in the country while Myanmar's new civilian government tried to improve relations with the US and other powers.

Emphasizing engagement, mutual benefit, and managing tensions

There were fewer publicized clashes between Chinese and Southeast Asian disputants in the South China Sea during this reporting period than earlier in the year. The Chinese foreign affairs apparatus also strongly emphasized positive engagement with Southeast Asia as China's top foreign affairs official, State Councilor Dai Bingguo, visited Vietnam in September in an effort to ease tensions and improve relations. Dai offered a lengthy commentary in official Chinese media in October, stressing the message of a recent State Council white paper underlining the importance of China's continued pursuit of peaceful development as a means to reassure neighbors and other concerned powers as Chinese influence rises in international affairs. Prior to the Chinese meetings with ASEAN and the East Asia Summit (EAS) in Bali in November, the Chinese Foreign Ministry took the initiative to release a rarely used special "paper" detailing the impressive progress made in nine areas of diplomatic, economic, and other relations between China and the ASEAN during the past two decades.

Also getting special attention this year was the eighth annual China-ASEAN Business and Investment Summit held in October in Nanning, Guangxi Zhuang Autonomous Region, which featured a keynote address by Prime Minister Wen Jiabao. His remarks and related commentary in official Chinese media highlighted the successes of China-ASEAN economic cooperation under the China-ASEAN Free Trade Agreement, in effect since January 2010. According to Chinese figures, China has become ASEAN's largest trading partner and ASEAN is China's

fourth largest trading partner and third largest source of imports. According to Chinese figures, China has become ASEAN's largest trading partner and ASEAN is China's fourth largest trading partner and third largest source of imports. Trade has continued to grow rapidly, increasing 26.4 percent in the first nine months of 2011 from a level of almost \$300 billion in 2010. Prime Minister Wen said that cumulative ASEAN investment in China amounted to \$67 billion and Chinese investment in ASEAN was \$13.5 billion.

While in Guangxi, Wen also participated in a signing ceremony with Malaysian Prime Minister Najib Razak inaugurating the China-Malaysia Qinzhou Industrial Park. Malaysia in recent years has been China's largest trading partner among the ASEAN countries, with bilateral trade valued at \$74.2 billion in 2010 according to Chinese trade data. Extensive Chinese media coverage of the signing and the park recalled that Wen had endorsed the planned enterprise earlier this year while visiting Malaysia.

Chinese leaders have appeared increasingly preoccupied at home, notably with issues related to the leadership succession in 2012, and they have been less active than in other periods in traveling to developing countries and other foreign venues. Nevertheless, senior Chinese leaders were actively engaged and emphasized positive interaction with Southeast Asian and other participants at the APEC meetings in Hawaii in early November and the ASEAN and Asian leadership meetings in Bali later that month.

President Hu Jintao took pains to emphasize cooperation in meeting his Vietnamese counterpart Truong Tan Sang during the APEC sessions, the first encounter of the two presidents. Although the Chinese Foreign Ministry and other commentary registered opposition to Japanese diplomacy encouraging a multilateral approach to resolving the South China Sea disputes, Hu stressed efforts to improve Sino-Japanese relations during his meeting with Prime Minister Noda Yoshihiko at the APEC gathering. Premier Wen Jiabao dealt constructively with Noda at the ASEAN Plus 3 meetings in Bali. Chinese official media also reported on the positive meeting between Wen and Indian Prime Minister Manmohan Singh at the Bali meetings despite noting recently publicized strong Sino-Indian differences over the involvement of an Indian company working with Vietnam to exploit South China Sea oil resources claimed by China.

Though international reporting on the Bali meetings highlighted Wen Jiabao having to deal with the South China Sea issue at the EAS on Nov. 19, Chinese accomplishments in Bali included Wen using the China-ASEAN meeting on Nov. 18 to further advance China-ASEAN economic relations. He announced a China-ASEAN maritime cooperation fund valued at several hundred million dollars and pledged another \$10 billion in loans for ASEAN in addition to \$15 billion in loans pledged two years earlier. After the Bali meetings, Wen traveled to Brunei for the first visit by a Chinese prime minister. He signed several energy agreements and called for the two countries to cooperate and engage in "joint exploration" in the South China Sea. Reporting on Wen's visit, *China Daily* cited an expert at the China Institutes of Contemporary International Relations for the view that any Chinese-supported joint exploration "should be mutually beneficial and not destabilize the region." The expert said that China-Brunei gas exploitation in the South China Sea "could offer an example in the region."

Chinese Vice President Xi Jinping rounded out high-level Chinese trips to the region with official visits to Vietnam and Thailand in late December. In both countries, Xi met with senior officials and reaffirmed the importance of bilateral political, economic, and security relations.

Meanwhile, despite China's claimed interest in engagement, cooperation, and stability in connection with Southeast Asia and the South China Sea issues, their actions reflected little evidence of an inclination to compromise over key issues in dispute. In fact, economic interests seem to be adding to national sovereignty and security issues, reinforcing Chinese adherence to its broad territorial claims. For example, Chinese media have featured numerous reports emphasizing the growing importance of the maritime economy for Chinese development and future prosperity. Advances in deep-sea oil drilling technology appear to have added to imperatives for China to exploit its claimed resources in the South China Sea, among other contested maritime areas. *China Daily* reports in September of extensive efforts to map the seabed claimed by China cited a government report for the assessment that the gross product of Chinese marine industries including offshore oil and gas exploration, marine transport, coastal tourism, fisheries, and shipbuilding industries, will surpass 5.3 trillion yuan (\$814 billion).

China-Vietnam relations

State Councilor Dai Bingguo spent five days in Vietnam in September as the co-chair of the fifth meeting of the China-Vietnam Steering Committee on Cooperation. Dai also met Vietnamese party leader Nguyen Phu Trong and Prime Minister Nguyen Tan Dung. In reports covering the Hanoi meetings, official Chinese media emphasized the close economic ties and active official consultations despite ongoing disputes over territorial claims in the South China Sea. The reportage and press release from the meetings highlighted agreement to solve the South China Sea disputes through negotiations, though *China Daily* cited unnamed analysts for the view that "it's still too early to predict whether the two countries will settle the issue soon."

Dai's visit paved the way for Nguyen Phu Trong's first visit to China on Oct. 11-15, when the Vietnamese party chief met Chinese counterpart, Hu Jintao on the day of his arrival. Official Chinese media highlighted Hu's emphasis on both sides avoiding actions that would complicate or exacerbate tensions over the South China Sea as they seek "cool-headed and constructive" ways to resolve differences. During the visit, the two governments signed an agreement setting basic principles to guide the settlement of maritime issues. The principles referred to the Law of the Sea, the "Declaration of the Conduct of the Parties" in the disputed sea, bilateral talks between China and Vietnam, seeking agreement on "easy issues first and difficult issues later," and biannual meetings of border negotiation delegates. A joint statement released at the end of the visit focused on the agreement to sustain stability over maritime disputes while seeking greater agreement through stepped up negotiations.

That the agreements reached during the Vietnamese-Chinese party leaders' summit would take time to resolve differences seemed evident when the Chinese Foreign Ministry spokesperson on the day of Nguyen's departure rebuked Vietnam and India for reaching an agreement on Oct. 12 during Vietnamese President Truong Tan Sang's visit to India calling for joint India-Vietnam oil exploration in areas of the South China Sea claimed by China. Official Chinese media on Oct. 16 said Truong's visit to India, his first visit outside of ASEAN, was part of a broader pattern of

South China Sea disputants, especially Vietnam and the Philippines, seeking the involvement of other powers to improve their positions in disputes with China. In this vein, Chinese media noted the new security dialogue established between Vietnam and India, Japan's new "strategic dialogue" with the Philippines and assistance in bolstering the Philippine Coast Guard, and the "more challenging" situation for China posed by recent US initiatives with Vietnam, the Philippines and others as part of its re-engagement in the Asia-Pacific region. Chinese Vice President Xi Jinping dwelt on common ground during his meetings in Hanoi in December; he noted the two sides would seek closer policy planning and coordination in areas of differences, including the South China Sea.

China-Philippines relations

Like Vietnam, the Philippines has alternatively engaged and disputed with China over South China Sea issues. Under the leadership of President Benigno Aquino, the Philippines has emerged over the past year as the most vocal opponent of China's claims and policies in the disputed sea, though such opposition has been accompanied by close Philippines-China engagement over areas of mutual benefit. Thus, Aquino and a large delegation of Philippine business people received a warm welcome during his first official visit in early September. The joint statement reaffirmed the 2009 Joint Action Plan for Strategic Cooperation signed by the previous Philippine president. It also endorsed a Five Year Development Program for Trade and Economic Cooperation, and set a target of doubling bilateral trade to \$60 billion in 2016. Another notable area of growing cooperation included expanding tourist arrivals in both countries from the current level of 1 million to 2 million by 2016. The statement put discussion of maritime issues at the end. There, it emphasized the positive by noting general agreements on not allowing the disputes to impact other aspects of cooperative relations and on maintaining stability and peaceful dialogue consistent with the 2002 Declaration on the Conduct of Parties in the South China Sea.

Official Chinese commentary welcomed the results of the bilateral summit but highlighted unnamed analysts for the view that the "dispute in the South China Sea is unlikely to be resolved by a single state visit." *China Daily* criticized the buildup of Philippine maritime surveillance capabilities with the support of the US and cited specialists who argued "US diplomatic and military involvement in this issue is only to 'contain China' and prevent China from becoming a 'dominant power.'"

October featured a public dispute over a Philippines military vessel confronting Chinese fishermen in disputed waters in the South China Sea. Also, 3,000 US and Philippines marines conducted exercises for two weeks near the disputed Spratly Islands. Strong US support for the alliance with the Philippines came in Secretary of State Hillary Clinton's visit to Manila in mid-November and the signing of the so-called Manila Declaration on board a US warship in Manila Bay. Chinese commentary duly noted how President Aquino and the Philippines foreign minister used these and other signs of US, Japanese, and other international support in thus far vain efforts to get ASEAN to adopt a more united and firm stand in dealing with China over the South China Sea.

China-United States-Southeast Asia-Pacific relations

Chinese leaders Hu Jintao and Wen Jiabao emphasized the positive in public interchange with President Obama about Southeast Asian and Pacific issues in Hawaii and Bali. Chinese media viewed critically US support for using the EAS in Bali to address the South China Sea disputes and related security issues despite China's insistence that the group should stick to economic and development questions that did not intrude on sensitive Chinese sovereign claims. Nevertheless, official Chinese reaction avoided the kind of adversarial response seen in reaction to Secretary of State Clinton's intervention on the South China Sea disputes during the ASEAN Regional Forum meeting in July 2010. At the same time, the depictions of recent US economic, political-diplomatic, and security initiatives in various Chinese commentaries showed an array of challenges for Chinese efforts to advance its influence and power in Southeast Asia and the nearby Pacific in the future.

Economic challenges – the role of the Trans Pacific Partnership (TPP)

Official Chinese commentary occasionally voiced reservations about the TPP in the past, but devoted little attention to the subject in recent months, until it was strongly featured by the US and some of its TPP partners in the lead-up to the Hawaii APEC meeting in November. Some Chinese commentaries suggested that TPP will have difficulty overcoming individual member countries' concerns to form a meaningful bloc; others averred that if Japan moves forward to join the group along with Southeast Asian economies such as Vietnam and Malaysia, the result could be the isolation of China, which finds it difficult to adhere to the standards of the TPP. Also forecast was the erosion of Chinese efforts to support the more exclusive East Asian regional group, ASEAN Plus 3, which does not allow for participation by the US or other non-East Asian countries. Adding to Chinese concerns over the implications of the TPP was the fact that US advocacy of the higher free trade standards of the TPP vs. lower standard Chinese-backed free trade agreements came in tandem with toughening US rhetoric from President Obama and other US officials criticizing China's alleged efforts to "game" the international economic system to the advantage of China and the disadvantage of others.

Political-diplomatic challenges

The Obama administration's vision of renewed engagement in the Asia-Pacific region came in US officials' speeches and remarks during the president's meetings and trip to the region, starting with a detailed presentation by Secretary Clinton during the APEC meetings in Hawaii. She highlighted the goal of creating a strong US-backed trans-Pacific community favoring political freedom, human rights, free trade, and security. Clinton's recollection of the success of the US-backed Atlantic community and the Obama government's support for creating a similar order in the Asia-Pacific prompted Chinese commentary warning that China would see such an arrangement as a direct threat to China's security and to continued Chinese one-party rule, a top priority of the Beijing leadership.

The complications for China associated with Myanmar's halt of a large-scale Chinese dam project and its reaching out to the political opposition, the US, and other powers are reviewed in a separate section, below. Here we will simply note that Secretary Clinton's widely publicized

visit to Myanmar in December was seen by some Chinese commentators as weakening Chinese influence with Myanmar, though official Chinese reaction to the US diplomatic initiative was limited as China sought to emphasize the positive in receiving Myanmar's Army chief for a visit to China in November and in Dai Bingguo's visit to Myanmar in December.

Security challenges

Limited Chinese commentary has reviewed warily the US agreement with Australia to allow for periodic deployment of US Marines and positioning of military supplies in northern Australia. Some reviews have discussed the overall strengthening of US alliances with Canberra, Manila and Bangkok, a proposed uptick in US deployments of Navy ships to Singapore, and an emerging US defense approach of "air-sea battle" as a means to counter China's growing anti-access abilities along the rim of Asia. *Global Times* and some other non-official outlets have warned of the "steep price" that the US and its partners will pay for such actions directed at China, noting the importance of the Chinese economy for these states.

China-Myanmar relations

In spite of the recent warming in relations between the US and Myanmar, China-Myanmar ties appear to remain strong. China is Myanmar's second largest economic partner and its largest foreign investor. However, Myanmar's decision in September 2011 to suspend the construction of the Myitsone hydropower dam, which was to be financed by a Chinese company, seemed to indicate that the new political leadership in Myanmar is balancing relations with China with constructive and positive outreach to the US and other regional partners such as India and ASEAN member states.

Notwithstanding the dam's suspension, senior officials have remained in close contact and communication. Following the announcement on the dam project, Vice President Xi Jinping met Myanmar's senior military generals in Beijing and reaffirmed that the two sides should continue to strengthen and deepen security and defense ties. State Councilor Dai Bingguo held a cordial meeting with Myanmar's President Thein Sein during his attendance at the Fourth Summit of the Greater Mekong Subregion Economic Cooperation (GMS), held in Myanmar in December. At the previous GMS summit, held in Laos in 2008, the Chinese delegation was led by Prime Minister Wen Jiabao. The Chinese Ministry of Foreign Affairs also noted that "China welcomes Myanmar and Western countries to improve their relations on the basis of mutual respect... We hope Myanmar's move will be conducive to the country's stability and development."

Other commentaries in China, however, were less sanguine about the recent turn in China-Myanmar relations. An editorial in the *Global Times* made a more skeptical and cautious assessment: "This incident [the suspension of the hydropower dam project] made some to believe that Myanmar is showing goodwill to the West at the expense of Chinese interest." Other Chinese analysts also opined that Secretary Clinton's historic visit to Myanmar is aimed at China, signaling a new US policy to isolate and contain China's rise and influence in the region. Whether Sino-Myanmar relations will change merits closer and continued observation. For now, it appears that the increasing interdependent trade and economic relationship between China and Myanmar will see limited impact on bilateral relations.

Mekong murders lead to joint river patrols

Chinese authorities reacted strongly and swiftly to the murders on Oct. 5 of 13 crew members of two Chinese cargo ships on the Mekong River where the borders of Thailand, Myanmar and Laos meet. China halted its river traffic, leaving 26 boats and 164 crew members stranded in Thailand. The action had a major economic impact as China provides most of the larger ships involved in the growing trade and transportation on the waterway connecting China's Yunnan province with downriver destinations in Southeast Asia. In 2010, 1.5 million tons of cargo and 400,000 passengers traveled the waterway, according to Chinese reports. China sent police escorts vessels on Oct. 16 and Oct. 23 to bring the stranded vessels and crews back to Yunnan.

Beijing directed the Chinese Embassy in Thailand and the Consulate in Chiang Mai to press Thai authorities to investigate and track down the killers. The Chinese Foreign Ministry on Oct. 13 publicly pressed Thailand, Myanmar, and Laos to step up investigations, which Chinese official media said had stalled due to "chaotic border management." Chinese reports linked the murders to drug trafficking in this lawless region. Later in October, China's Ministry of Public Security held a conference in Yunnan province and a vice minister of public security led a delegation to press the investigations. On Oct. 31, Thai media reported that nine Thai soldiers were under arrest in connection with the murders.

In late October, China's Ministry of Public Security hosted a two-day meeting in Beijing attended by a Thai deputy prime minister, the minister of defense of Laos, and Myanmar's minister of home affairs. The result was an agreement to share intelligence, patrols, and law enforcement along the river. According to Chinese reports, China's involvement will include a new force of 1,000 armed police in patrol vessels adapted from merchant ships. *Xinhua* reported that Chinese armed police began joint Mekong River security patrols on Dec. 9 with forces from Myanmar, Laos, and Thailand. Various foreign media speculated about possible adverse reaction to the involvement of Chinese security forces in downriver countries, while Chinese authorities emphasized the need for the Chinese police to handle the new duties in a responsible and respectful manner.

Outlook

Placed on the defensive in the face of challenges to Chinese interests in the South China Sea and elsewhere in the region, Chinese leaders will be watched carefully at home and abroad for signs that China will adopt more accommodating or more assertive approaches to relations with neighboring countries and other concerned powers, notably the US. Any decisions or shifts in Chinese policies may be slow in appearing. Chinese leaders are generally less active in interaction with Southeast Asian leaders during the cold weather of the winter months which makes visits to Beijing unattractive to Southeast Asian visitors; Chinese leaders tend to drop from public view during the long spring festival holidays. Of more importance, Chinese authorities appear preoccupied with the intensive and sensitive preparations for the large-scale leadership transition that will take place later in 2012. A major shift in China's approach to Southeast Asian neighbors and to the US, Japanese, Indian, and other foreign involvement there could prove disruptive in the leadership transition process.

Chronology of China-Southeast Asia Relations

September – December 2011

Sept. 7, 2011: The fifth China-Vietnam Steering Committee on Cooperation meeting convenes in Hanoi to focus on bilateral management of the South China Sea. They agree to resolve differences in accordance to the Declaration on the Conduct of Parties in the South China Sea.

Sept. 14, 2011: Officials and experts meet in Jakarta for the annual China-ASEAN Forum on Social Development and Poverty Reduction. Discussions focus on ensuring that economic growth is both sustainable and inclusive.

Sept. 15, 2011: Li Jinhua, vice-chair of the National Committee of the Chinese People's Political Consultative Conference, visits Indonesia and meets counterpart Taufik Kiemas. They agree to foster deeper bilateral political ties and exchanges.

Sept. 18, 2011: Wang Jiarui, director of the International Department of the Communist Party of China Central Committee meets visiting Laotian President Choummaly Saynasone. They agree to strengthen the strategic partnership between China and Laos.

Sept. 19, 2011: Senior Chinese and Vietnamese military leaders conclude a dialogue, agreeing to broaden bilateral defense and security cooperation and to build mutual trust and confidence by engaging in continued senior-level consultation to help resolve regional territorial disputes.

Sept. 22, 2011: He Guoqiang, member of the Standing Committee of the CPC Central Committee Political Bureau, meets a Laotian delegation led by Bounthong Chitmany, president of the Central Control Committee of the Lao People's Revolutionary Party, in Beijing to discuss bilateral cooperation in the areas of anti-corruption, future prospects for furthering exchanges, and sharing governance experiences in tackling corruption issues.

Oct. 6, 2011: Chinese Ministry of Foreign Affairs confirms that at least 12 Chinese nationals were killed on Oct. 5 on the Mekong River after two Chinese cargo ships were attacked and hijacked. Officials from China, Thailand, Myanmar, and Laos agree to maintain close communication and cooperation to handle the investigation and ensure the safety of cargo ships.

Oct. 10, 2011: Vice President Xi Jinping and Foreign Minister Yang Jiechi meet Myanmar's Minister of Foreign Affairs U Wunna Maung Lwin in Beijing to discuss the settlement of the suspended Myitsone hydropower dam project. They reaffirm the commitment to maintain their strategic and comprehensive partnership.

Oct. 13, 2011: China and Vietnam agree to hold regularized bilateral discussions twice a year to help reduce tensions in the South China Sea. Officials also announce that they would set up a hot line to address any disagreements.

Oct. 21, 2011: Premier Wen Jiabao attends the opening ceremony of the eighth China-ASEAN Expo in Nanning in Guangxi Zhuang Autonomous Region.

Oct. 31, 2011: Officials from China, Laos, Myanmar, and Thailand formally establish the “Law Enforcement Cooperation along the Mekong River Mechanism” to jointly tackle cross-border crime and ensure the safety of passenger and cargo ships along the Mekong River.

Nov. 3, 2011: Gen. Ma Xiaotian, deputy chief of the general staff of the PLA, attends the first ASEAN Defense Ministers Meeting Plus (ADMM+) Experts Working Group Meeting on Humanitarian Assistance and Disaster Relief and calls for strengthening military-to-military cooperation in these areas. The meeting draws more than 50 officials from ASEAN member countries, Australia, China, India, Japan, New Zealand, Russia, South Korea, and the US.

Nov. 3, 2011: China announces it will provide nearly \$9.5 million to Cambodia for flood relief.

Nov. 14, 2011: President Hu Jintao attends the Asia-Pacific Economic Cooperation (APEC) Leaders Meeting in Honolulu. On the sidelines, he meets Vietnamese counterpart Truong Tan Sang to discuss a comprehensive bilateral strategic partnership.

Nov. 17-19, 2011: Premier Wen Jiabao attends ASEAN-related meetings in Bali and reassures regional leaders that China will not seek hegemony in the region but will maintain its firm stance on the South China Sea issue.

Nov. 20, 2011: Premier Wen Jiabao visits Brunei and meets state officials.

Nov. 27-29, 2011: Commander-in-Chief of Myanmar Defense Services Min Aung Hlaing visits China and meets Vice President Xi Jinping and Xu Caihou, vice chair of the Central Military Commission to promote and deepen military cooperation.

Nov. 30, 2011: Chinese and Laotian officials pledge closer cooperation on poverty alleviation and economic development, increasing trade ties, and agricultural training.

Dec. 5, 2011: Wu Bangguo, chairperson of the Standing Committee of the National People’s Congress, meets Cambodian counterpart Heng Samrin in Beijing. They agree to consolidate further bilateral cooperation, including security exchanges and parliamentary visits. China also pledges to share its experiences on economic development and poverty alleviation measures.

Dec. 5, 2011: Cai Yingting, deputy chief of general staff of the PLA, visits Laos to discuss expanding bilateral military exchanges to promote regional peace and stability.

Dec. 10, 2011: China joins Mekong River security patrols with forces from Myanmar, Laos and Thailand for the first time.

Dec. 11-14, 2011: China hosts the second round of the China-ASEAN Defense and Security Dialogue. Discussions focus on building and strengthening mutual trust and cooperation between security officials.

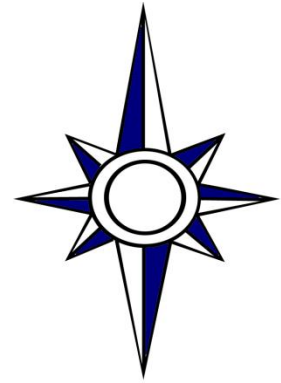
Dec. 19-20, 2011: Malaysian Defense Minister Ahmad Zahid Hamidi visits Beijing and meets Minister of Defense Liang Guanglie and Guo Boxiong, vice chairman of China's Central Military Commission. They agree to advance bilateral military cooperation.

Dec. 19-20, 2011: Chinese State Councilor Dai Bingguo attends the Fourth Summit of the Greater Mekong Subregion Economic Cooperation (GMS) and calls for closer regional transportation and infrastructure cooperation to help foster regional business, trade, agricultural, and economic relations.

Dec. 20-24, 2011: Vice President Xi Jinping visits Vietnam and Thailand. In Vietnam, he meets officials and reaffirms the importance of bilateral political, economic, and security relations. In Thailand, he signs a series of economic agreements, including a three-year bilateral currency swap arrangement and a joint high-speed train project.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Taiwan Relations: Toward a Crucial Election

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The campaign leading to the Taiwan's Jan. 14 presidential election has dominated cross-strait developments. Opposition candidate Tsai Ing-wen has continued her rejection of the "1992 consensus" and criticized President Ma Ying-jeou for suggesting he might consider negotiating a peace accord with Beijing. Meanwhile, Beijing has emphasized its wish to further develop relations on the basis of the "1992 consensus," without which relations will regress. Therefore, the outcome of the upcoming elections will have a decisive impact. Ma's re-election would permit further gradual progress; Tsai's election will likely lead Beijing to suspend dialogue and domestic pressures would probably produce a tougher policy toward Tsai's administration.

The campaign and cross-strait relations

Cross-strait relations have been an issue in the Taiwan presidential campaign, but not the principal focus of media or candidate attention. Democratic Progressive Party (DPP) candidate Tsai Ing-wen has emphasized domestic economic and social justice issues. The Taiwan media has been preoccupied with tactical campaign developments and allegations of candidate impropriety. President Ma Ying-jeou has trumpeted his record of progress in cross-strait relations, while Tsai has played on public suspicions by alleging Ma would promote unification if re-elected. Ma has pressed Tsai to explain how she would maintain peaceful cross-strait relations if she refuses to accept the "1992 consensus" on the "one China" principle.

While Tsai has repeated her denials that there ever was a "1992 consensus," she has studiously avoided saying what her policy toward the mainland would be if elected. In early December, she explained that once elected she would convene a "cross-strait dialogue task force" to build the "Taiwan consensus," which she has advocated, and to explore dialogue possibilities with Beijing. Tsai has also continued to portray a moderate image, saying she is not a "provocateur" and is open to visiting China. During a visit to Kinmen in late December, Tsai claimed responsibility for improving Kinmen's relations with Xiamen and asserted that cross-strait relations "would continue to progress" if she were elected. As Tsai's statements have blurred her differences with Ma, much of the public seems to believe that Tsai's handling of cross-strait issues would largely follow the agreements Ma has negotiated. The reality that she has little prospect of being able to maintain dialogue with Beijing doesn't seem to have registered with or concerned many in Taiwan.

One cross-strait issue that has provoked controversy was President Ma's reference to the possibility of pursuing a peace agreement with Beijing. In his platform announced on Nov. 17, Ma said he would consider pursuing a peace agreement on three conditions: that an agreement

was needed, that there was strong public support for it, and that the process would be supervised by the Legislative Yuan. Although a peace agreement has long been an item on the Kuomintang (KMT) agenda, for the past year Ma has been saying that the time is not yet ripe for addressing political issues. Consequently, even his cautious, conditional statement took people by surprise and sparked concerns.

The DPP immediately seized on the issue to arouse public suspicions about Ma's intentions. The party branded the proposal as a timetable for unification. Tsai said the proposal was a dangerous initiative toward China and one that would incite division within Taiwan. A host of DPP-affiliated personalities criticized Ma. Former President Lee Teng-hui joined the fray, accusing Ma of promoting unification. Ma's campaign team went into damage control mode, and Ma had to address questions repeatedly. To deflect DPP attacks and provide further reassurance, Ma mentioned holding a referendum on a peace agreement, and he expanded his list of three conditions into 10 guarantees concerning his pursuit of an agreement. Nevertheless, the issue dominated the media for over two weeks and has lingered throughout the campaign.

In mid-November, before he mentioned the peace agreement, public opinion polls showed Ma opening a modest lead over Tsai. However, in the weeks following the remark, the gap closed, primarily because support for Tsai increased – an indication that the DPP had been successful in using the issue to garner support by creating suspicions about Ma's intentions. At the same time, Ma's talk of a referendum appears to have confused and disappointed KMT supporters who have long opposed DPP efforts to promote referenda as a means of resolving issues.

Beijing's approach

Although it clearly hopes for Ma's re-election, Beijing has maintained a low profile and avoided threatening actions or rhetoric. Beijing has also avoided mentioning Tsai by name while occasionally criticizing DPP policies. For example, when Tsai made a rare reference to the Republic of China (ROC) (Tsai said that "Taiwan is the ROC, and the ROC is Taiwan"), the spokesman of Beijing's Taiwan Affairs Office (TAO) commented that the statement was but a backdoor way of advocating Taiwan independence.

Beijing's constant refrain has been that adherence to the "1992 consensus" on the "one China" principle is the essential basis for the "peaceful development" of cross-strait relations. Beijing has consistently emphasized the positive things that have been accomplished by adhering to the "92 consensus" before talking in general terms about what would happen if it is not maintained. Most official comments have come from the TAO; central leadership comments have been rare. Hu Jintao's only publicized comment came when he met Lien Chan during the APEC meeting in mid-November. *Xinhua* reported that Hu said the two sides should consolidate "opposition to Taiwan independence and adherence to the 92 consensus" as the basis for promoting the peaceful development of relations. Hu stated that the "92 consensus" was the "essential precondition" for maintaining dialogue and urged adherence to the consensus to promote cross-strait stability and prosperity.

Beijing has endeavored to avoid perceptions of interference recognizing that its actions during previous elections had been counterproductive. Nevertheless, the DPP has alleged PRC

interference citing *inter alia* Beijing's provincial purchasing missions, its invitations to DPP local officials, reports that Beijing had encouraged Soong Chu-yu not to run for president, and alleged threats to pro-DPP businessmen in China. Beijing has been concerned about Soong, who some in Beijing satirize as "outside blue, inside green." His formal registration as a candidate increased those concerns.

By mid-December there were indications that Beijing was becoming more concerned that Tsai might win the election. On Dec. 12, Li Yafei, a deputy director of Beijing's Association for Relations Across the Taiwan Strait (ARATS), met Taiwan reporters in Beijing to dangle potential future benefits before Taiwan voters. Li explained Beijing's plans for improving cross-strait relations in the coming year, mentioning increased purchases from Taiwan, expanded tourism, expedited paperless travel procedures for Taiwan travelers, enhanced access for Taiwan financial companies, a direct currency settlement system, and increased issuance of patents for Taiwan brands. Li noted that Beijing had helped lobby for Taipei's successful bid to host the 2017 Universiade and hinted at possibilities for greater international space for Taipei. His implicit message was clear – if Taiwan voters opt for someone who will adhere to the "92 consensus," many benefits will follow.

Two days later, The TAO spokesman opened his press conference by announcing an expansion of fruit imports from Taiwan. Two days after that, Politburo Standing Committee Member Jia Qinglin spoke at the ARATS 20th anniversary celebration and said that on the basis of the "92 consensus" Beijing would increase economic benefits, expand educational and cultural opportunities, and heed Taipei's interest for increased international space. However, if the "92 consensus" is denied, Jia said it would be "hard to see how" dialogue could be continued, agreements could be implemented, or a return to past instability could be avoided. On the same occasion, TAO Minister Wang Yi was more explicit, stating not only that dialogue would be suspended but that Taiwan's interests would suffer and relations would regress. However, many Taiwan papers and TV stations chose not to highlight these messages from Beijing.

US posture

The US has generally adhered to its policy of not favoring one candidate over another in the presidential election. However, US government officials from President Barack Obama on down have repeatedly expressed support for the improvements in cross-strait relations that have occurred during Ma's presidency and expressed hope that those improvements would continue.

Tsai Ing-wen visited Washington in mid-September and held discussions with individuals of the Obama administration. The day following those discussions, the *Financial Times* reported that a senior administration official had commented that Tsai left the administration with "doubts about whether she is both willing and able to continue stability in cross-strait relations." The senior official was reportedly National Security Council Advisor Tom Donilon, whose remarks were said to reflect accurately administration concerns.

Although the State Department and the American Institute in Taiwan (AIT) have reiterated that the US government does not play favorites, the DPP has remained concerned that the Obama administration is taking steps designed to support President Ma. The most important step was

the approval of another major arms sale. Other recent administration actions include allowing Taiwan Economic and Cultural Representative Office (TECRO) to use the Twin Oaks estate for its ROC 100th anniversary celebration in October and visits by Agency for International Development Administrator Rajiv Shah and, most importantly, Deputy Secretary of Energy Daniel Ponemon, the most senior US official to visit Taipei in over a decade. In late December, AIT announced that Taiwan had been nominated as a candidate for the US visa waiver program, a step that Foreign Minister Timothy Yang described as the best Christmas present. While the State Department could explain these actions as steps to strengthen ties with Taiwan, their timing is interpreted by some as designed to show support for President Ma, who has been describing current US-Taiwan relations as the best ever. In December, Taipei's Foreign Ministry ran advertisements touting these developments as indications of support for Ma's candidacy. Some friends of the DPP in the US Congress have written to Secretary of State Hillary Clinton urging the Obama administration not to take steps favoring Ma; Taipei media coverage of their letters has contributed to public awareness of the US actions.

Cross-strait developments

As would be expected, cross-strait negotiations have slowed in these months. The seventh meeting between ARATS Chairman Chen Yunlin and Straits Exchange Foundation (SEF) President Chiang Ping-kun had been expected in the summer, but was delayed because of continuing difficulties in negotiating an investment protection agreement. Eventually, it was announced that despite an inability to conclude that agreement, the seventh meeting would be held on Oct. 20 in Tianjin. At that meeting, a Nuclear Safety Cooperation Agreement was signed and both sides committed to concluding an investment protection agreement at their next meeting which is to be held in 2012.

On Nov. 1, the second meeting of the Cross-strait Economic Cooperation Committee (CSECC) was convened in Hangzhou. The two delegations were again led by PRC Vice Minister of Commerce Jiang Yaoping and Taipei's Vice Minister of Economic Affairs Liang Kuo-shin. The meeting endorsed an agreement on cross-strait industrial cooperation negotiated by the CSECC's subcommittee on that issue. In addition, the two sides agreed that trade associations could establish reciprocal offices early in 2012.

Arms sales

On Sept. 21, the Obama administration notified the US Congress about a package of arms sales worth \$5.85 billion, including a program to "retrofit" 145 of Taiwan's existing *F-16A/B* aircraft. The administration did not announce a decision on Taipei's longstanding request for 66 *F-16C/D* aircraft and carefully noted that approval for the upgrade of *A/Bs* did not preclude a future decision to sell *C/Ds*. US officials commented that the upgraded *A/Bs* would have essentially the same capabilities as the *C/D* version. In Washington, the administration faced some criticism for not approving *C/Ds*. However, an amendment by Sen. John Cornyn that would have required the sale of the *C/Ds* was turned down by the Senate.

President Ma welcomed the decision but reiterated Taipei's desire to purchase *C/Ds*. The DPP described the *A/B* upgrades as a consolation prize for Ma. KMT spokesmen emphasized that

Washington had approved over \$18 billion of sales during Ma's presidency, more than under any of his predecessors.

In January 2010, Beijing talked about imposing sanctions on companies selling arms to Taiwan. This new notification sparked considerable criticism in the Chinese media and internet with calls for Beijing to take actions against the US. However, Beijing reacted relatively mildly with rhetoric and by suspending some military contacts. US Secretary of Defense Leon Panetta commented that Beijing had handled the issue diplomatically and expressed appreciation for that. Several factors may have contributed to Beijing's mild reaction: the US did not approve the *F-16 C/Ds* which were of greatest concern to Beijing, the dollar value was somewhat less than the previous arms sales package, President Hu Jintao's commitment to stable US-China relations, Beijing's understanding that US failure to approve any arms sales would have hurt Ma's re-election bid, and perhaps Beijing's appreciation of Tom Donilon's comments about Tsai Ing-wen. In December, Beijing and Washington held their regular Defense Consultative Talks, a sign that mil-to-mil relations were back on track.

Cross-strait trade

Cross-strait trade slowed substantially in November, after growing at double-digit rates through the first nine months of 2011. Taipei statistics indicated that in September Taiwan investments in China fell 25 percent year-on-year, a sign of trade troubles to come. In October, Taiwan export orders from China grew only 5.6 percent. In November, Taiwan exports to China of \$9.2 billion registered a decline of 3.3 percent year-on-year and export orders from China were up a mere 0.14 percent. The sharp slowdown in November reflected reduced growth in China's domestic economy and export markets, particularly in Europe. Mainland exports to Taiwan have also slowed but have continued to grow at double-digit rates.

Looking ahead

For the past 16 years, Taiwan's democratic elections have been the prime variable determining the course of cross-strait relations. The Jan. 14 election promises to continue this pattern. Given the clear differences between the two presidential candidates' policies and Beijing's very different view of each, the outcome – which remains too close to call – will set the course for the coming four years.

If Ma wins, Beijing and Washington will be relieved. Ma's victory would be seen in Beijing as a vindication of Hu Jintao's "peaceful development" policies toward Taiwan. As Ma will have won by a narrow margin rather than in a decisive victory as in 2008, he would not have a strong mandate. It is likely that he would continue in 2012 to focus on economic issues, seeking to conclude the important but elusive investment protection agreement, to expand benefits under Economic Cooperation Framework Agreement (ECFA), and to negotiate the exchange of trade association offices, which would likely be staffed by seconded government officials. Ma's inaugural address in May could provide some indication whether he feels confident enough to begin discussing political confidence building measures. As during the past three years, the US would need to play only a very limited role.

If Tsai wins, Beijing will face many difficult decisions, and Washington would need to be actively involved to help avoid steps by either side that could exacerbate tensions. During the four months before her inauguration, Tsai would as foreshadowed set up a cross-strait task force and extend some feelers to Beijing. Tsai would be constrained by her narrow margin of victory, by the KMT's likely continued control of the Legislative Yuan, by the need to maintain good relations with the US, and by the PLA's increasing deterrent capabilities.

Even if Tsai avoids specific steps that would provoke Beijing, her basic positions – that Taiwan and China are separate sovereign countries and rejection of both “one China” and the “92 consensus” – represent direct challenges to Beijing. While Beijing would likely give Tsai some time to explain the policies that she has refused to clarify during the campaign, Hu Jintao would be under considerable pressure to react strongly to her election. His policies have been criticized as too generous to Taiwan and too understanding of the domestic factors that have constrained Ma. The same self-confident and nationalistic elements that have advocated more assertive foreign policies will likely press for action against Tsai. These could include suspending most SEF-ARATS dealings, ending Beijing's tacit diplomatic truce, and shrinking Taipei's international space. Beijing would likely return to a practice of differentiating between DPP leaders and the Taiwan people. Hu Jintao would likely seek to maintain elements of his “peaceful development” economic policies that benefit Taiwan's economy and exporters. Hu's ability to manage the policy adjustment in response to Tsai's election could break down if policy toward Taiwan becomes an issue in the political jockeying leading up to the 18th Party Congress in the fall of 2012. If that occurs, cross-strait relations could rapidly become dangerous.

In sum, the outcome of the Jan. 14 election matters a great deal and will shape the environment of cross-strait relations going forward.

Chronology of China-Taiwan Relations September – December 2011

Sept. 1, 2011: Soong Chu-yu launches signature drive for his presidential campaign.

Sept. 6, 2011: Hong Kong Tourism Bureau establishes an office in Taipei.

Sept. 9, 2011: *Global Times* article warns that the US sale of *F-16s* to Taiwan would be viewed as damaging to Chinese core interests.

Sept. 12, 2011: Kuomintang (KMT) delegation visits Washington.

Sept 14, 2011: Democratic Progressive Party Chair Tsai Ing-wen visits Washington; *Financial Times* story reports US concerns regarding Tsai winning the presidential election.

Sept. 19, 2011: DPP legislator reveals that World Health Organization (WHO) documents continue to refer to Taiwan as a province of People's Republic of China (PRC).

Sept. 19-20, 2011: US-Taiwan Defense Industry Conference is held in Richmond, VA.

Sept. 21, 2011: The Obama administration formally notifies US Congress of the \$5.8 billion arms package to Taiwan.

Sept. 22, 2011: President Ma Ying-jeou welcomes the US arms sale, and reiterates the request for the sale of *F-16C/Ds*.

Sept. 22, 2011: Taiwan and Japan sign a bilateral investment agreement.

Sept. 22, 2011: Sen. John Cornyn's proposed amendment to sell *F-16 C/D* to Taiwan fails to pass in Senate.

Sept. 24, 2011: At the DPP's 25th anniversary rally in Taichung, candidate Tsai asks if President Ma will sell out Taiwan.

Oct. 3, 2011: Presidential candidate Tsai visits Japan.

Oct. 9, 2011: Working-level Straits Exchange Foundation (SEF)-Association for Relations Across the Taiwan Straits (ARATS) talks on an investment agreement are held in Taiwan.

Oct. 10, 2011: The 100th anniversary of the Republic of China (ROC) is celebrated; President gives the address. Candidate Tsai avoids the celebration in Taipei but attends an event in Tainan.

Oct. 11, 2011: US-China hold talks on Asia; China protests Taiwan arms sales.

Oct. 12, 2011: Mainland Affairs Council (MAC) and Taiwan Affairs Office (TAO) announce a delay in the negotiation of the investment protection agreement.

Oct. 12, 2011: TAO spokesman criticizes candidate Tsai's comments on Taiwan and ROC.

Oct. 17, 2011: President Ma's campaign platform mentions the possibility of a peace agreement.

Oct. 18, 2011: Candidate Tsai says Ma's proposed peace accord is dangerous.

Oct. 20, 2011: Seventh ARATS-SEF meeting is held in Tianjin; the Nuclear Safety Agreement signed.

Oct. 25, 2011: Taipei and Wellington announce joint trade agreement study.

Oct. 29, 2011: Economic Cooperation Framework Agreement's (ECFA) Industrial Cooperation Subcommittee meets and issues joint statement on cross-strait industrial cooperation.

Nov. 1, 2011: Cross-Strait Economic Cooperation Committee (CSECC) holds its second meeting in Hangzhou.

Nov. 8, 2011: Chen Shui-bian criticizes Tsai for not highlighting ethnic issues.

Nov. 10, 2011: Japan and Taiwan conclude a new aviation agreement with open skies.

Nov. 11, 2011: Hu Jintao and Lien Chan meet at the APEC forum in Honolulu.

Nov. 12, 2011: Lien Chan meets President Obama at the APEC leaders' dinner.

Nov. 19, 2011: Lee Teng-hui attacks Ma's peace accord as a step toward unification.

Nov. 23, 2011: Candidate Tsai tells business groups she denies existence of 1992 consensus.

Nov. 23, 2011: Financial Supervisory Commission (FSC) Chairman Chen Yuh-chang visits Beijing.

Nov. 24, 2011: Candidate Soong registers for presidential election.

Dec. 1, 2011: US Agency for International Development (AID) Administrator Rajiv Shah visits Taiwan.

Dec. 13, 2011: US Deputy Energy Secretary Daniel Ponemon visits Taiwan.

Dec. 16, 2011: Jia Qinglin speaks at ARATS 20th anniversary celebration.

Dec. 22, 2011: American Institute in Taiwan (AIT) announces Taiwan's candidacy for US Visa Waiver program.

Dec. 22, 2011: Taipei approves Bank of China and China Construction Bank branches.

Dec. 26, 2011: Politburo Standing Committee (PBSC) Member He Guoqiang urges Xiamen to do more to help Taiwan.

Dec. 28, 2011: Tsai visits Kinmen, claims cross-strait relations will improve if she is elected.

Dec. 28, 2011: TAO spokesman says DPP's policies will set back relations.

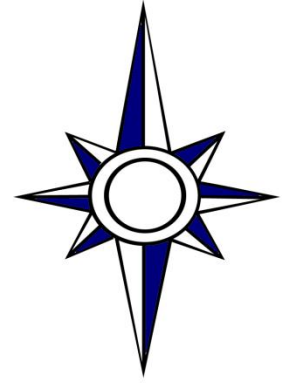
Dec. 29, 2011: Ministry of Foreign Affairs (MOFA) runs ad touting US support for Ma administration.

Dec. 30, 2011: AIT says US is neutral on election.

Dec. 30, 2011: Taiwan and Hong Kong sign a new Civil Air agreement.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



South Korea-North Korea Relations: A New Era?

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No reader of *Comparative Connections* needs telling that Kim Jong Il, North Korea's leader since 1994, died of a heart attack on Dec. 17. (The wider public is something else. The young woman who looks after this writer's baby had never heard of Korea, much less North Korea, or that anything had happened there. We specialists should never assume too much.)

Kim's death poses a dilemma. In one sense it changes everything. The DPRK is now sailing into uncharted waters, formally under a greenhorn skipper whose seamanship is untested and unknown – like almost everything else about him, except that during his Swiss schooldays he was a Chicago Bulls fan. To that extent, most of what transpired between the two Koreas during the past four months is already history; it may be no guide to what will unfold now in the era of Kim Jong Un. Yet this is a journal of record as well as analysis, so we shall begin by looking at the way things were, just recently, before focusing on where matters are now.

Seoul hints at flexibility

As we noted in the last issue, for once *Comparative Connections*' schedule fitted neatly with events on the Korean Peninsula. On Aug. 30 South Korea's President Lee Myung-bak at last replaced – as a swelling chorus had urged him to – his long-serving hardline unification minister, former academic Hyun In-taek. Typically, Hyun's successor was an old crony of Lee's. Yu Woo-ik, also a professor (of geography), had served as Lee's chief of staff in the Blue House and latterly ROK ambassador to China. While paying lip service to continuity, Yu was quick also to promise flexibility. And so it proved; in a small but tangible way, the South eased its stance slightly. But the North showed no sign of reciprocating. *Inter alia* it rejected proffered ROK flood aid before declaring, on Dec. 4, that Seoul's supposed new "flexibility" was just a verbal trick to conceal the same old attitudes of confrontation.

Keeping the faith, making music

For a start, Seoul partially relaxed the ban that it had imposed in May last year (in reprisal for the sinking of the corvette *Cheonan*) on its citizens visiting the North. Religious groups were the first to benefit. On Sept. 3 a 37-strong group of Southern Buddhists – from the Jogye order, the largest Buddhist group in the ROK – flew to Pyongyang via Beijing. Their five-day visit was to mark the thousandth anniversary of the *Tripitaka Koreana* – the world's most complete collection of Buddhist scriptures, carved on 80,000 woodblocks – together with their DPRK counterparts. The latter's authenticity might in fact be suspect; visitors to Northern temples have noticed suits under the robes of "monks," whose grasp of doctrine can appear shaky. But in cases

like this, it is the symbolism which counts. (A video of this visit can be seen, courtesy of Iranian television, at <http://www.presstv.ir/detail/197819.html>)

The Jogye team was followed later in the month by a more senior and ecumenical group. On Sept. 21 a 24-strong delegation from South Korea's seven main religions, several resplendent in traditional robes, left Seoul for Pyongyang via Shenyang. There they met Kim Yong Nam, the DPRK's titular head of state, but not Kim Jong Il as hoped. Before leaving Seoul they had a high-level send-off, dining with the new Unification Minister Yu Woo-ik on his second day in the job. The Ministry of Unification (MOU) said it allowed the trip as a "contribution to inter-Korean exchanges and aspiration for peace on the Korean Peninsula." This is a new note. By contrast, as recently as May the ROK authorities had forbidden the Jogye order to hold its usual con-celebration of Buddha's birthday with Northern Buddhists at Singye temple on Mt. Kumgang, as they had done each year since 2004. The Southern monks were allowed to cross the border to Mt. Kumgang and deliver 100,000 vermifuge tablets, a treatment against intestinal worms, but no more.

Music too has seen progress. Chung Myung-whun, South Korea's most famous conductor, made his first trip to Pyongyang in mid-September. He returned with talk of forming an inter-Korean orchestra, to perform in both Korean states. Chung is based in Paris (though he also conducts the Seoul Philharmonic), so it is not clear whether he needed ROK permission for this trip, but it appeared to have official blessing. One could be forgiven a slight sense of *déjà vu* here. Twenty-one years ago, back in 1990, another South Korean musical maestro – Hwang Byung-ki, master of the *kayagum* (a Korean zither) – had led a band of Southern musicians to Pyongyang for a reunification music festival, and there have been others since.

GNP chairman visits Kaesong Industrial Complex

Another advocate of flexibility was Hong Joon-pyo, a maverick backbencher who for a few months served as chairman of the beleaguered conservative ruling Grand National Party (GNP). In late August Hong claimed credit for insisting to President Lee that Hyun In-taek had to go as unification minister. Liable to let his mouth run away with him, on Sept. 1 he hinted at a breakthrough in North-South relations before the *Chuseok* (harvest festival) holiday on Sept. 12. In the event nothing happened. Hong has also been a major cheerleader for the idea of a gas pipeline from Siberia across both Koreas, on which more below.

On Sept. 30 Hong became the first GNP chairman ever to visit the Kaesong Industrial Complex (KIC), just north of the Demilitarized Zone (DMZ). With 123 Southern (mostly small) firms employing 48,000 Northern workers, this is the only inter-Korean joint venture still operating. The other main and indeed pioneer project, the Mt. Kumgang resort on the east coast, has seen no Southern tourists since one was shot dead in July 2008, and the North is in process of confiscating Southern assets there worth \$375 million – just one example of the kind of thorny problem which a revised *Nordpolitik* will need to address.

Hong's trip to the KIC contrasted with the situation just a month earlier. On Aug. 26 the MOU had nixed a request by a National Assembly special committee on inter-Korean affairs to visit the complex, even though Southern small and medium enterprises (SMEs) operating there had

requested such a visit to plead their case for financial leniency given the problems they face. Forty such firms wrote to MOU on Aug. 31 requesting deferral of debt repayments because chilly inter-Korean relations have adversely impacted their businesses.

Boosting Kaesong

Even before Hong's trip was announced, there were indications of a new approach in Seoul toward the KIC. That it has survived at all is a small miracle. In the past the North had from time to time harassed it with border and other restrictions. As for the South, some wanted to close it after last year's two Northern attacks, fearing Pyongyang might use the hundreds of South Koreans working there as hostages (this has not in fact happened). Lee Myung-bak has kept it open but restricted its expansion – the original plan was for it to grow much larger.

On Sept. 20, MOU said the ROK government will revive plans, on hold since last year, to spend \$6.3 million to build a fire station and emergency medical center in the KIC. To have delayed this of all things was crassly self-defeating. As the Seoul daily *JoongAng Ilbo* reported, so far the zone has only a makeshift fire-fighting room in a dormitory for Southern managers. Yet two-thirds of the ROK firms in the KIC work in sectors such as chemicals or textiles, which are vulnerable to fire. Fifty-nine of them bought North Korean insurance, but others did not since they doubted whether Pyongyang could or would pay out. In December, a fire caused damage totalling \$2 million at four companies in the KIC; none of them was insured. The new fire station and a medical center with 10 beds and as many doctors and nurses – generous staffing indeed – are both due for completion and opening in 2012.

Also, on Sept. 25 *Yonhap*, South Korea's semi-official news agency, reported that the South is considering repairing recent flood damage affecting roads leading to the KIC from the adjacent eponymous Kaesong city – once Korea's capital, before Seoul – along which the 48,000 Northern workers commute. On Nov. 3 *Yonhap* said the repairs would start the following week, but there seem to be no reports of them actually being carried out yet.

Pipeline or pipedream?

The idea of a gas pipeline from Siberia to South Korea via North Korea caused excitement when Kim Jong Il visited Russia in August. As the year ended, the mood was more sober. That is only realistic. North Korea, which is the key to this project, has yet to formally endorse it; the most it has done is have *KCNA* report talks in which Russia has mentioned the idea.

Lee Myung-bak has changed his tune too. On Sept. 8 he told a TV audience that in his view this “will proceed faster than expected ... It will be great if the project materializes.” By Oct. 13, visiting Washington, he sounded more cautious: “It will take some time ... it's not something that will see immediate progress.” As of January, this like everything else is now presumably on hold until the new Northern leadership's position becomes known.

Nuclear talks: the long and the short of it

Fortunately, North Korea does not always mean what it says. Its recently reiterated vow not to talk to the Lee Myung-bak “gang” has been broken before. For example, on Sept. 21 the two

Koreas' nuclear envoys met, their second encounter in as many months. They may not achieve much, but they enjoy some pleasant sojourns. In July the scene was Bali, on the sidelines of the ASEAN Regional Forum (ARF). This time the venue was Beijing's Chang An Club, a plush private body. Speaking of bodies, photographs showed the North's Ri Yong Ho towering over the South's rather diminutive Wi Sung-lac. (Usually it is the other way round, at least for ordinary citizens; surveys show the average South Korean is now measurably taller and heavier than his Northern brethren.) Both Ri and Wi described their three hours of talks as useful, but as of early 2012 neither these nor other bilateral meetings, including three between the US and DPRK, have yet led to any resumption of the Six-Party Talks, stalled now since 2008.

Taekwondo tournament

If the fall's renewed momentum in inter-Korean ties came mainly from Seoul, Pyongyang for its part also seemed to be in one of its periodic moods of outreach. On Sept. 8-12 the DPRK capital hosted the ITF Taekwondo World Championships, welcoming 800 athletes from over 80 countries including the US. The Korean martial art has two rival global federations. The WTF has Olympic recognition, but the ITF remains loyal to the discipline's modern founder, Choe Hong-hui, a former ROK general whose odyssey – embarrassingly for Seoul – included exile in Canada and eventual defection to North Korea, where he died in 2002. Participants duly visited his grave in the Patriotic Martyrs Cemetery. The foreign press, including the *Voice of America*, was allowed in to cover the tournament. Jang Ung, a DPRK International Olympic Committee (IOC) member who also heads the ITF, gave VOA something of a scoop: revealing that the ITF and WTF have secretly met 11 times since 2004 in Beijing to discuss merging, but without success. Jang added: “I think the merger can only happen after the unification.”

The ever-widening chasm

North Korea has issued no regular statistics for nearly half a century. (When it does, then we shall know that reform is truly under way.) Since 1991 the Bank of Korea (BOK), South Korea's central bank, has tried to fill some of the blanks by producing annual estimates of Northern output, trade, and suchlike data. How they do this is not entirely clear, although some use is apparently made of ROK intelligence sources. But like manna in the desert, any numbers on North Korea are seized by those thirsty for hard data about this most opaque of countries.

Usually BOK publishes its estimates during the summer, but this year its report – covering 2010 – only appeared on Nov. 3. The unusual delay went unexplained: maybe DPRK figures proved even more elusive than usual to track down. (Interested readers can find them at <http://eng.bok.or.kr/contents/total/eng/boardView.action?menuNaviId=634&boardBean.brdid=10034&boardBean.menuid=634&boardBean.rnum=1>)

What BOK reported was not good news. In 2010 North Korea's real gross domestic product (GDP) did not grow; it actually fell by 0.5 percent. In 2009 too it had fallen, by 0.9 percent. In fact, four of the past five years have seen shrinkage, with only 2008 recording positive growth (3.2 percent). Agriculture, which still accounts for a fifth of the DPRK economy, even though most of its terrain is hardly suitable for crops, fared worst with a 2.1 percent fall due mainly to bad weather (cold snaps and typhoons). Light industry, supposedly a priority area this year,

contracted by 1.4 percent, while heavy industry (up 0.1 percent) and mining (down 0.2 percent) more or less marked time.

Looking at BOK's full data run, which goes back to 1990, it shows that North Korea has yet to recover the ground it lost in the disastrous 1990s when the economy went into free fall after the then USSR abruptly cut off all aid. In 1990, GDP stood at 28.83 billion won, rebased at constant 2005 prices. By 1998 this had plunged by almost a third, to 20.5 billion won. By 2010, it had recovered, but only to 24.6 billion won. (All this is expressed in ROK rather than DPRK won. In the past, BOK also provided US dollar values, but this year it warns readers that comparisons with countries elsewhere are inappropriate, so it is not going to make this easy.)

BOK's avowed aim is to assist ROK policy formation so it gives North-South comparisons for most data. Time was when the Northern economy was larger and grew faster than the South's, but that was long ago. Structurally too they are far apart. Agriculture is now a tiny corner (2.6 percent) of the South Korean economy – yet it grows more food than the North's 20 percent.

In terms of output, the chasm between the two Koreas just gets wider and wider. In 2010 North Korea's nominal gross national income (GNI) was equivalent to just 2.6 percent of South Korea's: a ratio of 39:1, up from 37.4:1 in 2009. To be fair, the South has twice the North's population. But even so, the gap in per capita GNI is 19.3:1 – and is widening every year.

On trade, Seoul misleads as usual

As usual, BOK also gives figures for trade. Here we should be on surer ground. Unlike GDP, in principle, these are real numbers – not published in Pyongyang, of course, but laboriously collated from partner countries' statistics and some international agencies. This does leave scope for error. (Some Customs authorities, Mexico for one, have been known to muddle the two Koreas and record Southern trade as Northern – giving the latter a phantom boost.)

To err is human, to mislead is annoying. Despite negative growth, North Korea's trade last year bounced back compared to 2009, when it had fallen. According to BOK, exports rose 42.5 percent, from \$1.06 billion to \$1.51 billion. They still failed to cover imports, which grew by a more modest 13.2 percent from \$2.35 billion to \$2.66 billion. North Korea thus retained the structural deficit it has always had, but at least this has narrowed. In absolute terms, total trade value of \$4.17 billion remains tiny by global or regional standards, and – as BOK does not fail to point out – equated to an infinitesimal 214th of South Korea's vast \$891.6 billion. (In 2011 the ROK's total trade topped a trillion dollars; its GDP passed the same milestone last year.)

But these figures are wrong. The BOK, like all ROK government agencies – and despite its nominal independence – perversely refuses to include the North's trade with South Korea. This long-running practice is meant to make a political point about Korea being one – ROK sources sometimes use the phrase “intra-Korean,” just to ram the point home further – but it messes up the statistics and creates confusion; at least one UN statistical series takes the BOK figures at face value. Contrast China, which despite political niceties has no problem in treating Taiwan, Hong Kong, and Macau as separate entities for purposes of trade figures.

A farcical trade “ban”

BOK does give inter-Korean trade figures, but under a separate heading, and very interesting they are. In May 2010, the South nominally banned trade with the North, after accusing it of torpedoing the corvette *Cheonan* two months before. Thus it may seem surprising, at first sight, that in 2010 inter-Korean trade rose again, as it has almost every year: by 13.9 percent, to \$1.91 billion. Moreover, in each of the last three years the North ran a small surplus. In 2010, its exports to the South topped \$1 billion.

The paradox is explained by the KIC, specifically exempted from the South’s trade ban. This made nonsense of the “ban,” since the KIC already accounted for the greater part of inter-Korean trade – which itself has long been crucial to the North since the South is its second largest trading partner, after China. Hence, to repeat, it is highly misleading for BOK and others in Seoul to publish supposed North Korean overall trade figures which exclude this major item. Naturally, adding the inter-Korean numbers boosts North Korean trade on both sides of the ledger. The true export total for 2010 becomes \$2.554 billion, over \$1 billion and almost 70 percent more than the BOK number. For imports, the real figure is \$3.528 billion, a third higher than BOK has. Total DPRK trade in 2010 thus topped \$6 billion, its highest figure in many years.

Including South Korea affects the trade growth rates given by BOK as well. It cuts those soaring exports down to size; these in fact grew by a credible 28 percent rather than a sensational 42 percent. By contrast, the true growth rate in imports (14 percent) differs little from BOK’s 13.2 percent. With inter-Korean trade almost balanced, the DPRK’s overall deficit is not much different either at just under \$1bn (\$974 million) rather than the \$1.15 billion implied by BOK. Negative GDP growth, but with exports up 28 percent, is an odd combination. If North Korea’s exports (mainly to China) continue to rise rapidly, this should generate a much-needed boost to GDP in 2012.

One hand clapping

As fall turned to winter, the South’s still newish Unification Minister Yu Woo-ik remained enthusiastic and active. But this was just the sound of one hand clapping as the North did not respond. During November, Yu visited both the US (for a week) and China. In Beijing he pressed for greater lenience toward DPRK defectors, perhaps successfully in one case. Yu has made much of creating a special fund for unification, with some ambiguity as to whether this is to be governmental or not. Pyongyang tends not to like that sort of talk, but it has yet to criticize Yu by name as it lambasted his hardline predecessor, Hyun In-taek. But by December, it made clear that it was unimpressed by talk of flexibility. And then, events took a hand.

Ping-pong diplomacy: *déjà vu*

Tiny Qatar grows ever more influential. On Nov. 22, it briefly accomplished partial Korean unification, when a Korean pair – one DPRK, one ROK – won the men’s doubles in a table tennis contest held in Doha to promote global peace and amity. A similarly mixed female Korean pair took silver. Before getting too excited about ping-pong diplomacy, one should recall that as long ago as 1991 – fully 20 years ago – the two Koreas fielded a joint team in the world table

tennis championships in Japan – and Korea won the women’s doubles. “The first step is half the journey” (*sijaki banida*), says a Korean proverb. Not so, alas, in North-South relations, which seem unable to build on past progress in any sustained fashion.

One day in December

Dec. 19 was already shaping up to be an important day in Korean politics – in Seoul. With a presidential election exactly a year away, preceded by separate elections for the National Assembly on April 11, both major South Korean parties have been in turmoil. The unloved ruling GNP, which looks set to lose control of parliament in April, in desperation turned to its former leader Park Geun-hye – no friend of President Lee Myung-bak – to lead an emergency council to reform the party. The new leadership took charge on Dec. 19.

The same day, the center-left main opposition Democratic Party (DP) relaunched itself as the Democratic Unity Party (DUP), following a hasty and fractious merger with a small group of supporters of the late President Roh Moo-hyun (2003-08). Some of the DP old guard, based in Jeolla province in the southwest, opposed the merger and tried to block it physically. Unity among progressives remains elusive. A separate merger of three small far-left groups on Dec. 5 created the Unified Progressive Party (UPP), which may or may not team up with the DUP.

Kim dies: who knew?

All this was overshadowed by the news from Pyongyang, which caught South Korea on the hop. In a special broadcast at noon, a tearful announcer clad in black gave the sombre news that Kim Jong Il had died – of a heart attack, two days earlier, on his special train. Thirteen days of mourning was declared, and funeral arrangements posted (see the chronology for details).

The news of Kim’s death briefly curbed some negative political shenanigans in the South, as anxious politicians closed ranks. The DUP called off its month-long boycott of parliament in protest against the GNP’s railroading ratification of the Korea-US Free Trade Agreement (FTA) and cooperated with the GNP to belatedly see the 2012 budget through its committee stage. The budget passed the full National Assembly in the nick of time, late on Dec. 31. By then, the DUP was again in boycott mode, over a different issue. Politics in the two Koreas could hardly present a greater contrast – the fractious squabbling that goes with democracy vs. a veneer of leaden unity, grim militarism, and compulsory grieving.

Kim Jong Il’s death was a shock to the South, but politics as usual soon recovered. The press and lawmakers were scathing when it transpired that the government had no prior knowledge of this; the National Intelligence Service (NIS) and Ministry of National Defense (MND) admitted that like everyone else they first heard the news on TV. Their sheepish excuse was that nobody else – the US, Japan, China – knew either. In death as in life, Kim Jong Il confirmed Donald Gregg’s characterization of North Korea as the world’s longest-running intelligence failure.

Kim’s death put Seoul on the spot. The government had little time to decide how to react. In 1994, when Kim Il Sung died, then ROK President Kim Young-sam – who had been due to meet the Great Leader imminently in what would have been the first inter-Korean summit, brokered

by former US president Jimmy Carter – angered Pyongyang by putting troops on high alert and sending no condolences. Lee Myung-bak's starting-point, by contrast, was an already poor North-South relationship, which he had no wish to exacerbate further at such a sensitive and unpredictable time. While naturally putting ROK forces on alert, the Lee administration also wanted to send an olive branch. The result was a compromise.

Limited condolences

On the basis that Southern conservatives would not stomach direct condolences to the DPRK government, Seoul instead offered these to the Northern people. It did not send any official mourning party to Pyongyang, and in general forbade its citizens from going. But it made two exceptions. A pair of prominent widows was allowed to go to Pyongyang, in both cases on the ground that the North had sent condolence delegations when their husbands died. These were the redoubtable Lee Hee-ho, now 89, widow of the late Kim Dae-jung (president 1998-2003), and Hyun Jeong-eun, chair of the Hyundai group since her husband Chung Mong-hun took his own life in 2003 while under investigation for illicit payments to Pyongyang. Both had met Kim Jong Il, Hyun several times – most recently in August 2009. (This Hyundai group is a rump: the best and best-known bits, like shipbuilding and auto making, were spun off some years ago under different rival sons of the group's founder, the late Chung Ju-yung, whose costly enthusiasm for his northern homeland they emphatically do not share.)

Including the two widows' entourages, 18 South Koreans in total crossed the DMZ and drove to Pyongyang on Dec. 26. It was a brief visit; on Seoul's orders they returned the next day, before the full pomp of the North's funeral and memorial service on Dec. 28-29. They became the first South Koreans to meet Kim Jong Un, briefly – he thanked them for coming – and also met with the North's veteran titular head of state, Kim Yong Nam, who like many other top figures in Pyongyang is in his 80s – a decade older than Kim Jong Il was. On their return, the party dined with Unification Minister Yu Woo-ik, though it is not clear how much of substance they had to report. Hyun said that no business was discussed, meaning there was no chance to raise Hyundai Asan's plight, with its assets at Mt. Kumgang confiscated. This would not have been the right time for such matters.

The North affects anger

The extraordinary theater of Kim Jong Il's funeral, with Pyongyang citizens crying as one, extended to sparring with the South. North Korea invited no foreigners to the funeral – but South Koreans are compatriots, and they were all welcome to mourn the loss of the nation's leader. Unusually, the North said they could even come overland across the DMZ rather than fly the long and expensive way round via Beijing, as it usually insists. This was of course disingenuous. Pyongyang knew perfectly well that Seoul could and would not permit such a free-for-all, although imagine the fun if the South had had the nerve and imagination to call the North's bluff and declare that it would let anyone and everyone head for Pyongyang. So just as it would be naïve to take the mass wailing for Kim Jong Il at face value, it would be equally mistaken to take at all seriously the massive umbrage that the North affected to feel at the "traitor" Lee Myung-bak's refusal to allow more Southern mourners to head North.

Even the North's forceful and scornful insistence that it will have no more to do with Lee's "gang" is not necessarily Pyongyang's last word. It has said this before, in June, yet the two Koreas' nuclear negotiators have met bilaterally twice since then. Or again, the very hardline regular joint New Year editorial, and the even more unremitting "joint calls" put out by the Workers' Party of Korea/Central Committee/Central Military Committee on Dec. 30, are depressing reading but should not be taken as definitive. At such a delicate moment of transition, it is hardly surprising if the North breathes fire and snarls – warning the world (not least South Korea) to keep its distance and not try anything. (Memories of the Libyan debacle are very fresh in Pyongyang, which has yet to announce Gadhafi's fate to its own people.)

Too soon to tell

As of early January 2012 it is far too early to tell how anything will pan out in Pyongyang, let alone predict the future course of inter-Korean relations. South Korea's electoral cycle remains a key factor. Like his father only even more so, Kim Jong Un has no real reason to deal with a lame duck president in Seoul who has barely a year left to serve, when almost certainly the next occupant of the Blue House – be he or she liberal or conservative – will be more amenable and seek to resuscitate engagement in some form. But you never know.

For his part, Lee Myung-bak and indeed all South Koreans must now watch the North with a new circumspection, straining for clues and cues as to who is really in charge in Pyongyang and what they might do for good or ill. The next few months will be especially anxious. Not only is Kim Jong Un an unknown unknown, in Rumsfeld-speak, but the long-heralded centenary in April of his grandfather Kim Il Sung's birth might be seen as an occasion for the grandson to flex his muscles and show his mettle with a provocation of some kind, be it a nuclear or missile test, or even a third attack on the South on the lines of the two in 2010. That would be third time unlucky for the North, as this time in an election year Lee Myung-bak and the GNP cannot afford to look weak. They would hit back, despite the risk that this may provoke the North to retaliate and that the conflict might spiral out of control. Seoul hopes that this time Beijing will be a restraining influence, unlike in 2010 when it took Pyongyang's part in order to win its trust.

More benign scenarios are also possible. No more than his father will Kim Jong Un want to become China's puppet. One way to avoid that fate is to reach out to South Korea, sooner or later. Any government in Seoul has geopolitical reasons to seek to counter Beijing's growing influence in Pyongyang. And then there is the gas pipeline, which would bring Russia back into the game and frame as well. As of now the Korean future is wide open, and impossible to predict with any certainty. Matters might be clearer when we next report, early in May.

Chronology of North Korea-South Korea Relations September – December 2011

Sept. 1, 2011: North Korea's official *Korean Central News Agency (KCNA)* reports that a Chinese-led tourism delegation is visiting the Mt. Kumgang resort and has been briefed on investing there. Mt. Kumgang is the subject of an inter-Korean dispute, the North having seized Hyundai's and other Southern assets there worth some \$375 million.

Sept. 1, 2011: Hong Joon-pyo, chairman of the ROK's ruling conservative Grand National Party (GNP), hints at a breakthrough in North-South relations before the *Chuseok* (harvest festival) holiday on Sept. 12. Nothing happens.

Sept. 3, 2011: The North's Committee for the Peaceful Reunification of Korea (CPRK) says "it's fortunate that the [South's] unification minister was replaced, though belatedly," and urges Seoul to improve inter-Korean ties.

Sept. 5, 2011: Buddhists from both Koreas hold a joint ceremony at Bohyun Temple on Mt. Myohyang, north of Pyongyang to mark the 1,000th anniversary of the *Tripitaka Koreana* or *Palman Daejanggyeong*.

Sept. 5, 2011: *Rodong Sinmun*, daily paper of the DPRK's ruling Workers' Party of Korea (WPK), calls on Seoul to fully implement agreements reached at the inter-Korean summits in 2000 and 2007. ROK President Lee Myung-bak withheld joint venture projects agreed at the latter by his predecessor Roh Moo-hyun, calling on Pyongyang to denuclearize first.

Sept. 5, 2011: The ROK says it will send a first batch of emergency aid, worth 5 billion won (\$4.6 million) in total, to DPRK flood victims next week. It will be delivered across the Demilitarized Zone (DMZ) by both truck and train.

Sept. 5, 2011: Some 30 Southern firms invested at Mt. Kumgang vow not to join the North's new plans for the resort, and call on the two governments to resolve the dispute.

Sept. 6, 2011: Pak Chol-su, the Korean-Chinese head of Taepung, the company tasked with attracting new business to Mt. Kumgang, says he respects Hyundai's property rights and will not give third parties access to Hyundai assets at the resort without consulting Hyundai.

Sept. 6, 2011: The ROK defense ministry (MND) tells a National Assembly committee that the DPRK is developing new devices for jamming Global Positioning System (GPS) signals, with an extended range of up to 100 km.

Sept. 8, 2011: ROK President Lee says on television that he thinks plans for a gas pipeline involving Russia and both Koreas "will proceed faster than expected ... It will be great if the project materializes." He adds that he is ready for an inter-Korean summit "at any time if it helps open peace and prosperity between the two Koreas."

Sept. 8-12, 2011: The 17th World Taekwondo Championships are held in Pyongyang for the first time in 19 years. These are organised by the International Taekwondo Federation (ITF).

Sept. 9, 2011: The 63rd anniversary of the founding of the DPRK is marked by a military parade in Pyongyang. Unusually this features civil defense militias, not the regular KPA.

Sept. 12, 2011: ROK Vice Unification Minister Um Jong-sik calls on the North to expedite reunions of separated families. Seoul had hoped to hold a reunion around *Chuseok* time.

Sept. 12, 2011: *Kyodo* reports that nine North Korean boat people found adrift off Nanatsu Island on Japan's west coast say they want to defect to South Korea. They arrive in Seoul on Oct. 4 amid unusual secrecy, prompting speculation that some are from elite families.

Sept. 12, 2011: The ROK says it will ask other countries not to invest in Mt. Kumgang

Sept. 12, 2011: The South's Korea Customs Service (KCS) reports inter-Korean trade as worth \$958 million in the first seven months of 2011, down 16 percent from 2010. ROK exports fell 14 percent to \$447 million, while imports dropped 18 percent to \$511 million. Almost all of this involves the joint venture Kaesong Industrial Complex (KIC).

Sept. 12-15, 2011: Paris-based Chung Myung-whun, Korea's best-known conductor who also directs the Seoul Philharmonic Orchestra, visits Pyongyang to discuss musical cooperation.

Sept. 15, 2011: Russian energy giant Gazprom says it has agreed to set up a bilateral joint working group on the pipeline project with North Korea.

Sept. 15, 2011: *Yonhap* cites "a source" as claiming that the DPRK is forcing citizens to donate to the official campaign to build a "strong and prosperous nation" (*Kangsong taeguk*).

Sept. 16, 2011: The South's National Police Agency (NPA) claims that pro-North activity in cyberspace has surged in the past three years. 2010 saw 82 prosecutions for illegally posting pro-DPRK materials online – an offense under the ROK National Security Law (NSL) – up from five in 2007 and 32 in 2009. (Rather than any actual surge, a likelier explanation is that official prosecution of such postings has been stepped up since Lee Myung-bak took office.)

Sept. 16, 2011: Maestro Chung Myung-whun says in Seoul that he signed a letter of intent with the North's Korean Association for Art Exchange (KAAE) to form an inter-Korean symphony orchestra that will give regular performances, e.g. of Beethoven's 9th symphony.

Sept. 16, 2011: *Choson Sinbo*, daily paper of pro-North Koreans in Japan, quotes a DPRK tourism official as saying the North is ready to discuss Mt. Kumgang any time – "if South Korea adopts a positive attitude."

Sept. 18, 2011: The DPRK website *Uriminzokkiri* says the North remains ready to improve inter-Korean ties via exchanges and contacts, including reunions of separated families. It claims that the South's unification ministry (MOU) has made no attempt to contact the North.

Sept. 18, 2011: Refuting ROK media reports that Kim Jong Il's half-brother Kim Pyong Il is under house arrest in Pyongyang, the US-based *Radio Free Asia* (RFA) reports him as back at his post in Warsaw, where he has served as DPRK ambassador to Poland since 1998.

Sept. 19, 2011: Having been nominated to the post on Aug. 30, Yu Woo-ik, a close crony of President Lee, formally takes office as ROK unification minister.

Sept. 20, 2011: Yoon Seok-yong, a lawmaker of South Korea's ruling Grand National Party (GNP), claims that North Korean attempts to hack websites of the ROK Ministry of Health and Welfare have soared from 3,349 in 2009 to 17,091 in 2010, with 14,669 so far this year alone.

Sept. 20, 2011: MOU reports that interest on ROK government bonds issued to finance the Korean Peninsula Energy Development Organization (KEDO) – a consortium of the US, South Korea, and Japan, which was to build two light-water reactors (LWRs) in North Korea – has risen to over 900 billion won (\$798 million) since 1999.

Sept. 20, 2011: MOU says it is resuscitating plans, on hold since last year, to spend \$2.1 million to build a fire station and emergency medical center in the KIC.

Sept. 21, 2011: The two Koreas' respective nuclear envoys, Wi Sung-lac (ROK) and Ri Yong Ho (DPRK), meet for three hours at a private club in Beijing.

Sept. 21, 2011: Speaking at the UN General Assembly, Lee Myung-bak reiterates his plea to North Korea to forsake nuclear ambitions; in which case the South stands ready to give aid.

Sept. 21, 2011: Seven ROK religious leaders, representing Catholics, Protestants, Buddhists, and Chondogyo (an indigenous Korean faith), lead a 24-strong delegation to the DPRK.

Sept. 22, 2011: Citing customs data, GNP lawmaker Kwon Young-se says that since South Korea suspended most trade with the North in May last year, it has confiscated Northern imports worth 46.5 billion won (\$39.4 million) disguised as Chinese. Almost all of this (45 billion won) was anthracite coal, with potato starch (900 million won) a distant second.

Sept. 25, 2011: MOU says that South Korea's share of North Korea's trade fell from 38.0 percent in 2007 to 33.0 percent in 2009 and 31.4 percent in 2010. Meanwhile China's share grew from 41.6 percent in 2007 to 57.1 percent in 2010. Nonetheless inter-Korean trade rose from \$1.8 billion in 2007 to \$1.91 billion in 2010.

Sept. 26, 2011: MOU begins internet broadcasts on unification issues, including an hour-long daily radio program and a weekly television show. These can be accessed at <http://unitv.unikorea.go.kr> (television) and <http://uniradio.inlive.co.kr> (radio).

Sept. 26, 2011: MOU notes that in the year since his unveiling, Kim Jong Un accompanied his father Kim Jong Il on 100 of the latter's 152 on-the-spot guidance visits.

Sept. 27, 2011: DPRK media report that Kim Jong Il sent condolences on the death of Park Yong-gil, who died aged 93 on Sept. 25. Park and her late husband Rev. Moon Ik-hwan, who was jailed for visiting the North in 1989, were prominent unification and democracy activists. MOU nixes a bid by Park's family to visit Kaesong and meet Northern officials

Sept. 30, 2011: After visiting the KIC – the first GNP chairman ever to do so – Hong Joon-pyo calls for flexibility in South Korea's policy to the North. Separately, ROK civic groups deliver 250 tons of flour and medical supplies for North Korean children to Kaesong city.

Sept. 30, 2011: The UN World Food Program (WFP) says that one-third of DPRK children under five are malnourished. It warns that this number may grow. WFP's annual assessment survey, jointly with the UN Food and Agriculture Organisation (FAO), begins on Sept. 26.

Oct. 4, 2011: MOU says it has dropped plans to send flood aid to North Korea. The North did not respond when the South offered baby food, biscuits and instant noodles, rather than the food, cement and heavy construction equipment which Pyongyang had asked for.

Oct. 4, 2011: On the fourth anniversary of the second inter-Korean summit, *Rodong Sinmun* calls on South Korea to change its policy and implement the accords signed there.

Oct. 5, 2011: North Korea calls on the South to repatriate two men whose small boat crossed the eastern sea border the day before. It is unclear as yet whether they are seeking asylum.

Oct. 5, 2011: *KCNA* claims that since August the South has beamed propaganda broadcasts to the western DPRK on the same frequency as the North's own TV channel, and threatens "merciless punishment" unless this ceases. MOU says it has no immediate comment.

Oct. 5-6, 2011: Pyongyang University of Science and Technology (PUST), founded by a US-Korean Christian and partly funded from South Korea – where its website, pust.kr, is hosted – holds an international symposium with scientists from at least seven nations.

Oct. 6, 2011: An official in Seoul says North Korea is seeking \$5.7 billion compensation for the failure of KEDO's LWR project, adding: "The North's demand is nonsense."

Oct. 6, 2011: Apropos the food situation in North Korea, the South's unification minister Yu Woo-ik tells the ROK National Assembly (NA): "I don't think [it] is very serious."

Oct. 9, 2011: *KCNA* threatens "physical retaliation" against South Korea's "ceaseless provocative war moves". These include alleged maritime intrusions, and "anti-communist right-wing conservative organizations [scattering] a lot of leaflets and undesirable USBs and pamphlets into ... the north." A separate warning about the latter the same day says that the KPA is "ready to take direct fire to destroy the citadels of the psychological warfare," and may be "compelled to go into real action any moment."

Oct. 10, 2011: North Korea marks the 66th anniversary of its ruling WPK on a smaller scale than usual, with no military parade or national meeting.

Oct. 11, 2011: In an interview published as Lee Myung-bak arrives in the US for a state visit, South Korea's President tells the *Washington Post* that his firm stand on North Korea is making progress: "There are some real changes we are detecting." He does not elaborate.

Oct. 12, 2011: South Korea says it has stepped up vigilance against possible provocations after detecting unusual Northern military movements near the West Sea border, including the deployment of KPA fighter jets and ground-to-air missiles to forward positions.

Oct. 13, 2011: Presidents Obama and Lee reaffirm the “unbreakable” US-ROK alliance, and urge North Korea to denuclearize. On the proposed Siberia-Korea gas pipeline, Lee says: “It will take some time ... it’s not something that will see immediate progress.”

Oct. 13, 2011: Russia and North Korea hold a test run of their renovated 54 km cross-border railway linking Khasan to Rajin. They reaffirm Rajin’s intended role as a freight hub for Europe-bound shipments from the wider region. For Moscow this means South Korea.

Oct. 14, 2011: The DPRK Committee for Peaceful Unification of the Fatherland (CPUF) calls on the ROK to cease its online broadcasting on inter-Korean affairs, which began a fortnight earlier. CPUF calls this a grave provocation to tarnish the image of the North.

Oct. 17, 2011: Citing military intelligence, South Korean lawmakers claim that the North is accelerating Kim Jong Un’s grooming as successor. Jong-un reportedly practiced controlling the military during his father’s most recent overseas trip, to Russia in August.

Oct. 18, 2011: GNP lawmaker Hwang Jin-ha says the National Intelligence Service (NIS) told a closed NA session that KPA ground forces are using virtual reality technology to stage simulated invasions of South Korea, while beefing up cyber threats.

Oct. 20, 2011: *Yonhap* notes that since late August DPRK media have carried 48 separate reports on the upcoming by-election for mayor of Seoul. Most are critical of the GNP while praising the left-leaning independent opposition candidate Park Won-soon (the eventual winner).

Oct. 20, 2011: Ten businessmen, representing 120 Southern SMEs operating in the KIC, ask Unification Minister Yu to approve new investments and address issues of communications, the passage of people and customs clearance for the zone. Yu stresses Seoul’s commitment to developing the complex.

Oct. 20, 2011: *Chosun Ilbo* reports that KIC orders for Choco Pies are down sharply. The ROK snack has spread by barter all over North Korea. The North reportedly told Southern businesses to provide cash or instant noodles instead. A Seoul official says that Pyongyang seems to have “singled out Choco Pies as an agent that may be spreading anti-Socialist values from the South.”

Oct. 20, 2011: Visiting the US for a seminar at the University of Georgia, Ri Jong-hyok, a senior DPRK official involved in North-South ties, calls on the ROK to implement the two summit agreements and lift the sanctions it imposed in May 2010.

Oct. 21, 2011: Unification Minister Yu says the lesson of Libya is that leaders should feed their people well, protect them and allow them freedom. North Korea has yet to report the overthrow of Gadhafi, and is said to have banned its citizens there from returning home.

Oct. 22, 2011: North Korea’s Union of Agricultural Working People (UAWP) condemns the recent US-South Korea free trade agreement (FTA) as a betrayal of the nation, and pledges support to South Koreans who oppose it.

Oct. 25, 2011: The Korea NGO Council for Cooperation, which represents over 50 Southern civic groups, says the North has invited it to come for discussions. Seoul nixes the trip, citing a lack of monitoring of food aid already sent. But it permits another NGO coalition, the Korean Council for Reconciliation and Cooperation, to send a team to Sariwon, south of Pyongyang, to monitor flour aid donated to childcare centers.

Oct. 26, 2011: An MOU official belatedly reveals that a month earlier, meeting a Hyundai Asan delegation in Kaesong, the North's Ri Jong Hyok hinted that if the South proposed holding talks about the Mt. Kumgang dispute the North would respond.

Oct. 26, 2011: Park Joo-sun, a lawmaker of the ROK's main opposition Democratic Party (DP), who met Ri Jong Hyok in Atlanta, says Ri claimed that the two Koreas had agreed to a summit during a meeting between ROK Presidential Chief of Staff Yim Tae-hee and Kim Yang-gon, the North's point man on the South, but that Seoul later broke the deal.

Oct. 27, 2011: *KCNA* reports the GNP's loss of the by-election for Seoul mayor to a leftist independent as "the people's grave judgment call on conservative forces in South Korea."

Oct. 28, 2011: Archaeologists from both Koreas hold a working-level meeting in Kaesong. An official from the ROK National Research Institute of Cultural Heritage, who inspected the Manwoldae palace site, says safety measures are urgently needed due to flood damage.

Oct. 30, 2011: *Yonhap* reports that the DPRK government is squeezing its people harder than ever for funds to make a big splash for Kim Il Sung's centenary next April.

Oct. 31, 2011: A senior foreign ministry (MOFAT) official says Seoul is seeking a third round of bilateral nuclear talks, but that Pyongyang should be more serious and sincere.

Nov. 3, 2011: *Yonhap* reports that Kim Jong Un's activities have expanded and diversified, from 35 appearances in the first half of the year to 36 in the four months July-October alone.

Nov. 3, 2011: On a week-long visit to the US, ROK Unification Minister Yu Woo-ik says that Seoul's aim is to establish a "stable dialogue channel" with Pyongyang.

Nov. 7, 2011: Seoul reports that a 5-ton boat with 21 North Koreans on board was found drifting in the Yellow/West Sea on Oct. 30. Those aboard expressed a wish to defect. The same day, a single defector crossed the marine border on a raft.

Nov. 8, 2011: South Korea says it will resume medical aid to North Korea via the World Health Organization (WHO). Having donated \$13.12 million in 2009, last year Seoul withheld \$6.94 million after accusing Pyongyang of sinking the corvette *Cheonan*. It has now re-authorized that sum for distribution.

Nov. 10, 2011: Good Friends, a South Korean NGO, claims the price of rice in Pyongyang almost doubled from 2,500 Northern won (KRW) in September to KRW 3,800 in November.

Nov. 13, 2011: MOU says it has approved a 10-day visit (Nov. 14-23) by ROK historians and archaeologists to the Manwoldae palace site in Kaesong to conduct a flood damage survey.

Nov. 15, 2011: MOU says it has sent hepatitis B vaccines for over a million North Korean children, worth 1.06 billion won (\$942,300), via international relief agencies. These are the first vaccines Seoul has provided to Pyongyang in almost a year.

Nov. 16, 2011: Seoul reports that this month and last the KPA has flown *IL-28* bombers to test anti-ship missiles in the Yellow/West Sea. This potential threat to ROK vessels close to the Northern Limit Line (NLL) can be countered by the South's indigenous *Chunma* ground-to-air missile, now deployed on Yeonpyeong and Baengnyeong islands near the NLL.

Nov. 16, 2011: Seoul notes that this year's resolution on DPRK human rights abuses for the UN General Assembly's Third Committee for the first time mentions prison camps. South Korea is one of 49 co-sponsors. The resolution is passed by 112 in favor to 16 against, with 55 abstentions, on Nov. 21. North Korea's delegate rejects this as a dastardly political plot.

Nov. 23, 2011: ROK forces mark the first anniversary of the shelling of Yeonpyeong Island by staging exercises on nearby Baengnyeong Island. The KPA threatens next day to turn the Blue House into "a sea of fire" if a single shot enters its waters.

Nov. 27, 2011: ROK sources say the KPA has pulled back patrol boats in the West Sea from the NLL towards coastal waters of South Hwanghae province, to deter defections by boat.

Dec. 1, 2011: MOU says that after two years the effects of North Korea's botched currency reform still linger. Neither rice prices nor the currency have stabilized, and shortages persist.

Dec. 8, 2011: The North's Committee for the Peaceful Reunification of Korea (CPRK) denounces "traitor Lee Myung-bak" for "[sending] a 'letter of encouragement' to the human scum, who wrought a nonsensical novel viciously slandering the dignity of the DPRK supreme leadership." (A defector from the North wrote a book about Kim Jong Il.) This is the first time in six months that the DPRK has insulted the ROK president by name. On Dec. 13 the DPRK website *Uriminzokkiri* calls Lee a "corrupt traitor," citing the same offense.

Dec. 14, 2011: North Korean television warns South Korea not to illuminate three towers shaped like Christmas trees along the DMZ, warning of "grave consequences."

Dec. 13, 2011: A special ROK committee under the Prime Minister's office rules that 217 named South Koreans were abducted by the North during the 1950-53 Korean War.

Dec. 14, 2011: Six members of the Korean Council for Reconciliation and Cooperation, an ROK NGO, cross the DMZ to deliver 254 tons of food to Kaesong. It is destined for child care facilities in Anju, a mining area north of Pyongyang.

Dec. 15, 2011: The Korea NGO Council for Cooperation with North Korea, an association of 50 Southern civic groups, says it will send a 10-strong delegation to Kangnam county, south of Pyongyang, to monitor the fate of aid which it sent in September.

Dec. 15, 2011: MOU publishes data on separated families. Some 128,600 South Koreans had applied for family reunions since 2000, but 49,300 have now died. Of those remaining, 43.8 percent are over 80 and 37.3 percent over 70.

Dec. 17, 2011: Kim Jong Il dies of a heart attack. This is not made public for two days, nor apparently are South Korean or other intelligence services aware of the news.

Dec. 19, 2011: A special *KCBS* broadcast at noon tremulously announces Kim's death. North Korea begins 11 days of official mourning. Kim Jong Un's name is listed first on the funeral committee, and DPRK media at once start referring to him as "Great Successor."

Dec. 20, 2011: Flanked by top military and party officials, Kim Jong Un visits his father's bier at Kumsusan Memorial Palace (where his grandfather Kim Il Sung also rests in state).

Dec. 20, 2011: As a precaution, South Korea brings its 13 archaeologists home three days early from the Manwoldae excavation in Kaesong. Unification Minister Yu says they will return once the North is back to normal, since Pyongyang remains committed to the project.

Dec. 20, 2011: Seoul media and lawmakers criticize Defense Minister Kim Kwan-jin and NIS Director Won Sei-hoon, for admitting the first they heard of Kim Jong Il's death was from TV.

Dec. 20, 2011: The ROK holds a security ministers' meeting to discuss how to react to Kim Jong Il's death. It issues a statement offering sympathy to the Northern people rather than to the DPRK government. MND says that two Christian groups have accepted an official request not to illuminate three huge Christmas tree-shaped towers along the DMZ this year, for fear of exacerbating tensions at a delicate time.

Dec. 22, 2011: *Minju Joson*, daily paper of the DPRK Cabinet, editorializes: "Kim Jong Un is another great general who carried the bloodline of Mangyongdae, and a great sun."

Dec. 22, 2011: ROK President Lee says that South Korea is trying to show North Korea it bears no hostility. He stresses that stabilization in the North is in the South's interests.

Dec. 22, 2011: South Korean, Japanese, and US representatives walk out of UN General Assembly when a moment's silence is called in memory of Kim Jong Il. ROK diplomats the next day concede that such a tribute is routine when a head of state dies in office. The UN Security Council, by contrast, refuses to make a similar gesture of respect.

Dec. 24, 2011: North Korea says the future course of inter-Korean relations will depend on Seoul's attitude toward condolences for Kim Jong Il.

Dec. 25, 2011: The North's Committee for the Peaceful Reunification of Korea (CPRK) attacks the Southern government for trying to "quench the hot wind for consolatory visits.... Their obstructions will entail unpredictable catastrophic consequences."

Dec. 26, 2011: South Korea sets up an inter-agency task force – comprising the foreign and unification ministries, the police, the National Intelligence Service, et al. – on kidnap victims held in the North.

Dec. 26, 2011: *Rodong Sinmun* refers to Kim Jong Un as leading the WPK Central Military Commission (CMC). He was hitherto one of two CMC vice-chairmen.

Dec. 26, 2011: The Unification Church reveals that its founder's son – a US citizen, hence not subject to Seoul's permission – has gone to Pyongyang to mourn Kim Jong Il. So has at least one unauthorised Southern leftist: Hwang Hye-ro, an activist based in France.

Dec. 28, 2011: Kim Jong Il's funeral is held in Pyongyang, amid scenes of mass grieving. Unusually this is carried live on television, with broadcast hours much longer than normal.

Dec. 29, 2011: A memorial service with speeches for Kim Jong Il is held in Pyongyang.

Dec. 29, 2011: The National Defense Commission (NDC), the DPRK's highest executive body, says it "will have no dealings with the Lee Myung-bak group of traitors forever... We will surely force the group of traitors to pay for its hideous crimes committed at the time of the great national misfortune." An ROK spokesman call this "disappointing."

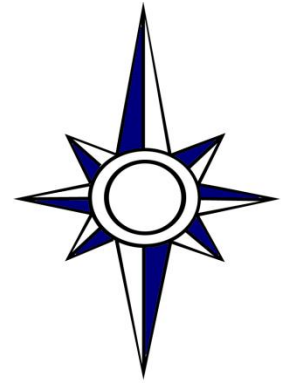
Dec. 30, 2011: A meeting of the Politburo of the Central Committee of North Korea's ruling Workers' Party of Korea (WPK) declares that "the dear respected Kim Jong Un assumed the supreme commandship of the Korean People's Army according to the behest of leader Kim Jong Il on October 8." This is Kim Jong Un's first new official post.

Dec. 30, 2011: North Korea issues postage stamps featuring Kim Jong Un with his father.

Dec. 30, 2011: The WPK Central Committee and Central Military Commission (CMC) issue lengthy and hardline "joint calls," including a threat to turn "Chongwadae [the ROK presidential office] and the stronghold of aggression into a sea of fire and accomplish the historic cause of national reunification without fail if the enemies dare mount an attack."

Dec. 30, 2011: South Korea's Ministry of Culture, Sports and Tourism (MCST) says joint excavations of Manwoldae palace will resume next March. Seoul also hopes to work with Pyongyang to have the folk song *Arirang* listed as a UNESCO intangible cultural asset.

Dec. 31, 2011: The North's CPRK criticizes Lee Myung-bak for preventing ordinary South Koreans from making condolence trips to the North to mourn the death of Kim Jong Il.



**China-Korea Relations:
New Challenges in the Post Kim Jong Il Era**

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Beijing underscored maintaining peace and stability on the Korean Peninsula following Kim Jong Il's death. North Korea's leadership succession raises questions about the future direction of China's Korea policy, which was most recently reaffirmed during an October visit to the two Koreas by Vice Premier Li Keqiang, the presumed successor of Premier Wen Jiabao. Li met Kim Jong Il, top legislator Kim Yong Nam, and Premier Choe Yong Rim in Pyongyang, and met President Lee Myung-bak, Prime Minister Kim Hwang-sik, and Parliamentary Speaker Park Hee-tae in Seoul.

Prior to Kim Jong Il's death, China and North Korea maintained regular high-level contacts at the state, party, and military level. DPRK Premier Choe Yong Rim visited China in late September. He met President Hu Jintao and Premier Wen Jiabao in Beijing and toured Chinese companies in Shanghai and Jiangsu. A Communist Party of China (CPC) delegation led by Guo Shengkun, alternate member of the CPC Central Committee and secretary of the CPC Guangxi Zhuang Autonomous Regional Committee, paid a visit to North Korea in early October and met top legislator Kim Yong Nam. Li Jinai, director of the General Political Department of the People's Liberation Army (PLA), led a military delegation to North Korea in mid-November and met senior DPRK officials including Kim Jong Il.

There have also been mutual efforts to stabilize Sino-South Korean relations despite many differences that have risen in the aftermath of North Korea's 2010 provocations. The fourth China-ROK high-level strategic dialogue was held on Dec. 27 in Seoul, where Vice Foreign Minister Zhang Zhijun met ROK counterpart Park Suk-hwan, Foreign Minister Kim Sung-hwan, and Unification Minister Yu Woo-ik. Foreign Ministers Yang Jiechi and Kim Sung-hwan met on the sidelines of the annual UN General Assembly session in New York on Sept. 20. President Lee and Premier Wen attended regional meetings in Bali on Nov. 18-19, including the ASEAN Plus 3 Summit, East Asia Summit, and a China-ROK-Japan trilateral meeting. Special Representatives Wu Dawei and Lim Sung-nam held talks on Korean Peninsula denuclearization in November and December in Beijing.

Chinese diplomacy in the aftermath of Kim Jong Il's death

In its condolence message to Pyongyang on the death of Kim Jong Il, China emphasized hopes that North Korea "will remain united as one with the leadership of the Workers' Party of Korea (WPK) and comrade Kim Jong Un," providing an explicit endorsement of North Korea's generational succession plans. President Hu Jintao offered his condolences at the DPRK Embassy in Beijing on Dec. 20, accompanied by Vice President Xi Jinping, top legislator Wu

Bangguo, propaganda chief Li Changchun, Vice Chairman of the Central Military Commission Guo Boxiong, Foreign Minister Yang Jiechi, head of the CPC International Department Wang Jiarui, General Office Director of the CPC Central Committee Ling Jihua, and Director of the President's Office Chen Shiju. Senior officials Wen Jiabao, Jia Qinglin, Li Keqiang, He Guoqiang, and Zhou Yongkang visited the embassy on Dec. 21. Hu Jintao affirmed Beijing's "persistent policy" of consolidating and developing the traditional friendship with North Korea, calling for "joint efforts" to further the China-DPRK friendship.

China also took steps to coordinate regional efforts in support of its top priority of maintaining stability on the peninsula. Foreign Minister Yang held separate telephone conversations with Russian, Japanese, US, and South Korean counterparts on Dec. 20, emphasizing peninsular peace and stability in the "common interests of all parties." Kim Jong Il's death presents China with the significant challenge of consolidating its bilateral relations with Pyongyang while strengthening regional coordination on managing potential instability in the North. Although Yang expressed China's willingness to "enhance dialogue and cooperation" with the US and South Korea, Beijing has rejected proposals from both for joint consultations on DPRK contingencies ever since North Korea's second nuclear test in May of 2009.

Although Chinese officials have publicly expressed support for a stable leadership transition in Pyongyang since Kim Jong Un formally emerged on the scenes as designated successor when he was appointed to party and military posts in September 2010, Kim Jong Il's sudden death is likely to intensify China's internal debates on its future North Korea policy. The DPRK state media's assertion of Kim Jong Un's position as "supreme commander" on Dec. 24 appeared to affirm the military backing needed for Kim's succession. But concerns over a potential power struggle are unlikely to subside in the near term given the uncertainties surrounding the legitimacy of Kim Jong Un. The willingness of Chinese analysts to consider the potential for internal infighting in North Korea was even more striking in light of Beijing's official policy of full support for a stable transition and acknowledgment of Kim Jong Un as the rightful successor. Several analysts such as the Central Party School's Zhang Liangui frankly evaluated the question of whether Kim Jong Un will be able to "grasp his power after he takes over the leadership," and many Chinese analysts anticipated an extended period of inward focus and anticipated the enhanced importance of Sino-DPRK ties as Kim Jong Un attempts to consolidate power following North Korea's leadership transition.

Pyongyang's pledge to continue its military-first policy under Kim Jong Un complicates China's challenge of engaging Pyongyang while pursuing stability in consultation with regional partners. For instance, China's desire to resume Six-Party Talks directly conflicts with DPRK National Defense Commission statements following Kim Jong Il's death that inter-Korean relations will not improve and that the DPRK will not change its nuclear policies.

China's consolidation of its two Koreas policy

PRC Vice Premier Li Keqiang's back-to-back visits to North and South Korea from Oct. 23-27 followed a familiar pattern of formal equidistance between the two Koreas under the "fifth generation" Xi-Li administration that is expected to emerge in 2012. Li's delegation included key political and economic figures such as Deputy Secretary General of the State Council You

Quan, Vice Foreign Minister Zhang Zhijun, Deputy Commerce Minister Chen Jian, Vice Minister of the National Development and Reform Commission Liu Tienan, Chairman of the Board of Directors of the China Development Bank Chen Yuan, Vice Minister of the CPC International Department Liu Jieyi, and Deputy Director of the State Council Research Office Ning Jizhe. In North Korea, Chinese and DPRK counterparts pledged further exchanges in various fields including at nongovernmental and local levels, and signed a series of agreements on economic and technological cooperation.

Li Keqiang's visit to South Korea appeared to set a positive tone for expanding Sino-ROK cooperation as the two sides approach the 20th anniversary of diplomatic normalization in 2012. Li presented a four-point proposal for developing bilateral ties, including to: 1) strengthen political coordination and mutual trust through inter-governmental, legislative, and party exchanges; 2) deepen trade ties through macroeconomic policy coordination and cooperation in such areas as finance, logistics, high-technology, and energy and the environment; 3) expand people-to-people exchanges to strengthen the social foundation for the relationship; and 4) promote multilateral coordination and regional integration within the ASEAN Plus 3 mechanism. PRC Vice Foreign Minister Zhang Zhijun called Li's visit "a major diplomatic move" by China to promote strategic mutual trust and comprehensive cooperation with the two Koreas. Underlying the visit were the common goals of enhancing high-level exchanges to build political trust and expanding the scope of bilateral cooperation following a period in which the limits of Sino-South Korean relations had been clearly revealed. Li discussed in both Pyongyang and Seoul the importance of North-South reconciliation and the resumption of Six-Party Talks, stating that regional peace and stability was "in line with the common interests of every party involved" and negotiation "the only correct path" toward resolving the nuclear issue. Li expressed Chinese support for Kim Jong Il's expectations for an early resumption of Six-Party Talks "with no preconditions attached," and a "comprehensive and balanced" implementation of the Sept. 19, 2005, Joint Statement. Seoul and Washington, on the other hand, have agreed that no talks can proceed without the acknowledgement of North Korea's uranium enrichment program and improvement in inter-Korean relations.

Prospects for China-mediated denuclearization talks

Beijing has actively called for "creating the conditions" for the resumption of Six-Party Talks and continues to hold periodic consultations on the nuclear issue with DPRK, US, and ROK envoys. The China Institute of International Studies in September hosted an international forum commemorating the signing of the 2005 Joint Statement, attended by six-party representatives as well as DPRK Vice Foreign Minister Ri Yong Ho. Addressing the forum, PRC Foreign Minister Yang Jiechi reiterated that "we support all measures that will help promote dialogue, easing of tension, and peace while opposing all moves that will undermine peace and stability." In late October, Seoul officials reportedly expressed an interest in holding trilateral foreign ministerial talks with Chinese and Japanese counterparts over the DPRK nuclear issue amid what was perceived as growing momentum in regional nuclear diplomacy. Pyongyang's First Vice Foreign Minister Kim Kye Gwan visited China in late October, reportedly for talks with Wu Dawei in Beijing, following a round of US-DPRK nuclear talks held the previous month in Geneva. ROK nuclear envoy Lim Sung-nam met PRC counterpart Wu Dawei in November to discuss the outcome of US-DPRK denuclearization talks and notably traveled first to Beijing

rather than Washington to assess prospects for resumption of nuclear talks in the days following Kim Jong Il's death, after which Lim stated that China and South Korea must work together to "reinvigorate" diplomatic efforts to restart the Six-Party Talks.

Apparent relaxation of South Korean policies on inter-Korean humanitarian exchanges and additional consultations on provision of US nutritional assistance to North Korea appeared to be initial steps toward the resumption of multilateral denuclearization talks. The mid-December Asia tour by US Special Representative on Korea Policy Glyn Davies and Special Envoy for the Six-Party Talks Clifford Hart focused on the future of North Korea's enriched uranium program, which remained a major challenge and point of difference between North Korea and the US. Ri Gun, director general for North American affairs at the DPRK Foreign Ministry, was also in Beijing at the time of Davies' December visit, fueling speculation over the possibility of further discussions between US and DPRK counterparts. But any immediate hopes for progress were dashed by Kim Jong Il's death. North Korea's domestic political considerations in the aftermath of his death are likely to raise the regional challenges of engaging Pyongyang in dialogue.

Chinese state media reports of Vice Premier Li Keqiang's October visit to North and South Korea noted a need for Pyongyang to "step up coordination and cooperation in handling international and regional affairs." Such statements appear to resonate with the content of summit meetings between President Hu Jintao and Kim Jong Il since 2010, where China emphasized the need for regular high-level talks between Beijing and Pyongyang and appeared to push toward securing Pyongyang's participation in denuclearization talks in return for Chinese economic aid. Kim's death, however, is likely to shift Chinese priorities toward stability rather than denuclearization. Following the China-ROK strategic dialogue in Seoul on Dec. 27, the ROK Foreign Ministry spokesman affirmed "a consensus that the most important thing is to maintain peace and stability on the Korean Peninsula." Uncertainties over the stability of the DPRK regime have also appeared to raise renewed debate on such issues as the control of loose nuclear weapons in the event of regime collapse, refugee flows, and new artillery attacks by Pyongyang. North Korea's internal situation underscores the need for broader regional discussions designed to align such priorities, for which China's role is more important than ever.

China-DPRK trade, investment, and economic ties

Chinese economic relations with the North have advanced amid apparent signs of progress in regional investment efforts, including gas and railway projects with Russia that would involve transit of pipelines and railways through North Korea. China-DPRK trade reached \$3.1 billion during the first seven months of 2011 according to Chinese sources, an annual increase of 87.6 percent. The Hyesan-China Joint Venture Mineral Company, a copper company established in November 2007, which represents China and North Korea's biggest joint mineral project in recent years, began operations in North Korea's Ryanggang province on Sept. 19. Alongside Russian investments in a refurbished railway from Russia to Rajin Port, China's Jilin province has financed significant progress in paving a 50-plus km dirt road from Quanhe near Hunchun to Rajin, and a Jilin province based company has shipped over 60,000 tons of coal to Shanghai via Rajin Port since December of 2010. Moreover, rising labor prices in China have increased the willingness of some Chinese companies to process labor-intensive subcomponents in North Korean factories. While Chinese officials have hailed North Korea's increased emphasis on

economic development for widening the opportunities for foreign economic cooperation and investment, South Korea's Bank of Korea in November estimated that the DPRK economy shrank for the second year in a row in 2010 by 0.5 percent, despite an increase in inter-Korean trade by 13.9 percent to \$1.91 billion.

DPRK Premier Choe Yong Rim's five-day visit to China from Sept. 26-30 focused largely on promoting bilateral economic cooperation. Choe and Premier Wen Jiabao agreed to further cooperation in such areas as trade, investment, infrastructure, natural resources, and agriculture. Calling for joint efforts to advance bilateral ties under "the complicated regional and international situation," Wen stated that "China supports the DPRK's exploration of its own way of development in accordance with its domestic situation, and will continue to offer assistance within its capability." Choe pledged to improve the investment environment for Chinese businesses in an apparent indication of Pyongyang's efforts to draw foreign investment. Choe's September visit included tours of major industrial centers in Jiangsu and Shanghai provinces, where he pledged to enhance cooperation between the two provinces and North Korea's Kangwon-do province and Hamhung-si. Shanghai Mayor Han Zheng called for expanding bilateral cooperation "under the unified arrangements of the central government," suggesting an increased emphasis on state-led promotion of local economic ties.

Jilin province on Oct. 8 launched a train tour to North Korea as part of provincial efforts to expand bilateral cultural exchanges since the central government approved outbound destination status to the North in September 2008. These developments have corresponded with North Korea's recent prioritization on tourism programs for Chinese as a means of earning hard currency. Chinese reports indicate that both sides exchanged a total of about 247,000 tourists in 2010, during which China launched expanded group tours to North Korea. According to South Korean sources, North Korea has granted 15-year rights to a Chinese tour company at Mount Kumgang, a resort that has been at the center of inter-Korean disputes since Seoul halted joint operations there in response to a shooting incident in 2008. CPC officials in Dandong have announced that the border city will host a bilateral economic, trade, and cultural exposition in June 2012, which is expected to further enhance China-DPRK cross-border exchanges.

China and South Korea's strategic cooperative partnership

PRC Deputy Commerce Minister Chen Jian emphasized during Li Keqiang's October visit to Seoul that Sino-South Korean trade and investment are an important basis for deepening the bilateral strategic cooperative partnership. South Korea became China's third biggest trade partner and third biggest source of foreign direct investment last year, while China remains South Korea's biggest trade partner and investment destination. China-ROK trade totaled \$159.4 billion between January and August 2011, a more than 20 percent annual increase, and investments amounted to almost \$50 million in July 2011, according to Chinese sources. The total bilateral trade volume is forecast to reach around \$250 billion by the end of 2011 and both sides have aimed to expand trade to \$300 billion by 2015.

Speaking to South Korea's major businesses and economic organizations on Oct. 27, Vice Premier Li Keqiang presented six proposals for promoting bilateral trade and cultural cooperation: 1) establishing a bilateral free trade zone, 2) enhancing cooperation on green and

other emerging industries, 3) exploring new areas for South Korean investment in China such as high-end manufacturing and provincial development programs, 4) advancing financial cooperation to expand the bilateral currency swap deal from \$28 billion to \$360 billion, 5) enhancing bilateral and multilateral economic and trade coordination through intergovernmental and nongovernmental mechanisms, and 6) expanding people-to-people exchanges by inviting an additional 300 South Korean youths to China in 2012 and sending 1,400 Chinese language teachers to South Korea by 2015. Li's propositions demonstrate an effort to further develop the China-ROK economic and trade partnership based on "mutual benefit," and appear to respond to South Korean worries about the structural transformations in the bilateral relationship that have accompanied China's shift to higher-end industries. ROK Prime Minister Kim Hwang-sik indicated South Korea's emerging interests in advancing cooperation with China in such sectors as electronic information, biology, environmental protection, and new energy.

During Li's meeting with Parliamentary Speaker Park Hee-tae, both sides expressed hopes for expanding inter-parliamentary, party, and youth exchanges in an effort to upgrade the China-ROK partnership. Despite the concrete steps that have been taken to expand China-ROK trade and investment ties, such progress remains overshadowed by a greater need to strengthen the political and security coordination mechanisms underlying the strategic cooperative partnership. China and South Korea have continued to confront each other over illegal operations in South Korea's exclusive economic zone. A clash between a Chinese fishing boat and two ROK Coast Guard vessels in the Yellow Sea on Dec. 12, which left one South Korean dead, drove public protests at the Chinese Embassy in Seoul, which raised warnings from the PRC Foreign Ministry. Such incidents may continue to strain public perceptions of the Sino-ROK partnership. Ahead of the China-ROK strategic dialogue in Seoul on Dec. 27, accusations emerged in the South Korean media that China was distancing itself from the South to strengthen its influence over the North following the death of Kim Jong Il.

China and South Korea's trilateral dialogue with Japan may offer a mechanism for enhancing regional coordination on North Korea and other regional security issues given the opening of the trilateral secretariat in South Korea in September 2011 and regularized trilateral talks in such areas as disaster management. North Korea was a priority issue at the Dec. 26 summit between President Hu Jintao and Japanese Prime Minister Yoshihiko Noda in Beijing, where Hu reaffirmed China's willingness to "make joint efforts with all relevant parties" "to achieve lasting peace, security, and order on the peninsula and Northeast Asia."

Conclusion: prospects for China-ROK coordination on post-Kim Jong Il North Korea

Kim Jong Il's death creates new challenges for Chinese diplomacy, as China is likely to pull out the stops to forestall instability or challenge to North Korea's leadership succession, while also managing its own leadership transition. China's top leadership made a strong showing in expressing condolences for Kim Jong Il's death and has already indicated a willingness to host Kim Jong Un at an early date. It is likely that China will step up economic assistance in the coming months in an attempt to shore up stability and forestall internal competition for power in the North. Ultimately, maneuvering for power among North Korea's elite will likely develop independently of China's influence, although it might entail appeals for financial support from various factional interests.

While Beijing continues to strengthen its traditional friendship with Pyongyang, Vice Foreign Minister Zhang Zhijun has asserted that developing a long-term, stable strategic cooperative partnership with South Korea is one of China's diplomatic priorities. Nevertheless, China-South Korea top-level contacts remain limited, as South Korean media noted a relative lack of early contact between South Korean and Chinese leaders following Kim Jong Il's death. Although Lee Myung-Bak is set to make a state visit to China in early 2012, China is likely to be especially cautious in its handling of South Korea and will emphasize the need to avoid provoking the North during this sensitive period of transition. Both South Korea and China recognize the need to improve relations and to diminish mistrust over the future of North Korea, however, opportunities for significant progress on these issues will likely have to wait until 2013, when both countries will have a new political leadership.

Uncertainties regarding North Korea's internal situation should be a catalyst for greater Sino-South Korean coordination with the US and other regional partners in anticipation of potential instability under the post-Kim Jong Il regime. But China is likely to remain wary of any joint efforts by South Korea and the US to promote regime change in the North, especially given the renewed insecurities in China over US military policy in Asia. ROK Foreign Minister Kim Sung-hwan at a forum in Seoul on Sept. 7 indicated that the alliance would become increasingly important in dealing with an unpredictable North Korea, stating that "our alliance with the US will continue to be a cornerstone of our diplomacy in the future although China is emerging as a global power." But the real test for the future of South Korean diplomacy with China and the US is likely to unfold in 2013, following China's leadership transition and elections in the US and South Korea. In the meantime, uncertainties regarding a new North Korean leadership will create the context in which all three leaderships must grapple with their future options for preserving stability in Northeast Asia.

Chronology of China-Korea Relations September – December 2011

Sept. 6, 2011: China and South Korea at the Seventh China Jilin Northeast Asia Investment and Trade Expo in Changchun sign a Memorandum of Understanding on construction of an industrial park in the Liangjiang New Economic Zone in Chongqing.

Sept. 14, 2011: PRC envoy to the International Atomic Energy Agency (IAEA) Cheng Jingye calls for the early resumption of the Six-Party Talks at an IAEA board meeting.

Sept. 19, 2011: The China-DPRK Hyesan-China Joint Venture Mineral Company launches operations in Hyesan of North Korea's Ryanggang province. DPRK Mining Industries Minister Kang Min Chol, Chairman of the Ryanggang Province People's Committee Kim Chol, and PRC Ambassador to Pyongyang Liu Hongcai attend the opening ceremony.

Sept. 19, 2011: Beijing hosts an international forum to commemorate the signing of the September 2005 Joint Statement, attended by six-party representatives and Ri Yong Ho, vice

minister of the DPRK Ministry of Foreign Affairs. PRC Foreign Minister Yang Jiechi calls for “creating conditions” for the resumption of dialogue.

Sept. 20, 2011: Foreign Minister Yang Jiechi and ROK counterpart Kim Sung-hwan meet on the sidelines of annual UN General Assembly meetings in New York.

Sept. 26, 2011: Foreign Minister Yang Jiechi calls for dialogue and consultation on the Korean Peninsula through the six-party mechanism at the annual UN General Assembly.

Sept. 26-30, 2011: DPRK Premier Choe Yong-rim visits Beijing, Shanghai, and Jiangsu provinces, where he meets President Hu Jintao, Premier Wen Jiabao, Shanghai Mayor Han Zheng, and Jiangsu Governor Li Xueyong, and tours Chinese industrial companies.

Sept. 27, 2011: Korea, Japan, and China open a secretariat for trilateral cooperation in Seoul.

Sept. 28, 2011: PRC Foreign Ministry expresses support for inter-Korean dialogue in light of a planned visit to the DPRK by ROK’s governing party leader Hong Joon-pyo.

Sept. 28, 2011: PRC Defense Ministry spokesperson calls for restraint on the Korean Peninsula in response to reported US-ROK consultations on the deployment of the US *Global Hawk* reconnaissance drone near the Korean Demilitarized Zone.

Oct. 3, 2011: Guo Shengkun, alternate member of the CPC Central Committee and secretary of the Guangxi Zhuang Autonomous Regional Committee, meets top DPRK legislator Kim Yong Nam in Pyongyang during his five-day visit to North Korea.

Oct. 8, 2011: Jilin province launches a group tour allowing Chinese tourists to travel around North Korea by train.

Oct. 18, 2011: Former PRC State Councilor Tang Jiaxuan meets ROK Prime Minister Kim Hwang-sik in Seoul.

Oct. 20, 2011: Kim Pyong Ho, director general of *Korean Central News Agency*, meets Liu Yunshan, head of the CPC Publicity Department, in Beijing.

Oct 23-25, 2011: PRC Vice Premier Li Keqiang meets Kim Jong Il, top legislator Kim Yong Nam, and Premier Choe Yong Rim in North Korea.

Oct. 25, 2011: ROK Coast Guard releases two Chinese fishing boats detained on Oct. 22 for illegal operations in South Korea’s exclusive economic zone.

Oct. 26-27, 2011: Vice Premier Li Keqiang meets President Lee Myung-bak, Prime Minister Kim Hwang-sik, Parliamentary Speaker Park Hee-tae, and representatives of South Korean economic bodies and ROK-PRC friendship organizations in Seoul.

Oct. 28, 2011: PRC, ROK, and Japanese officials hold talks on disaster management and release a joint declaration on trilateral cooperation.

Oct. 30, 2011: North Korea's First Vice Foreign Minister and nuclear envoy Kim Kye Gwan arrives in Beijing for a reported meeting with PRC counterpart Wu Dawei.

Nov. 1, 2011: Kim Jong Il meets PRC Ambassador to the DPRK Liu Hongcai in Pyongyang, accompanied by Kim Jong Un, Vice Chairman of Central Military Commission Kim Yong Ho.

Nov. 1-2, 2011: ROK Special Representative Lim Sung-nam visits Beijing to meet PRC counterpart Wu Dawei.

Nov. 15-18, 2011: Director of the PLA General Political Department Li Jinai leads a senior PRC military delegation to North Korea.

Nov. 17, 2011: A DPRK youth delegation led by top youth official Ri Yong Chol meets PRC Vice President Xi Jinping in Beijing.

Nov. 18-19, 2011: Premier Wen Jiabao and President Lee Myung-bak attend the ASEAN Plus 3 Summit, East Asia Summit, and China-ROK-Japan trilateral in Bali.

Nov. 22-24, 2011: Chinese and South Korean navies hold fourth joint search and rescue exercise (SAREX).

Nov. 24, 2011: A *Rodong Sinmun* delegation meets Liu Yunshan, head of the CPC Publicity Department, in Beijing.

Dec. 3, 2011: Local PRC officials announce that Dandong will host a Sino-DPRK economic, trade and cultural expo in June 2012.

Dec. 12, 2011: Crew members on a Chinese fishing boat clash with two ROK Coast Guard vessels in the Yellow Sea, leaving one dead and the other injured.

Dec. 13, 2011: PRC Foreign Ministry spokesperson expresses regret over the "unfortunate incident" in the Yellow Sea and pledges to actively cooperate with the ROK.

Dec. 13, 2011: Ri Gun, chief of the American Affairs Bureau of the DPRK Ministry of Foreign Affairs, arrives in Beijing.

Dec. 15, 2011: DPRK Deputy Premier Han Kwang Bok meets PRC Vice Premier Zhang Dejiang in Beijing.

Dec. 15, 2011: PRC Foreign Ministry spokesperson expresses concern over South Korean protests at the PRC Embassy in Seoul over the Dec. 12 clash between Chinese fishermen and ROK Coast Guard vessels.

Dec. 15, 2011: PRC Foreign Ministry spokesperson expresses hopes for creating conditions for the resumption of Six-Party Talks in light of meetings between US special envoy and regional counterparts.

Dec. 16, 2011: PRC, ROK, and Japanese delegates in Pyeongchang, South Korea, conclude a joint study on a trilateral free trade agreement.

Dec. 19, 2011: *Korean Central News Agency* reports on Kim Jong Il's death on Dec. 17, 2011. PRC Foreign Ministry spokesman expresses condolences to the people of the DPRK. Foreign Minister Yang Jiechi meets Park Myong Ho, charge d'affaires of the DPRK Embassy in Beijing.

Dec. 20, 2011: President Hu Jintao visits the DPRK Embassy in Beijing to offer condolences on Kim Jong Il's death. Foreign Minister Yang Jiechi holds telephone conversations with Russian, Japanese, US, and ROK counterparts. Permanent Representative to the United Nations Li Baodong visits the residence of the DPRK Permanent Mission in New York.

Dec. 21, 2011: Senior PRC officials Wen Jiabao, Jia Qinglin, Li Keqiang, He Guoqiang, and Zhou Yongkang offer condolences on Kim Jong Il's death at the DPRK Embassy in Beijing. PRC Ambassador to the DPRK Liu Hongcai, accompanied by DPRK Vice Foreign Minister Kim Song-gi, pays respects at Kumsusan Memorial Palace on behalf of Chinese state entities.

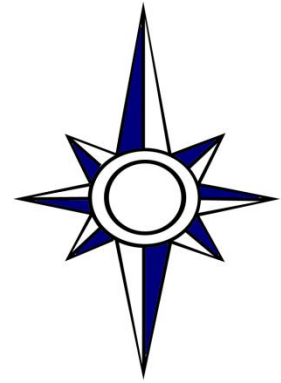
Dec. 22-23, 2011: ROK nuclear envoy Lim Sung-nam visits Beijing and meets PRC counterpart Wu Dawei.

Dec. 27, 2011: PRC Vice Foreign Minister Zhang Zhijun and ROK First Vice Foreign Minister Park Suk-hwan hold the fourth China-ROK high-level strategic dialogue in Seoul. Zhang also meets Foreign Minister Kim Sung-hwan and Unification Minister Yu Woo-ik.

Dec. 27, 2011: Vice Chairman of China's Central Military Commission Xu Caihou, Director of the PLA General Political Department Li Jinai, Deputy Chief of the PLA General Staff Ma Xiaotian, and other senior PLA officers visit the DPRK Embassy in Beijing to offer condolences on Kim Jong Il's death.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Japan-China Relations: Another New Start

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Noda Yoshiko succeeded Kan Naoto as prime minister of Japan in early September and met President Hu Jintao at the G20 Summit in Cannes and the APEC meeting in Honolulu. On both occasions, they agreed to take steps to strengthen the mutually beneficial strategic relationship. They reiterated that commitment during Noda's visit to China at the end of December. Meanwhile, maritime safety and security issues in the East China Sea and the South China Sea continued as a source of friction. In both areas, Tokyo worked to create a maritime crisis management mechanism while Chinese ships continued to intrude into the Japan's EEZ extending from the Senkaku Islands, keeping alive contentious sovereignty issues. Tokyo and Beijing were able to resolve a November incident involving a Chinese fishing boat operating in Japanese waters. Repeated high-level efforts by Tokyo to resume negotiations on joint development in the East China Sea failed to yield any progress.

Prime Minister Noda: another new beginning

On Aug. 29, Noda Yoshihiko was elected president of the Democratic Party of Japan and on Sept. 2 succeeded Kan Naoto as prime minister. China's media welcomed him with articles focusing on his earlier comments on history – that Japan's wartime leaders, convicted of war crimes and enshrined in the Yasukuni Shrine, should no longer be considered war criminals – and his concerns with China's military buildup, as well as its mixing of “economic growth and nationalism.” The *Global Times* characterized Noda as a “Hawk.”

Early in his tenure, Noda telephoned Premier Wen Jiabao; they agreed to deepen the mutually beneficial strategic relationship and, looking to the 40th anniversary of normalization of relations in 2012, to improve sentiments among people in both countries. Wen invited Noda to visit China at his earliest convenience while Chinese Foreign Ministry spokesperson Jiang Yu told the media that China had sent congratulations to Japan's new leadership and had noted and appreciated “Prime Minister Noda's commitment to developing the China-Japan strategic relationship of mutual benefit.” China stood ready “to work along with Japan to actively enhance dialogue, exchanges and cooperation in wide-ranging areas and multi-levels....”

Japan's new Foreign Minister Gamba Koichiro telephoned his Chinese counterpart Yang Jiechi on Sept 9. Touching on the 2010 Senkaku incident, Gamba raised the issue of a crisis

* The views expressed in this article are the views of the author alone and do not necessarily represent the views or policy of the National Defense University, the Department of Defense, or the U.S. government.

management mechanism to deal with such incidents; he also pressed for an early resumption of talks to implement the agreement on the joint development of resources in the East China Sea. Yang replied that he wanted to work to narrow the differences and promote understanding between China and Japan.

In a Sept. 14 policy address to the Diet, Noda expressed concern with China's "reinforcement of national power, which lacks transparency and their acceleration of maritime activities." He challenged China to act "as a responsible member of the international community." At the same time he made clear that he wanted to deepen relations with China as the two countries moved toward the 40th anniversary of normalization of relations in 2012.

In an Oct. 30 interview with *Financial Times*, the prime minister observed that China's lack of transparency and growing defense budget was as a source of uncertainty in both the East China and the South China Sea and called on China to act in accordance with international law in its maritime activities. In Beijing, Foreign Ministry spokesperson Hong Lei, responding to a question regarding Noda's remarks, said that "China is committed to the path of peaceful development and pursues a good neighborly policy of friendship and partnership with surrounding countries. He went on to say, that China pursues a defense policy which is "defensive in nature and its strategic intention and military strength are always transparent."

High-level diplomacy: Noda-Hu meetings

At the G20 Summit in Cannes, Prime Minister Noda met briefly with President Hu Jintao. The two leaders, looking toward the 40th anniversary of normalization of relations in 2012, reaffirmed their commitment to strengthen the mutually beneficial strategic relationship and to improve national sentiments toward each other's country. They also agreed to meet at the upcoming APEC forum in Honolulu and to advance preparations for a Noda visit to China in December.

On Nov. 12, Noda met Hu during the APEC forum where he was quoted as telling Hu that in order to make the East China Sea a sea of "peace, cooperation and friendship, it is very important to resume the talks at an early date regarding negotiations on an agreement of natural resources in the East China Sea." Hu is reported to have replied that China wants to "continue communications and prepare for an early resumption of negotiations" and that China remained committed to implementing the 2008 agreement. He was also reported to have told Noda that China will consider "easing restrictions" on Japanese food imports imposed following the Fukushima nuclear crisis. Noda told Hu that Sino-Japanese relations are "very important" for the region and the world and that China's development has created a "major chance" for Japan. They agreed to deepen the mutually beneficial strategic partnership and to make preparations for Noda to visit China in December.

In mid-November, Japanese media reported that preparations were underway for Noda's visit to China on Dec. 12-13. The visit would be the first by a Japanese prime minister since the October 2009 visit by Prime Minister Hatoyama Yukio. The early agenda included the discussion of the steps to be taken to promote the mutually beneficial strategic relationship, to commemorate the 40th anniversary of normalization in 2012, and to resume negotiations on the joint development of resources in the East China Sea. To advance the prime minister's trip, Foreign Minister

Gemba Koichiro visited Beijing and met Premier Wen. Gemba called for the creation of a “crisis management mechanism” to avoid potential incidents in the East China Sea, for an early resumption of negotiations on the East China Sea, and further easing on Japanese food imports.

The Dec. 7 *Asahi Shimbun*, citing Japanese Foreign Ministry sources, reported that Beijing had requested postponement of the visit for internal reasons. Possible reasons for the request, according to the *Asahi* report, were that Dec. 13 is the anniversary of the Nanjing massacre and a meeting of key Chinese economic planning officials would be taking place in Beijing at that time. Both sides, however, continued to work toward a visit before the end of the year, finally reaching agreement on moving the visit to Dec. 25-26.

Prime Minister Noda met Prime Minister Wen in the Great Hall of the People on the day he arrived. With the recent death of Kim Jong Il, their meeting focused on the Korean Peninsula with Noda telling Wen that peace and stability on the Korean Peninsula is “a common interest for both Japan and China” and asking China to play a positive role in resuming the Six-Party Talks. Noda also called on Wen to help resolve Japan’s abductee issue with North Korea. Looking toward the 40th anniversary of the normalization of relations, they agreed to work to strengthen the mutually beneficial strategic relationship. Specifically, they agreed to work to establish a maritime crisis management mechanism. Meanwhile, Wen agreed to work toward easing restrictions on Japanese food imports and, to raise spirits in the area affected by the Fukushima disaster, to lease a panda to the Sendai zoo. They failed to make progress on an early resumption of negotiations on joint development in the East China Sea.

After the meeting, Japan released a document titled “Six Initiatives to Further Deepen the Japan-China Mutually Beneficial Strategic Relationship.” However, the *Asahi Shimbun* reported that the document had a note saying “Japan is solely responsible for the drafting of this statement” and commented that the unilateral statement only “served to underscore the differences between the two countries.”

Noda also met President Hu. Discussion again focused on the Korean Peninsula and on efforts to strengthen the mutually beneficial strategic relationship. According to Japanese officials, Noda told Hu that China, as the chair of the Six-Party Talks, has a “very important” role to play and asked Hu to take steps toward a resumption of negotiations to return to the talks. Again, according to Japanese officials, Hu indicated a willingness to do so. Noda also told Hu that “strengthening relations between the two countries is indispensable for solving regional and global issues.” On the East China Sea, they agreed to work toward making the area “a sea of peace, cooperation and friendship” and creating a mechanism to discuss maritime security issues. Again, they failed to make progress on an early resumption of negotiations on joint development in the East China Sea. On Japan’s abductees, Hu expressed the hope that the issue would be solved in the context of improving Japan’s relations with North Korea. The two governments also announced agreement to facilitate purchase of government bonds using yen and yuan directly rather than converting first into dollars during the summit.

Prime Minister Noda and Yasukuni

On Sept. 2, Prime Minister Noda, reversing his previously held position on the Yasukuni Shrine, told the media that neither he nor members of his Cabinet would make official visits to the

shrine. Acknowledging that “there are various opinions, Noda said that he “thought it necessary not to make official visits when taking international diplomacy into account.”

When questioned in the Lower House whether he understood calls for the dis-enshrinement of Class-A War Criminals from the shrine to be “interference in Japan’s domestic affairs,” Noda answered that “generally speaking,” he would take the firm attitude that such actions represented an “inappropriate interference in domestic affairs.” Pressed further with respect to China and ROK calls for dis-enshrinement, Noda replied that because Japan’s constitution guarantees freedom of religion and because the shrine is administered by a private corporation, the government takes no position as to those who can be venerated at the shrine.

Security

In a speech delivered in Washington on Sept. 7, Maehara Seiji, chairman of the Democratic Party of Japan’s Policy Research Committee, advocated a relaxation of restrictions on the use of weapons by the Self-Defense Forces during peacekeeping operations, noting that Japan’s participation in peacekeeping operations “is still not enough compared to that of other major states.” He also called for a review of Japan’s arms export policy to allow Japan’s defense industry to participate in international development projects.

Two days later, Minister of Defense Ichikawa Yasuo told reporters that Maehara’s ideas had not been sufficiently considered within the party. While recognizing that Maehara as an individual political figure was free to voice his opinions, Ichikawa said it was important to continue debate within the party. Meanwhile Chief Cabinet Secretary Fujimura Osamu told the *Sankei Shimbun* that the Noda government had no reason to change the government’s interpretation of the constitutional strictures on the right of collective self-defense.

On Sept. 30, the Ministry of Defense submitted its 2012 budget request, calling for a 0.6 percent increase in spending. The proposed increase focused on enhancing surveillance and radar capabilities in the southwestern islands as well strengthening defense against cyber-attacks. In Mid-October, Prime Minister Noda, speaking at the Hyakuri Air Base, said that Japan’s security environment “has grown increasingly murky due to China’s stepped-up activities in local waters and its rapid military expansion, along with North Korea’s repeated militaristic provocations.”

Two weeks later, Noda told the Lower House that he had no intention of changing the long-standing interpretation that the exercise of the right of collective self-defense is prohibited by the constitution. As for the three principles on arms exports, Noda said that as a peace-loving nation, Japan avoids “fomenting international conflicts” but that the government has been “mapping out necessary measures to respond to the ongoing international environment surrounding defense equipment from a broad perspective.” On Dec. 24, Defense Minister Ichikawa told reporters that the government intended to relax the ban on arms exports and three days later, Chief Cabinet Secretary Fujimura confirmed the government’s decision.

Senkaku Islands: policy reiteration

At the end of August, Foreign Minister Matsumoto Takeaki called in China’s Ambassador Cheng Yonghua to protest the entry of two Chinese Maritime Enforcement Agency ships into

waters close to Japan's Senkaku Islands. The protest was based on the United Nations Convention on the Law of the Sea (UNCLOS) provision that activities of the Chinese ships in challenging Japanese sovereignty could not be considered innocent passage. A day earlier Japan's Ambassador Niwa Uichiro had lodged a similar protest with China's Foreign Ministry.

On Sept. 7, the anniversary of the 2010 Senkaku incident, Chief Cabinet Secretary Fujimura reasserted Japan's claim to sovereignty over the Senkakus, telling reporters that that "historically and based on international law there can be absolutely no doubt that the islands are part of Japan's national territory." Referring to the August incursion, Fujimura made it clear that "it is the fundamental responsibility of the government to protect Japan's national territory including its sea environs." In Beijing, Foreign Ministry spokesperson Jiang Yu reiterated China's "principled position" on the issue, namely that "the Diaoyu island and its affiliated islands have been China's inherent territory since ancient times. China has indisputable sovereignty over them." Jiang expressed China's hope that "the Japan side treats this issue rationally."

Newly appointed Japanese Foreign Minister Gemba met Chinese Foreign Minister Yang Jiechi at the United Nations on Sept. 22. The two ministers reaffirmed their country's commitment to deepening the mutually beneficial strategic relationship, but both also asserted claims of sovereignty over the Senkakus. When Gemba called for the early resumption of negotiations on the joint development of resources in the East China Sea, Yang replied that he wanted to promote understanding and narrow the differences between the two sides. Both confirmed the importance of establishing a mechanism to avoid incidents in the East China Sea, including the area of the Senkakus. Afterward, Gemba told reporters that he did not refer to the August incident – the incident had been addressed by former Foreign Minister Matsumoto – and that, because a territorial issue did not exist, there was no reason for him to bring it up.

In a Sept. 22 Tokyo address, Ambassador Cheng spoke to China's activities in the Diaoyu Islands, asserting that because the islands were part of China's territory the activities were appropriate. China, he said, wanted to resolve problems peacefully through dialogue. As for concerns with China's military spending, the ambassador remarked that Japan's Self-Defense Forces were not completely transparent with respect to China. While acknowledging that China's defense spending had increased as China's economy had developed, he pointed out that as an element of China's domestic GDP, military spending amounted to only 1.4 percent.

Senkaku Islands: challenges

On Sept. 25, Japanese Coast Guard aircraft spotted a Chinese maritime research ship inside Japan's exclusive economic zone near the Senkakus in an area outside the zone in which China had notified Japan of its planned research activities. The Coast Guard warned the Chinese ship against conducting activities outside the agreed upon area. Through diplomatic channels, the Regional Coast Guard Headquarters in Naha emphasized that Japan could not allow marine research to be conducted in the area without its consent. China's Foreign Ministry replied that the activities represented an appropriate exercise of China's rights because the area of the Diaoyu Islands was undisputable Chinese territory.

Less than two weeks later, Japanese Coast Guard aircraft identified another Chinese maritime research ship operating near the Senkakus in an area in which it had failed to give previous notification of research activities. The Chinese ship did not respond to the Coast Guard's challenge, but, after two hours cleared the area and returned to the area of prior notification.

On Oct. 24, a Japanese Coast Guard patrol boat spotted two Chinese Fisheries Patrol ships operating in Japan's contiguous zone in the Senkaku Islands. In response to a Coast Guard radio inquiry, the Chinese ships replied that they were conducting a general patrol. The Chinese ships weaved in and out of the contiguous zone but refrained from entering Japan's territorial waters. Chief Cabinet Secretary Fujimura told reporters that Japan will continue warning against entry into Japan's sovereign waters. On Oct. 27, Fujimura told the Upper House Cabinet Committee that the government, to strengthen Japan's EEZ claims, would attach names to 10 of Japan's heretofore 49 unnamed islands.

On Dec. 6, Japanese Coast Guard aircraft again identified a Chinese maritime research ship operating within Japan's EEZ in an area outside the area of prior notification of research activities. Following a second Coast Guard warning, the Chinese ship moved into the area of prior notification. The incident marked the seventh time this year that Chinese research ships were found outside the area of prior notification in waters around Okinawa.

In early November Foreign Minister Gemba found himself in a Senkaku controversy. On Nov. 10, the weekly magazine *Shinchoo* ran an article quoting Gemba as saying that if China were to advance a proposal for the Senkakus, taking up the proposal would be acceptable. Meeting with reporters on Nov. 9, a day before publication of the article, Gemba made clear that the Senkakus were Japanese territory and under no circumstances would he say such a thing. The article, he charged, was 100 percent unacceptable and without factual foundation. On Nov. 29, *Kyodo News Service* reported that China had proposed resuming negotiations with Japan on the boundary in the East China Sea.

An East China Sea non-incident

On Nov. 6, a Japanese Coast Guard ship attempted to inspect a Chinese fishing boat operating in the East China Sea off the Goto Islands in Japanese waters. The Chinese captain refused inspection, and a four hour-plus chase ensued, ending with the Coast Guard ship colliding with the fishing boat to bring it to a stop. The Coast Guard placed the Chinese captain Zhang Tianxiong under arrest. The following day, Chief Cabinet Secretary Fujimura told reporters that Japan would deal "appropriately" with the matter in accordance with domestic law.

Beijing took the position that the incident was a "regular fisheries case" and hoped that Japan would respect the rights and interests of the fishermen and resolve the matter as soon as possible. On Nov. 9, Captain Zhang was released after paying a 300,000 yen fine for violating Japan's Fishery Law. Zhang was not charged with illegal fishing because no evidence was found that the ship had engaged in poaching. Chief Cabinet Secretary Fujimura told reporters that local authorities had "appropriately" resolved the case in accordance with Japanese law and evidence. Fujimura did not think the incident would have any effect on Japan-China relations. China's Foreign Ministry concurred in the view that the incident was disposed of "appropriately."

Other seas: South China Sea

Faced with issues in the East China Sea, Japan openly showed an interest in issues related to territorial claims and freedom of navigation in the South China Sea. On Sept. 9, Japanese and Philippine government officials met in Tokyo to discuss what the Japanese Foreign Ministry said were issues related to cooperation on maritime affairs as well as global and regional issues. On Sept. 20, Japan's Ambassador to the Philippines Urabe Toshinao told reporters that Japan has an interest in keeping the world's oceans safe and open to commerce and that Japan and the Philippines will "exchange notes" to assess how territorial issues in the region could be peacefully resolved. He acknowledged that "these kinds of disputes are dealt with basically between the parties concerned," but went on to say that "since there is this legitimate interest about the safety of the sea, we also have an interest in how these things are developing." At the same time he emphasized that Japan and the Philippines "are not having an alliance against China." What the two countries are looking to do is "to create a win-win relationship among us." China is a "very important partner for both of us."

On Sept. 27, Prime Minister Noda met Philippine President Benigno Aquino and agreed that both countries shared a strategic interest in the safety of the high seas and would cooperate to advance the development of a new forum to deal with maritime-related issues. Further, the two governments agreed to periodic consultations between Japan's Maritime Self-Defense Force and the Philippine Navy and Air Force on sea-lane safety issues. In a joint communiqué, the two leaders "confirmed that the South China Sea is vital as it connects the world and the Asia-Pacific region, and that peace and stability therein is a common interest to the international community." The joint statement also committed the two countries to a "Strategic Partnership."

In Beijing, Foreign Ministry spokesperson Hong Lei told reporters that "China has indisputable sovereignty over the Nansha Islands and their adjacent seas." He went on to say "there has never been a problem with freedom and safety of navigation in the South China Sea and countries in and outside the region have benefited from it." Regarding the reference to the South China Sea in the Japan-Philippine communiqué, Vice Foreign Minister Cui Tiankai suggested that "Japan should think comparatively about what will truly serve Japan's national interests."

The *Yomiuri Shinbun* reported that Japan had decided to propose the creation of a new body, tentatively "The East Asian Oceanic Forum," during the East Asia Summit (EAS) in Indonesia and, on Oct. 27, *Kyodo News Service* reported that Tokyo intended to propose that Japan and ASEAN's other dialogue partners be admitted to the ASEAN Maritime Forum. The *Asahi Shinbun* on Nov. 6 quoted the prime minister's special advisor for foreign affairs, Nagashima Akihisa, as saying that "Japan is determined to take the lead in establishing maritime order in East Asia." Nagashima referenced Japan's efforts to establish a rule-making forum at the EAS.

Outlook

With both Beijing and Tokyo committed to celebrating the 40th anniversary of normalization of diplomatic relations in 2012, both governments will make every effort to manage sensitive

territorial and sovereignty issues. Whether they will be able constructively to address long-standing issues such as joint development in the East China Sea is another question.

Chronology of Japan – China Relations September -December 2011

Aug. 25, 2011: Foreign Minister Matsumoto Takeaki calls in Chinese Ambassador Cheng Yonghua to protest activities of Chinese Maritime Enforcement Agency.

Aug. 29, 2011: Noda Yoshihiko is elected president of the Democratic Party of Japan (DPJ).

Sept. 2, 2011: Noda succeeds Kan Naoto as prime minister.

Sept. 2, 2011: Prime Minister (PM) Noda revises his position on Yasukuni Shrine and pledges that he will not visit the shrine.

Sept. 7, 2011: On the anniversary of 2010 Senkaku Incident, Chief Cabinet Secretary Fujimura Osamu reasserts Japan's claim to sovereignty over the Senkaku Islands.

Sept. 9, 2011: Japanese and Philippine officials meet in Tokyo discuss South China Sea and maritime safety issues.

Sept. 9, 2011: Ambassador Niwa Uichiro visits Jilin province and inspects construction of the plant dedicated to destruction of remaining chemical weapons abandoned by the Imperial Army.

Sept. 14, 2011: PM Noda, in policy address to the Diet, expresses concern with China's growing power, lack of transparency, and stepped up maritime activities.

Sept. 14, 2011: PM Noda tells the Lower House that calls from China and the ROK for the dis-enfranchisement of Class-A War Criminals is interference in Japan's domestic affairs.

Sept. 14, 2011: Exhibition dedicated to Comfort Women opens at Anti-Japanese War Memorial near the Marco Polo Bridge; exhibition is co-sponsored by Japanese civic organizations.

Sept. 17-18, 2011: Cyber-attacks, attributed to China, hit Japanese government websites.

Sept. 20, 2011: Chinese Foreign Ministry denies China is the source of cyber-attack on Mitsubishi Heavy Industries.

Sept. 22, 2011: Foreign Ministers Gamba and Yang meet at the United Nations in New York.

Sept. 25, 2011: Japanese Coast Guard aircraft spot a Chinese maritime research ship operating inside Japan's EEZ near the Senkaku Islands.

Sept. 27, 2011: Prime Minister Noda meets Philippine President Benigno Aquino in Tokyo.

Oct. 3, 2011: PM Noda and President Hu Jintao meet at the G20 Summit in Cannes.

Oct. 7, 2011: Japanese Coast Guard aircraft identify a Chinese maritime research ship operating without prior notification in area near the Senkaku islands.

Oct. 13, 2011: DPJ defense council urges the Japanese government to reconsider the Three Principles on Arms Exports.

Oct. 14, 2011: Japan's Ministry of Defense sources report that in April-September period Air Self-Defense Forces scrambled 83 times to deal with Chinese aircraft approaching Japanese airspace – a three times increase over the same period in 2010.

Oct. 14, 2011: Minister of Trade and Industry Edano Yukio visits China, meets Premier Wen and Commerce Minister Chen Deming in an effort to advance economic cooperation.

Oct. 16, 2011: Speaking at Hyakuri Air Base, PM Noda expresses concerns with China's stepped-up activities in waters off Japan.

Oct. 24, 2011: Japanese Coast Guard patrol boat spots two Chinese fisheries patrol boats operating in Japan's contiguous zone in the Senkaku Islands.

Oct. 27, 2011: Chief Cabinet Secretary Fujimura Osamu tells the Upper House that the government plans to name 10 of Japan's 49 unnamed islands to strengthen Japan's EEZ claims.

Oct. 26, 2011: Chief Cabinet Secretary Fujimura reveals cyber-attack on Foreign Ministry and a number of diplomatic posts overseas; *Yomiuri Shimbun* reports that the viruses transferred data to servers in China.

Oct. 30, 2011: In a *Financial Times* interview, PM Noda expresses concerns with China's maritime activities in East China Sea and South China Sea; he calls on China to respect international laws governing maritime activities.

Nov. 1, 2011: PM Noda tells Lower House that he does not intend to change the longstanding interpretation on the exercise of the right of collective self-defense.

Nov. 4, 2011: *Sankei Shimbun* reports postponement of High-Level Economic Dialogue meeting.

Nov. 6, 2011: *Sankei Shimbun* reports appointment of former Foreign Minister Tang Jiaxuan as Chinese head of China-Japan Friendship Society.

Nov. 6, 2011: Following a chase and collision, Japanese Coast Guard arrests captain of Chinese fishing boat operating in Japanese waters.

Nov. 7, 2011: Chief Cabinet Secretary Fujimura tells the media that Japan will deal appropriately with the fishing boat incident in accordance with domestic law.

Nov. 8, 2011: Japanese lawmakers, including Nagashima Akihisa, special foreign affairs advisor to the prime minister, meet the visiting Dalai Lama; the meeting draws a protest from China.

Nov. 9, 2011: The Chinese fishing boat captain is released after paying 300,000 yen fine. Chinese Foreign Ministry accepts resolution of the issue as appropriate.

Nov. 10, 2011: Japan Tourism Agency announces that Chinese tourists account for 17 percent of visitors to Japan in 2010, the largest percentage of foreign visitors.

Nov. 12, 2011: Health Minister Komiyayama Yoko visits Beijing and asks for relaxation of Chinese restrictions on Japanese food imports.

Nov. 12, 2011: PM Noda and President Hu meet during APEC Leader's Meeting in Honolulu; they agree to deepen mutually beneficial strategic relationship.

Nov. 22-23, 2011: Japanese Ministry of Defense reports six Chinese Navy ships transit Okinawa prefecture in international waters to conduct exercises in the Pacific Ocean.

Nov. 23, 2011: Foreign Minister Gemba visits Beijing to advance PM Noda's December visit; he meets Premier Wen.

Dec. 6, 2011: Beijing requests postponement of PM Noda's visit scheduled for Dec. 12-13.

Dec. 9, 2011: *Kyodo News Service* reports 1,000 Chinese workers strike over severance pay at Hitachi hard-disc factory in Shenzhen.

Dec. 18, 2011: Japan National Tourism Organization announces that November Chinese visitors increased 35 percent over November 2010, the first increase since March of this year.

Dec. 20, 2011: Foreign Ministers Gemba and Yang confer by telephone on Korean affairs following the Dec. 19 announcement of the death of Kim Jong Il.

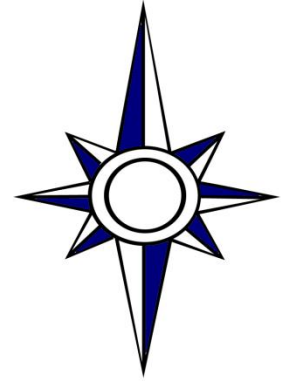
Dec. 24, 2011: Minister of Defense Ichikawa Yasuo announces the government's intention to revise the Three Principles on Arms Exports.

Dec. 25-26, 2011: PM Noda visits China and meets Premier Wen, President Hu, and State Councilor Dai.

Dec. 27, 2011: Chief Cabinet Secretary Fujimura announces revision of the Three Principles on Arms Exports.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Japan-Korea Relations:

North Korean Leadership Change Overshadows All

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The last four months of 2011 were dominated by two leadership changes – the mid-December death of Kim Jong Il after 17 years as North Korea’s leader and the election of Noda Yoshihiko in September as Japan’s sixth prime minister in the last five years. Kim’s death is a watershed event that could mean changes in North Korea’s domestic and foreign policies with repercussions around the region. South Korea and Japan reacted cautiously to the news of Kim’s death and the rise of his son, Kim Jong Un, as the “Great Successor” and new leader of North Korea. Beyond this event, however, Korea-Japan relations showed little change. Early indications suggest that Noda will maintain the foreign policy direction of his predecessors. Economic relations between South Korea and Japan – and indeed between Korea, Japan, and China – continue to move slowly forward as they continue to build financial and trade relations and institutions that will facilitate greater openness and interactions. Politically, Seoul and Tokyo remain firmly stuck arguing the same issues that have aggravated relations for decades. North Korea-Japan relations also showed little change in late 2011 as both sides repeated the usual accusations and demanded they make amends, but neither showed any inclination to do so. Meanwhile, there were three main trends in relations. First, external forces drove state behavior as evidenced by the almost domino-like efforts at free trade agreements (FTA) in both South Korea and Japan. Second, there was growing recognition of the high (and seemingly insurmountable) domestic political costs associated with non-pliable issues such as the comfort women/sex slaves. Third, there was a growing realization that change could mean opportunity as embodied in the cautious desire in both Seoul and Tokyo to shape the contours of the post-Kim Jong Il landscape in North Korea.

South Korea-Japan – the action-reaction game and economic relations

There were three general and inter-related external trends that sparked a reaction in relations: the Korea-US Free Trade Agreement (KORUS FTA), the Eurozone crisis, and the aftermath of the March “triple disaster” in Japan. There was perhaps no better way to demonstrate and inculcate the perils of becoming a “laggard” in economic liberalization than the successful yet painful ratification of the KORUS FTA in both the US House of Representatives and Senate in October as well as the ROK National Assembly in November. In fact, *Yonhap* reported that on Sept. 16, Japanese Ambassador Muto Masatoshi called for a resumption of bilateral free trade talks between Seoul and Tokyo claiming that such a deal “will play a significant role in mapping out rules to help the two sides lead the global market.” Talks have been stalled since late 2004 over disagreement over tariffs on agricultural goods and fisheries. A few days after Muto’s remarks, President Lee Myung-bak and Prime Minister Noda Yoshihiko met for the first time since Noda’s inauguration in early September against the backdrop of the United Nations General

Assembly; again, there were references to hopes of progress being made on discussions of free trade between the two countries. The implications of the KORUS FTA for Japan were not lost on those that would be most hard-hit: Hiromasa Yonekura, chairman of the Japan Business Federation (Keidanren), remarked at a press conference on Oct. 11 that, “Japan will inevitably face a disadvantage,” citing the double noose of the KORUS FTA and the deal struck between South Korea and the European Union, which came into effect in July 2011. By late November, a joint statement was issued by the South Korea-Japan Parliamentarians’ Union at the end of their 35th meeting, calling for their governments to make progress on a formal economic partnership.

Japan got its sixth prime minister in five years in early September when Yoshihiko Noda was confirmed by the Diet. Early indications are that Noda will continue the policies of his predecessors – a focus on the US-Japan alliance and domestic policy, especially rebuilding and recovering from the Great East Japan earthquake. In regional economic relations, whether the momentum of South Korea’s free trade agreements directly influenced Japan’s decision to begin discussions on the Trans-Pacific Partnership in November – hailed by some as Noda’s “Nixon to China Moment” – is difficult to assess. However, the overriding sensitivity toward relative gains on the part of Japan was apparent. A Sept. 18 *Nikkei Weekly* editorial titled “TPP Talks Offer Fleeting Chance to Revive Japan” urged Tokyo to focus on foreign perceptions in conjunction with the risk of pandering to domestic agricultural interests that could fashion Japan’s image as an “untrustworthy economic partner.” The prospect of the US-led TPP initiative was tied to the impacts on a similar trilateral mechanism among Japan, Korea, and China, as well as the ramifications for closer Europe-Asia cooperation. More explicitly, an Oct. 21 *Yomiuri Shimbun* editorial stated flat out that “South Korea began seriously considering the EPA [Economic Partnership Agreement] with Japan again apparently because Japan is looking at entering talks on the Trans-Pacific Partnership economic partnership framework.” Thus, while Korea was under the impression that its own initiatives were the reference point for a reactive Japan, Japan was also assuming that its own efforts were carving out the space for policy maneuverability by Korea. In the end, the actions may have increased both countries’ leverage with China as Beijing voiced its desire to open full negotiations on a free trade agreement with the two countries in 2012. One could speculate that the parallel movement of Seoul and Tokyo toward greater economic liberalization seemingly conjured a bad word for China: “containment.” The Dec. 13 *Asahi Shimbun* quoted Li Xiangyang, director of the Institute of Asia-Pacific Studies at the Chinese Academy of Social Sciences, describing the TPP as a “warning to a fast-growing China,” adding that “the United States has come to Asia to drink the nectar of its economic growth by having Japan get involved.”

Another ‘c’ word that gained greater reception in Korea-Japan relations was “currency swap.” Seoul and Tokyo agreed on Oct. 19, to increase their currency swap arrangement from \$13 billion (1 trillion yen) to \$70 billion effective until October 2012. More specifically, the initial \$3 billion arrangement between the Bank of Korea and the Bank of Japan will be increased to \$30 billion, while a similar deal between the Bank of Korea and the Finance Ministry will reach \$40 billion from the initial \$10 billion. The decision came from the same Lee-Noda summit that promised renewed efforts at a potential bilateral FTA and amidst unrelenting media coverage in both countries about the Eurozone crisis. In response to possible contagion effects, President Lee remarked at the post-summit joint news conference that “We [Korea and Japan] agreed that it is important to strengthen currency cooperation in order to preemptively stabilize financial markets

amid deepening uncertainties in the global economy.” *AFP* was quick to note that Noda had “sweetened” the mood during his first bilateral trip by returning five volumes of historic royal Korean books that had been seized during Japan’s colonial rule from 1910-45. Only one week later, the *Korea Times* reported on Oct. 26, that Korea had struck a three-year deal with China to also expand their won-yuan swap line to \$56 billion to secure foreign exchange liquidity against the volatile global financial situation.

Finally, the March 2011 disaster that ravaged Japan had continuing effects on the Korea-Japan bilateral relationship. The Nov. 29 *Mainichi Daily News* reported that Seoul and Tokyo held their first working-level meeting to consolidate cooperation in procuring liquefied natural gas and other related issues. The move came as a result of increasing global demand for LNG combined with Japan’s own need to gain resources for thermal power generation following the nuclear disaster at the Fukushima Daiichi power plant. The sheer potential behind such cooperation is immense when considering that Japan is the world’s largest importer of LNG, while Korea ranks second, with the two accounting for roughly half (46 percent) of total global LNG imports in 2010. This pact was reinforced by the December approval of Japan’s bilateral civil nuclear cooperation accords with Jordan, Vietnam, South Korea, and Russia, by both the House of Representatives and the House of Councillors, which would pave the way for exports of civilian nuclear technology by Japan. Earlier, the Nov. 30 *Mainichi Daily News* announced a trilateral accord among Korea, Japan, and China that would facilitate information sharing on accidents and other safety matters regarding nuclear power plants.

Perhaps as a consequence of the dynamic inter-mingling of bilateral issues and the multiple watchful games of action-reaction, the Korea-Japan relationship has been somewhat enveloped by a larger trilateral framework involving China. The official launch of the Trilateral Cooperative Secretariat in Seoul on Sept. 27 marked the emerging momentum toward greater regional cooperation. The *Korea Herald* pointed out the pragmatism of reducing transaction costs through centralizing operations for the three countries. Among 17 ministerial conferences and 50 official dialogues, the South Korean Foreign Ministry, together with the Sejong Institute and *Chosun Ilbo*, co-hosted a Korea-Japan-China academic conference in Seoul on Oct. 19 to commemorate the formal launch of the secretariat. The event was titled, “Toward a New Era of Peace and Common Prosperity in Northeast Asia,” bringing together dignitaries such as former ROK Prime Minister Lee Hong-gu, former Japanese Prime Minister Hatoyama Yukio, and China’s former State Councilor Tang Jiaxuan. The momentum carried over to October, when *Yonhap* reported that South Korea, Japan, and China each signed an agreement with the 10 Southeast Asian countries to set aside 150,000 tons of rice each year from its national reserve for emergency aid. According to the ASEAN Plus 3 Emergency Rice Reserve (APTERR) system, the recipients will have a total of 787,000 tons of rice earmarked annually to help stabilize grain prices, especially during natural disasters. The report further stated that the three donors will each provide \$1 million over five years to construct a \$3 million operational fund for the system, along with an additional \$75,000 each year toward operational costs for the headquarters. Thus, the latter months of 2011 were marked by a general mood of constructive engagement and regional cooperation.

Insurmountable domestic political costs

Below the surface of a well-greased engine of inter-state relations (further bolstered by the dynamic of the trilateral mechanism), however, Seoul and Tokyo could not completely evade their own domestic constituencies and the more familiar issues plaguing their relations. The issue of compensation for Korean comfort women or sex slaves by Japan quickly became Seoul's unwavering talking point during negotiations with Tokyo.

The issue received increased attention in late August when the South Korean Constitutional Court ruled that Seoul's failure to make efforts to negotiate individual compensation claims with Tokyo was unconstitutional. On Sept. 1, *Yonhap* reported that the South Korean Foreign Ministry had called in Kanehara Nobukatsu, Japan's deputy chief of mission in Seoul, to relay the Court's ruling and request "sincere and active" measures by Japan. The rest of September was littered with reports of Seoul's intentions to engage Japan on the issue, until on Sept. 29, the *Korea Times* announced that the Korean Foreign Ministry had set up a special task force to specifically deal with the matter of compensation due to Japan's reticence to accept Korea's Sept. 15 proposal to hold bilateral talks regarding the comfort women. Shortly thereafter, *Yonhap* referred to remarks by Sugiyama Shinsuke, director-general of the Japanese Foreign Ministry's Asian and Oceanian Affairs Bureau, to express Japan's position that the formal stance of the Japanese government was that the compensation issue had been "fully and completely resolved" under the bilateral normalization treaty of 1965.

Meanwhile, the *Mainichi Daily News* continued coverage of Seoul's plans for the islands of Dokdo/Takeshima, reporting that Ambassador Muto had lodged a protest to South Korea's First Vice Foreign Minister Park Suk-hwan on Nov. 11 over a visit by South Korean lawmakers to the islets for a musical concert. The orchestral concert, which apparently attracted an audience of roughly 500, was intended to reaffirm Korea's territorial rights and raise the spirits of the Coast Guard personnel keeping watch on the island. Moreover, reports surfaced in late November that Seoul had plans to truly incorporate Dokdo/Takeshima as Korea's possession by spending 400 billion won (\$344.4 million) by 2016 to transform the islets into an underwater wonderland to galvanize tourism and increase general access. According to the *Chosun Ilbo*, Seoul had plans to install a 210-meter-long breakwater, an underwater park with a viewing chamber, and a 200-meter road connecting the east to the west islets.

While Seoul was announcing its extravagant plans for conspicuous consumption and development of the islets, Tokyo's concerns lay with a more humbling issue of the comfort women. Specifically, the spat started when the Korean Council for Women Drafted for Military Sexual Slavery by Japan – a group representing the victims of sexual enslavement and in charge of demonstrations every Wednesday in front of the Japanese Embassy in Seoul – announced plans in September to unveil a "Peace Monument" in December to commemorate their 1,000th demonstration. In response, Tokyo asked Seoul to block such moves on multiple occasions, right up until the Lee-Noda summit on Dec. 18, 2011 in Kyoto. In fact, much of the coverage from the Japanese media honed in on the fact that a disproportionate amount of time was spent on the comfort women/sex slave issue. A Dec. 19 *Asahi Shimbun* editorial was brusque in its tone in accusing President Lee of having derailed Japan's efforts to "steer bilateral relations to a more neighborly footing," despite Japan having "pulled out all the stops" to prevent potential friction.

According to the editorial, Tokyo also tried to “lighten the atmosphere by presenting a birthday cake for Lee, who turned 70 on Dec. 19, at a dinner party on Dec. 17.” Nevertheless, phrases to describe Lee spanned from “uncompromising,” to “pandering to domestic voters ahead of the presidential election,” to “not giving an inch.” Similarly, a Dec. 18 *Mainichi Daily News* editorial was quick to note that almost 40 minutes of the hour-long meeting was devoted to the issue of the comfort women/sex slaves. The editorial also mentioned that then Chief Cabinet Secretary Kono Yohei had apologized for the sexual servitude back in 1993, while donations from the Asian Women’s Fund – a Japan-led initiative to compensate the victims of sexual servitude and later disbanded in 2007 – had been rejected by most of the victims and in fact, served as a target for criticism that perhaps the Japanese government was trying to shirk responsibility at the state level.

The blame game aside, the reality is that the window for atonement is closing. As President Lee announced during his mid-December trip to Tokyo, in 2011 alone, 16 of the victims of sexual slavery had passed away – leaving only 63 living. Territory is typically more enduring than human beings, making the comfort women/sex slaves a more exigent point of contention than Dokdo/Takeshima.

North Korea-Japan relations: strike while the iron is hot

North Korea’s usual demands for apologies, repenting, and settlement of past crimes from Japan marked the beginning of this reporting period. A Sept. 7 *Korean Central News Agency (KCNA)* article argued that a potential name change from the “East Sea” to the “Sea of Japan” would be most unreasonable and a Sept. 20 article lambasted Japan for its past colonial rule on the Korean Peninsula. The Nov. 25 *Rodong Sinmun* also carried an article citing the follies of the Greater East Asia Co-Prosperty Sphere and the need for Tokyo to repent and pay compensation for its colonial rule or become “a sworn enemy of the Korean people.”

Beginning in October, the wrangling centered on a North Korean demand for payment of \$5.7 billion for the failed initiative of the light-water reactor project spearheaded by the Korean Peninsula Energy Development Organization (KEDO) – an international consortium involving South Korea, Japan, and the US, which suspended its activities in 2006 over concerns regarding North Korea’s nuclear weapons proliferation. According to *Yonhap*, Seoul (the main benefactor of the KEDO initiative) has yet to repay a \$1.1 billion (1.3 trillion won) loan and added interest, while the interest on government bonds issued to cover the debt has ballooned to more than 900 billion won. Shortly thereafter, the Nov. 14 *Chosun Ilbo* reported that KEDO had demanded that North Korea pay \$1.89 billion for the losses incurred by its breach of the agreement.

In a rare occurrence, Japanese authorities discovered nine North Korean defectors in a vessel off the western coast of Japan near the Noto Peninsula in mid-September. On the issue of North Korea defectors, the Nov. 9 *Mainichi Daily News* quoted a statement by Chief Cabinet Secretary Fujimura Osamu that Tokyo will continue to protect DPRK defectors currently residing in China, from a humanitarian standpoint. However, once news of the death of Kim Jong Il on Dec. 17 officially exploded on to the airwaves two days later, speculation regarding the implications of regime succession and general geopolitical stability set the tone for future coverage and swamped any discussion of refugees.

The *Asahi Shimbun* released an editorial on Dec. 19 quoting North Korean watchers in Japan such as military analyst Ogawa Kazuhisa and journalist Ishimaru Jiro, conveying the message that mass turmoil would not be the most likely scenario in the post-Kim Jong Il period. A day later, another editorial in the *Asahi Shimbun* sounded a more ominous tone by stating that “there is no guarantee that missiles will not be fired at other countries in the confusion of a power struggle or a display of loyalty to their heir ... we have to stay alert.” The article also went on to question the likelihood of the return of Japanese abductees given the power transition. Similarly, a Dec. 20 *Mainichi Daily News* editorial called for a more proactive role on the part of the US to push the North toward nuclear disarmament, and for Pyongyang to “break free from its obligation to save Kim Jong Il’s face, and reduce a heavy burden on its shoulders as a state by fully releasing information on the abduction issue.” Echoing such sentiments, a Dec. 21 *Yomiuri Shimbun* editorial framed the deadlocked abduction issue as a “top priority.” Meanwhile, former Japanese Defense Minister Ishiba Shigeru was quoted in the Dec 21 *Asahi Shimbun* as pinpointing China as possessing the key to preventing any disastrous contingencies on the Korean Peninsula, urging cooperation among Japan, the US, and South Korea to take the lead in alleviating concerns on behalf of China. On a slightly different note, a Dec. 22 *Kyodo News* article by another well-known North Korean watcher, Leon Sigal, called for a policy of “watchful reassurance” and for Japan to engage the North economically, rather than go “full steam on regime change.” Just how Japan leverages change within North Korea to strike while the iron is hot by maneuvering through the abductee issue without risking greater instability remains to be seen.

Looking forward to 2012

2012 is shaping up to be an eventful year. There will be presidential and parliamentary elections in South Korea, the leadership transition in North Korea will continue, and given its recent track record, the odds are fairly good that Japan will get a new prime minister. Not only will these political changes have repercussions on foreign relations, they also may mark a decisive change. In South Korea, the opposition appears to be gaining in popularity as President Lee Myung-bak’s administration comes to its end. The return of a liberal administration after five years of conservative rule could lead to a new direction in South Korea’s policies toward both North Korea and Japan. As for Japan, Prime Minister Noda began his term on Sept 2, 2011 and it is too early to tell whether and how he might try to shape Japanese relations with the Koreas and the rest of the region. The early months of 2012 should provide a more complete picture of the Noda administration, although it appears that he will follow the policies of his predecessors in focusing on resolving the abduction issue with North Korea and saying all the right things about the Japan-South Korea relationship.

Most attention will be paid to the young leader in North Korea. Little is known about Kim Jong Un, although most observers expect the “Great Successor” to follow the policies of his father while benefitting from a ruling circle of senior elites who will help mentor and guide him as he gains experience in leading the country. Nevertheless, the specifics of how North Korea will pursue relations with China, Japan, South Korea, and the US are unclear, especially given the tentative moves toward some type of bargain with the US that had been discussed in early December. 2012 is also the year that North Korea has declared it will celebrate both its arrival as

a powerful nation and the 100th birthday of its founding leader Kim Il Sung. How Kim Jong Un rules and how he handles his domestic and palace politics will have a major impact on North Korea's relations with its neighbors.

Chronology of Japan-Korea Relations September – December 2011

Sept. 1, 2011: *Yonhap* reports that the South Korean Foreign Ministry has called in Kanehara Nobukatsu – Japan's deputy chief of mission in Seoul – to convey the message that Japan must take “sincere and active” measures to deal with the compensation issue for those Korean victims of sexual servitude during the colonial period of 1910-45.

Sept. 2, 2011: Noda Yoshihiko is formally appointed prime minister following his election by the Diet on Aug. 30.

Sept. 6, 2011: According to *Donga Ilbo*, President Lee Myung-bak stresses in a telephone conversation with Prime Minister Noda the value of “future-oriented” bilateral relations and the need to “not forget the past, but not let that past hold up the future.”

Sept. 6, 2011: South Korea's Minister of Culture, Sports, and Tourism Choung Byoung-gug and Kondo Seiichi, commissioner of the Japanese Agency for Cultural Affairs, sign a Memorandum of Understanding (MOU) on bilateral cooperation to protect copyrights and related rights of their cultural products.

Sept. 8, 2011: *Kyodo News* reports that Seoul is considering proposing official talks with Tokyo regarding the compensation of the comfort women/sex slaves.

Sept. 13, 2011: According to *Japan Today*, Japanese authorities have questioned nine suspected North Korean defectors (three men, three women, and three boys) found off the western coast of Japan near Kanazawa. On Oct. 4, the group is taken from an immigration facility in Nagasaki and flown to South Korea.

Sept. 15, 2011: South Korean Foreign Ministry spokesperson Cho Byung-jae announces that South Korea has proposed talks with Japan over compensation for comfort women/sex slaves.

Sept. 21, 2011: President Lee and Prime Minister Noda meet for the first time since Noda's inauguration while attending the UN General Assembly in New York.

Sept. 22, 2011: *Maeil Kyungjae* reports the results of 2010 Northeast Asian History Foundation survey of perceptions of history which shows 46.8 percent of Koreans felt that bilateral relations were positive, while 71.4 percent of the Japanese thought relations were positive. The proportion of those in their 20s citing the relations as negative in Korea and Japan, respectively, was 61.5 percent and 37.3 percent.

Sept. 27, 2011: Korea, Japan, and China open a secretariat for trilateral cooperation in Seoul.

Sept. 28, 2011: Tokyo asks Seoul to block plans by the Korean Council for the Women Drafted for Military Sexual Slavery by Japan to erect a “Peace Monument” near the Japanese Embassy.

Sept. 29, 2011: *Korea Times* reports that the South Korean Foreign Ministry has set up a task force to specifically deal with the issue of compensation for Korean women forced into sexual slavery for Japan’s World War II soldiers.

Oct. 1, 2011: President Lee calls on Japan to expand cultural exchange as a way to forge a forward-looking partnership between the two neighbors. Lee’s message was read out loud by South Korea’s cultural minister at the joint South Korea-Japan cultural festival held in Tokyo.

Oct. 3, 2011: *Yonhap* cites Sugiyama Shinsuke, director-general of the Japanese Foreign Ministry’s Asian and Oceanian Affairs Bureau, as stating that the issue of the compensation for Korean comfort women/sex slaves has already been fully resolved.

Oct. 6, 2011: Japanese Foreign Minister Gamba Koichiro visits Seoul and meets Foreign Minister Kim Sung-hwan. They discuss North Korea’s nuclear issue and bilateral relations.

Oct. 6, 2011: *Yonhap News* reports that North Korea has demanded \$5.7 billion in compensation for a failed light-water reactor project initiated by the Korean Peninsula Energy Development Organization (KEDO).

Oct. 18, 2011: President Lee and Prime Minister Noda meet at the Blue House to discuss bilateral relations and regional security.

Oct. 19, 2011: *AFP* announces that Seoul and Tokyo have agreed to expand their currency swap arrangement to the equivalent of \$70 billion in the face of global uncertainty as well as to revive efforts at reaching a free trade pact.

Nov. 1, 2011: The vice defense ministers of South Korea and Japan, Lee Yong Gul and Nakae Kimito, hold talks in Seoul to discuss bilateral defense exchanges.

Nov. 12, 2011: *Mainichi Daily News* reports that the Japanese Ambassador to South Korea Muto has lodged a protest with First Vice Foreign Minister Park Suk Hwan, over a visit by South Korean lawmakers to Dokdo/Takeshima for a concert, describing it as “utterly unacceptable.”

Nov. 12-13, 2011: The South Korean Navy and the Japan Maritime Self-Defense Force (JMSDF) hold the seventh joint search and rescue exercise (SAREX) near Busan.

Nov. 14, 2011: *Korea Times* reports that the Korean Peninsula Energy Development Organization (KEDO) will demand North Korea pay \$1.89 billion in compensation for losses incurred by the failed light-water reactor project.

Nov. 17, 2011: South Korea, Japan, and the US hold trilateral talks on the resumption of the stalled Six-Party Talks, at the venue of the East Asia Summit in Bali.

Nov. 21, 2011: *AFP* reports that Beijing aspires to open full negotiations on a free trade agreement with Japan and South Korea in 2012.

Nov. 25, 2011: *Chosun Ilbo* announces plans by Seoul to erect a new sea wall and tourist facilities in the waters off Dokdo/Takeshima as early as 2016.

Nov. 25, 2011: The *Rodong Sinmun* carries an article citing the follies of the Greater East Asia Co-Prosperity Sphere and the need for Tokyo to repent and pay compensation for its colonial rule or become “a sworn enemy of the Korean people.”

Nov. 28, 2011: The 35th Korea-Japan Parliamentarians’ Union meets in Seoul. In a joint statement, the lawmakers call on their respective governments to step up efforts to sign a free trade and economic partnership agreement.

Nov. 29, 2011: Seoul and Tokyo hold their first working-level meeting to strengthen cooperation in the procurement of liquefied natural gas and other gas-related issues. *Mainichi Daily News* reports that future discussions are expected to involve issues such as joint participation in the development of gas fields in Russia, and cooperation on shale gas in North America.

Nov. 30, 2011: Nuclear safety authorities of Korea, Japan, and China meet to improve information sharing on accidents and other safety matters involving nuclear power plants.

Dec. 6, 2011: *Asahi Shimbun* reports the successful return of ancient royal books to South Korea. The 1,200 pieces, includes the “Joseon Wangsil Uigwe,” or the Royal Protocols of the Joseon Dynasty.

Dec. 14, 2011: *Japan Times* reports a “Peace Monument” was unveiled near the Japan Embassy in Seoul on the occasion of the 1,000th weekly demonstration by those calling for an apology and compensation from the Japanese government for comfort women/sex slaves.

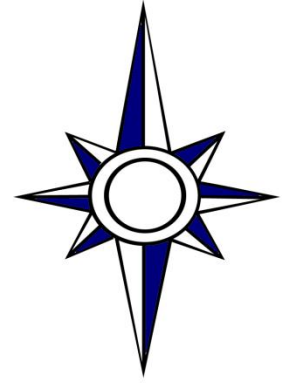
Dec. 18, 2011: President Lee and Prime Minister Noda meet in Kyoto.

Dec. 19, 2011: The Dec. 17 death of Kim Jong Il is reported by *KCNA*. Immediately thereafter, Lee and Noda confirm over the phone that they will work together in responding to the death.

Dec. 20, 2011: *Mainichi Daily News* reports that Foreign Minister Kim Sung-hwan and Japanese counterpart Gamba Koichiro agree in a telephone call that it is vital for Tokyo, Seoul, and Washington to make a coordinated response to North Korean affairs.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Russia Relations:

Between Geo-Economics and Geo-Politics

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The last four months of 2011 were both ordinary and extraordinary for Beijing and Moscow. There was certainly business as usual as top leaders and bureaucrats frequented each other's countries for scheduled meetings. The world around them, however, was riddled with crises and conflicts. Some (Libya and Syria) had seriously undermined their respective interests; others (Iran and North Korea) were potentially more volatile, and even dangerous, for the region and the world. Regardless, 2011 was a year full of anniversaries with symbolic and substantive implications for not only China and Russia, but also much of the rest of the world.

Prime Minister – future/past President – Putin in Beijing

Russian Prime Minister Putin traveled to China on Oct. 11-12 to attend the 16th Regular Meeting of the Prime Ministers of Russia and China. Economic issues were the focus for this scheduled meeting between Putin and Chinese Premier Wen Jiabao. Of the Russian delegation, 160 of the 250 members were top business leaders. A total of 16 economic and trade agreements worth more than \$7 billion were signed a day before Putin's visit in the areas of finance (one project worth \$4 billion, including \$1.0 billion into the Russian Direct Investment Fund, founded in June with backing from Putin and Russian President Dmitry Medvedev), investment (four projects worth \$90 million), trade (five projects worth \$2.55 billion), and 10 other projects (\$380 million) including aerospace, biochemistry, IT, renewable energy, etc.

The annual meeting took place against the backdrop of China becoming Russia's largest trade partner in 2010 (\$59.3 billion in total trade volume, which was 9.6 percent of Russia's foreign trade). In 2011, bilateral trade increased by more than 30 percent to \$80 billion. While in Beijing, Putin and his Chinese hosts tried to "optimize trade structures" by increasing the proportion of electro-mechanical and high-tech products in bilateral trade volume. The goal is to lift bilateral trade to \$100 billion by 2015 and \$200 billion by 2020. The two leaders identified 13 areas of cooperation including investment, special economic zone and high-tech park creation and management, finance, Customs, Far East/Siberia economic projects, cross-border transportation infrastructure, high-technology cooperation from commercialization to research and development, aerospace, environmental protection, agriculture, forestry, and labor migration.

Among the documents signed was the first-ever *Cooperative Memorandum for Economic Modernization*. The origin of the document was Russia's Modernization Partnership program with the EU in 2010. China has "long proposed creating an analogous program," according to Russian sources. During President Medvedev's visit to China in September 2010, the two sides finally agreed to develop such an agreement. Until recently, Moscow was skeptical of the level

of Chinese technological development and tended to consider Western countries exclusively as its source for advanced technologies for modernizing its economy. Until this point, the only Asian country with which Russia had signed a modernization memorandum was South Korea in November 2010 during Medvedev's visit to Seoul.

Several developments in 2011 seemed to have pushed Russia to alter its perception of China. The successful test flight of China's fourth-generation stealth fighter/bomber in January and its first aircraft carrier (the refurbished Soviet carrier *Varyag*) began its sea trial in August. On Sept. 29, China successfully launched the *Tiangong #1* space station, which was followed by a successful space docking with *Shenzhou #8* on Nov. 2. On Dec. 27, China's *Beidou* satellite navigation system began initial operations.

But long before these high-profile and high-technology breakthroughs, Sino-Russian bilateral trade gave indications that China's economy was more dynamic, comprehensive, and innovative than Russia's. Russian sources indicate that in the last few years, more than 70 percent of the value of Russian exports to China consisted of minerals, timber, and pulp and paper goods, while the share of machinery and equipment has not exceeded 5 percent. On the other hand, more than half of Russia's imports from China have been machinery and technology output. Russia also noticed that China's public and private investments in R&D have been growing by 20 percent annually, and in the last five years, 126 science parks/cities have been built in China while Russia's main hi-tech city, Skolkovo, exists largely on paper. This final "reckoning" by the Russians is apparently a recent phenomenon as Prime Minister Putin was "extremely surprised" by a statement made by Texas Pacific Group head David Bonderman at an October investment forum that US economic leadership would be taken over by China. To this, Putin asked, "Do we have to switch our gold and foreign reserves to yuan now and China to dollars? An interesting situation ... a sort of a nest-doll. An uneasy situation."

Still, many Russian experts are convinced that the lag behind China is connected not to a lower level of technological development in Russia but to its inability to put them into production. Therefore, it is rational and advantageous to combine Russia's technology with China's industrial base. The wording of the *Modernization Partnership Agreement*, therefore, reflects these perceived comparative advantages of Russia and China without indicating who was going to modernize whom. "We are expecting the process to be bidirectional," sources in the Russian government said. Moscow was calculating that Russia would help China develop its nuclear power, space, and aircraft industries; Beijing would help Moscow in high-speed rail transport, shipbuilding, alternative energy and power-generation equipment.

While the two sides hammered out a modernization agreement that promises more space for integrating Russian science with Chinese manufacturing capability, China and Russia continued their marathon-like wrestling for oil and gas pricing, an area in which the two sides actually have more room for cooperation. Although Putin's visit finally brought to an end the pricing conflict concerning the Skovorodino-Daqing pipeline's transportation fees, the two sides failed again, after more than five years of negotiations, to reach an agreement on the pricing issue for the proposed Russian gas supply to China. "We are close to the final stage of work on gas supplies to the Chinese market," Putin told journalists shortly after his China trip. Russian Deputy Prime Minister Igor Sechin went further, stating that the two countries were "standing on the threshold

of gas delivery agreements,” which could eventually see almost 70 billion cubic meters of Russian gas sent to China annually over the 30-year period. It remains to be seen how the two sides would bridge the price gap of \$100 per 1,000 cubic meters as of November 2010. Meanwhile, China has been rapidly expanding its energy cooperation with Turkmenistan and other Central Asian states. During his official visit to China on Nov. 22-25, Turkmen President Gurbanguly Berdimuhamedow agreed to increase annual gas supplies to China from the current 40 billion to 65 billion cubic meters “in the near future.” “We have never politicized economic cooperation,” Berdimuhamedow told the Chinese media ahead of his visit.

Beyond economic issues, the prime ministers also pushed for more social/humanitarian interactions and exchanges. 2012 will be China’s “Russian Tourism Year in China” to be reciprocated by Russia’s “Chinese Tourism in Russia” in 2013. The joint border inspection issue was also discussed, alongside regional and global issues. Overall, the 16th Prime Ministers Meeting was described as one with “significant outcomes” and was conducted in a “friendly, mutual understanding and constructive atmosphere.” Following the meeting, Putin was received by President Hu Jintao on Oct. 12, and had a “deep exchange” regarding many important issues with “broad consensus.”

Prime Minister Putin’s “working visit” to Beijing, was by no means routine and ordinary. “The significance of this trip exceeds that of a normal prime minister-level visit,” said Zhao Huasheng, director at the Center for Russia and Central Asia Studies at Shanghai’s Fudan University. It was Putin’s first foreign trip since he revealed plans to reclaim Russia’s presidency (a tenure that could last 12 years), which would mean that he would outlast the next generation of Chinese leaders beyond Hu Jintao and Wen Jiabao. Moreover, Putin would continue to help Russia recover from the “greatest geopolitical catastrophe of the century” (meaning the demise of the Soviet Union, according to Putin’s 2005 statement). Indeed, the last few months of 2011 witnessed some major steps toward that goal as Putin pushed to operationalize a “Customs Union” (Russia, Belarus and Kazakhstan) on July 1, take the next logical step by establishing the “Common Economic Space” (CES) on Jan. 1, 2012, toward the final destination of creating the “Eurasian Economic Union (EEU) in 2015.

Russia’s “three strikes” in 2011 for reintegrating the former Soviet republics were at least partially driven and facilitated by the global financial crisis. The idea of the Eurasian Economic Union, however, was first dreamed up more than a decade earlier by Kazakh President Nursultan. After Putin was first elected president in 2001, he had sought ways to reunite the former Soviet republics, at least partially. In reality, there have been tangible results from such an economic arrangement. The trade volume within the Customs Union framework reportedly grew nearly 40 percent in the first half of 2011. As a result, several Commonwealth of Independent States (CIS) member states, including Kyrgyzstan and Tajikistan, have shown interest in Russia’s ambitious plan. Regardless of its future, particularly its interface with Russia’s newly acquired World Trade Organization (WTO) membership, the move would strengthen Russia’s position in dealing with a rapidly expanding Chinese economy, which has already made significant inroads into those former Soviet republics through bilateral or multilateral mechanisms such as the SCO.

SCO prime ministers in St Petersburg: convergent and divergent interests

The 10th SCO Prime Ministers Meeting in St Petersburg on Nov. 7, 2011 was held against the backdrop of weak recovery and a general economic slowdown around the world. Although the SCO region has enjoyed relative stability and growth, there were no reasons for the heads of government to relax, particularly in the midst of uncertainty in the world financial and raw materials markets.

The ongoing financial crisis in the world's richest nations (Europe and the US) is obviously affecting the SCO nations to the extent that the SCO Prime Ministers Meeting issued, for the first time, a "joint declaration on economic situation in the world and the SCO region." Expressing concern over the uncertainty and instability of the world's economy, the document said SCO member states should further strengthen economic cooperation in a bid to minimize the negative effects of the global crisis on their countries' banking and financial sectors. Meanwhile, the declaration vowed to continue encouraging investment and advancing mutually beneficial projects among member states. The prime ministers also agreed to tap the economic potential and consolidate the financial and monetary systems of member states.

One key issue for the ministers was the creation of an SCO Special Account and the SCO Development Bank (SCODB). Both were prominently addressed in the declaration and the joint communiqué issued shortly after the meeting. The idea of a SCODB was first raised by Premier Wen Jiabao at the Ninth Prime Ministers Meeting. The goal was to promote construction of a regional financing system. Wen brought the concept up again because finance ministers and central bank governors of the SCO member states found it necessary to coordinate in a closer and more timely manner in times of financial instability and uncertainty in the global economy. "A multi-level and multi-channel fundraising system should be established to strengthen financial support to regional economical [sic] cooperation programs," Wen said. In his "nine proposals" at the meeting, Wen urged others to facilitate free transit of goods, capital, and services through the SCO territories along with faster development of regional infrastructure networks for transportation, energy, and communication. In turn, China would commit itself to offer soft loans in support of those infrastructure projects in the SCO states.

Several SCO members including Kyrgyzstan, Tajikistan, and Kazakhstan supported the idea of SCODB. Prime Minister Putin, however, appeared more interested in establishing the SCO special account as an instrument for financing SCO projects. Citing "serious challenges" for the existing SCO interbank consortium (SCOIC) that was established in 2005, Putin favored "a medium-term strategy" for SCOIC's development, meaning strengthening the existing infrastructure while introducing "innovations" of various kinds.

Putin's caution was understandable given the fact that such a banking mechanism as SCODB would further strengthen China's economic presence in Central Asia. There is no question that once the proposal is approved and implemented, it will facilitate greater convenience for enterprises from the SCO member states, including Russia, in their operation for financing, settlements and guarantees. The proposed SCODB will also improve the position of the yuan among the SCO's five other members in the areas of expanding local exchange and settlement cooperation, an important step to raising the currency's status in the world. Despite Russia's

apparent reservation, the joint communiqué states that the SCODB issue will be further discussed at the second SCO Finance Ministers and Central Bank Governors Meeting in China in 2012 and that such a mechanism will be ready to be approved at the SCO's next heads of state annual conference scheduled to be held in China in June 2012.

SCODB is not the only issue over which China and Russia seemed to have divergent interests. One of the most publicized topics by Russia both before and during the St. Petersburg Prime Ministers Meeting was the creation of a SCO energy club (SCOEC); the idea originated with then-President Putin back in 2007. Over the next few years, the club generated considerable public chatter about the possibility of a Russian-led "OPEC for gas" trilateral entente consisting of Russia, Kazakhstan, and Turkmenistan. Russia's initiative points to such an arrangement among energy producers to control supply, and more importantly, prices.

Until now, Beijing has been able to develop, rather successfully, its vast and still rapidly expanding network of energy and raw materials supplies through bilateral arrangements with several Central Asian countries. It is unclear how the club would affect the energy and raw materials security that China seeks. As a result, the idea of such a club had stayed at the talking stage until late September when the "Xi'an Initiative" was launched by energy ministers of China, Kyrgyzstan, Russia, and Tajikistan following a conference of European and Asian energy ministers in the ancient Chinese capital city of Xi'an. In fact, the Chinese participants embraced the idea of a SCOEC by considerably stretching the original setting into an open, multilateral, and transparent mechanism with participants from both energy producers and recipients. The Xi'an initiative aimed at accelerating the launch of the SCOEC by proposing the establishment of a SCOEC senior working group and agreeing to hold its first meeting at the end of October in Moscow. The outcome of the Moscow meeting is unclear. By the time of the meeting in St. Petersburg, however, Putin was still talking about the need to establish "the legal base of the energy club." However, the Joint Communiqué of the 10th Prime Ministers Meeting did not mention the issue.

Another issue that went nowhere in St. Petersburg was SCO expansion – In sharp contrast to the pre-conference optimism regarding Indian and Pakistani membership. What was more bizarre was that a week before the meeting, Russian Deputy Foreign Minister Alexei Borodavkin and Chinese counterpart Cheng Guoping met in Moscow and agreed to accelerate the process of enlarging the SCO, namely by granting membership in the organization to India and Pakistan, according to a press release by the Russian Foreign Ministry on Oct. 31, 2011. China's move to accept India and Pakistan, however, seemed quite different from its long-held concern that SCO expansion may lead to a loss of internal cohesion and efficiency.

Beyond this, the idea of accepting Turkey and the US as SCO "dialogue partners" (Belarus and Sri Lanka are current dialogue partners) was also tossed around. In April 2011, the Turkish foreign minister sent a letter to the SCO general secretary asking to give Turkey dialogue partner status. Although partnership status for Turkey was not opposed by anyone, the US case did meet with opposition, not from Russia and China, who see US interest as a sign of the SCO's growing influence, but by Central Asian states such as Uzbekistan, according to Russian governmental sources. Shortly before this in June, Kabul filed an official request for observer status in SCO, according to Russian sources.

Given these divergences regarding SCO expansion, the final decision at the St. Petersburg meeting was not to expand. The joint communiqué merely stated that “[T]he Heads of Government attach great importance to the involvement of SCO observer states and dialogue partners in SCO activities and projects in economic and cultural fields. To that end further practical steps will be taken.”

Coordinating for geo-politics

For quite some time, political elites in both Russia and China have tried to change, if not reverse, the state of affairs in which the level of their political cooperation notably outpaces the level of trade and economic interactions. For better or worse, this is exactly the opposite of China’s relationship with the United States in that their deep and extensive economic intercourse goes hand in hand with political and strategic hedging.

Regardless of the complex geo-economic game between Moscow and Beijing at both bilateral and multilateral levels, the two sides in the last four months of 2011 closely coordinated their foreign policies regarding a series of international crises such as Syria, Iran, and North Korea. While top leaders met routinely at both bilateral and multilateral events (Wu Bangguo’s official visit to Russia on Sept. 14-18; Putin’s China visit on Oct. 11-12; and Medvedev-Hu meeting at G20 in Cannes on Nov. 3), diplomats were in overdrive as international crises overlapped. On Oct. 4, Russia and China went so far as to cast a rare double veto at the UN Security Council to block a US and European-backed resolution condemning Syria for its crackdown on protesters. Toward the end of the year, Moscow and Beijing again were alarmed by the rapid escalation of the Iran-West confrontation when a US *RQ-170* reconnaissance drone ended up in the hands of the Iranians in early December. On Dec. 13, the Secretary of Iran’s Supreme National Security Council Jalili visited Moscow, and on Dec. 29-30, Chinese Vice Foreign Minister Zhai Jun visited Iran for talks in the midst of growing tensions over Tehran’s threat to choke off Middle Eastern oil shipments in retaliation against proposed Western sanctions. Zhai met Iranian Foreign Minister Ali Akbar Salehi and other officials. The brief announcement on China’s Foreign Ministry website simply said that, “[b]oth sides exchanged views on Sino-Iranian relations and regional issues.” Following the death of North Korean leader Kim Jong Il on Dec. 17, Chinese Foreign Minister Yang Jiechi contacted his Russian counterpart and exchanged views. For both sides, post-Kim Jong Il stability on the Korean Peninsula is paramount.

In the words of President Medvedev, “Russia and China have been holding vigorous political dialogue at all levels, which allows them to effectively coordinate their positions within multilateral organizations and formats such as the UN, the G20, the APEC, the SCO (Shanghai Cooperation Organization), and BRICS (Brazil, Russia, India, China and South Africa).”

2011: best and worst of times?

“It was the best of times, it was the worst of times; it was the epoch of belief, it was the epoch of incredulity.” While any student of English literature would immediately relate this verse to Charles Dickens’ timeless novel *A Tale of Two Cities* (1859) about the 1789 French Revolution, it was actually cited by the official Chinese *Xinhua News Agency* to describe 2011 as “a year of turmoil and great changes.” Indeed, 2011 began and closed with waves of protests and civil wars

in many Arabic and North African countries. In between, the 9.0-magnitude earthquake and tsunami in Japan caused one of the worst nuclear disasters in history in March; Osama Bin Laden was killed in May; the debt crises in Europe and the US worsened; Iran and the West edged toward war; and North Korea leader Kim Jong Il suddenly died.

Many of these events had little to do with China and Russia. Neither state could reverse the course of events once they were set in motion. In some cases, such as Egypt and Libya, both Moscow and Beijing lost a considerable amount of their tangible interests as the dust of revolution finally settled. 2011, however, may not be that “bad” if one’s time frame is measured by decades. Indeed, the year 2011 happened to be one of multiple anniversaries for China and Russia. Ten years ago, SCO was founded (June 15); China and Russia signed the Treaty of Good-Neighborliness and Friendly Cooperation (July 16); terrorist attacks occurred in New York (Sept 11); China entered the WTO (Sept. 17); and Jim O’Neill of Goldman Sachs coined the term BRIC (emerging economies of Brazil, Russia, India, and China).

A decade later, the US has finally left Iraq and Europe is drowning in its growing pains and profligacy. Meanwhile, Russia and China decided to make their “strategic partnership” more “comprehensive” (June 2011), meaning broadened and deepened ties despite many imperfections and even frustrations in their bilateral relations. The SCO has been institutionalized and is able to attract more applicants for membership and partnership; the BRIC was formally launched in 2009 and in 2010 gained an additional “S” (South Africa) to become BRICS. In contrast to the financial turmoil in much of the developed world, China and Russia (finally in the WTO after 16 years of negotiations) were in much better shape as 2011 came to a close.

Russia still in search of itself 20 years after

The path to the future, however, is not clearly marked for the two Eurasian powers. Part of the reason lies in the diverse interpretations and perceptions of the collapse of the Soviet Union 20 years before. Unlike the ahistorical and arrogant “end-of-history” assertion among some Western intelligencia, history never ends for Russia and China.

At the height of his popularity at home, President Putin declared in 2005 that the collapse of the Soviet Union was “the greatest geopolitical catastrophe of the 20th century.” At the end of 2011, however, Putin’s legitimacy and his anticipated role swapping with Medvedev in March 2012 were questioned in the wake of the Dec. 4 Duma election. Mikhail Gorbachev, the last Soviet leader who has been a strong longtime supporter of Putin, publicly challenged the legality of the election and demanded a rerun. The liberal *Moscow Times* went so far as to coin the term “Brezhnev Syndrome” to describe Putin’s mentality. The ghost of the past, therefore, is haunting Russia again before Putin assumes his new/old job in 2012.

In contrast to an emerging polarization in Russian assessments of the Soviet collapse and its aftermath, China’s perception has been more diverse. There was a flood of public discussion regarding the causes, process, consequences, and implications of the Soviet collapse. A *Renmin Ribao* (*People’s Daily*) analysis by Wang Wei provided a very systematic study of how the Soviet Communist Party itself was instrumental in its demise and seemed to agree with Putin’s “catastrophe” argument. Wu Jianmin, a veteran diplomat, saw that the Soviet collapse provided

great opportunities for both China and the world. Many viewed the Soviet collapse as a lesson and that China should forever abandon the Soviet model of development. An article in *Global Times* pointed out the fateful shortcomings of radical Soviet changes, and argued that even a huge country like the Soviet Union was vulnerable as it lost its capacity for self-adjustment.

Perhaps the most provocative treatise was a comprehensive overview of the Soviet experience in the 20th century by Beijing University political scientist Pan Wei. Dismissing the 20-year assessment of the Soviet collapse as being misled by the pro-Western “totalitarian” school or the Soviet-betrayal orthodox, Pan claimed that Soviet collapse was the first case of a huge empire being defeated not by war but by its ideological “disorientation.” Despite all of its shortcomings, the Soviet experiment during much of the 20th century was both heroic and tragic, and its “genes” would continue to “haunt” Russia and the world for years to come. Pan did not rule out the possibility that with its vast resources, Russia, a descendent of the Soviet empire, would be reborn in the future as something totally new. “The Soviet Union is dead. And long live the Soviet Union!” claimed Pan Wei. In this regard, history has not ended but is open to all models of human development. Xing Guangcheng, a well-respected scholar in the Chinese Academy of Social Sciences, also believed that Russia would eventually come out of the Soviet shadow and develop its own identity, style and space.

Despite these diverse assessments, the consensus was that such an outcome (collapse) should be avoided by both China and Russia in their search for their own identity and place in the world. China closely followed the Duma election and its consequences. Chinese media carried various assessments of the election and its “blowback” against Putin and his party. The official Chinese reaction, however, was quick to express its support for Putin and the official version of the Duma election. *Global Times* ran an editorial “Russia Won’t Change according to West’s Expectation.”

In actual policy, China and Russia have grown apart. After the Soviet collapse, China accelerated its experiment with the market mechanism, while a “Westernizing” Russia was descending further into its self-induced historical void before Putin reversed a free fall. Two decades later, a democratic Russia (no matter how imperfect it is by Western standards) has been run by the same ruler for the past 12 years (assuming Medvedev is always shadowed by Putin) and this will continue for the next 12 years. In contrast, China as a communist country will in 2012 have a complete change of the guard on the top and perhaps as much as 70 percent of its provincial leaders. It was after the Soviet collapse that Deng Xiaoping set in motion such an institutionalized leadership change. To that point, almost all top leaders in communist countries either died in office or were forcefully removed. The Russians may have to wait for another 12 years before a more predictable leadership change can be worked out.

In the foreseeable future, China will have to live with Russia; be it strong or weak, assertive or not, democratic or autocratic, West-oriented or east-looking, and led by “Putin the Great” (four terms as president) or Putin the “Ghost” (manipulating from behind the scenes). The question is not if, but how. Again, 2011 simply carries too much historical baggage: it was the 100-year anniversary of China’s Republican Revolution (1911) that ended China’s traditional Qing Dynasty. Fully 100 years later, China overtook Japan in 2011 to become the second largest economy in the world. It was also the 90th anniversary of the founding of the Chinese Communist Party, the 80th anniversary of Japan’s invasion of China (1931), and the 70th

anniversary of Pearl Harbor (1941). It was through this century of foreign invasion, revolution, civil war, and domestic turmoil that bilateral relations between China and Russia oscillated between friend and foe. In contrast, the 20 years after the Soviet collapse happened to be a period of rarely seen equality and stability, at least from China's perspective. With the hindsight of history, all other alternatives seem less desirable and more costly. The challenge for China and Russia is whether such a state of affairs will continue in 2012 and beyond.

Chronology of China-Russia Relations September – December 2011

Sept. 14-18, 2011: Wu Bangguo, chairman of the Standing Committee of China's National People's Congress, visits Russia and meets Prime Minister Vladimir Putin, President Dmitry Medvedev, chairman of the State Duma Boris Gryzlov and acting Speaker of the Russian Federation Council Alexander Torshin. Wu and Gryzlov chair the fifth meeting of the China-Russia Parliamentary Cooperation Committee.

Sept. 21, 2011: The Shanghai Cooperation Organization (SCO) Regional Anti-Terror Agency Council holds its 19th conference in Beijing, pledging to give top priority to preventing terrorism, separatism and extremism in SCO member states.

Sept. 21-25, 2011: Vice Chairman of China's Central Military Commission Guo Boxiong visits Russia at the invitation of Russian Federal Minister of Defense Anatoly Serdyukov. Guo attends the 16th Sino-Russian Intergovernmental Commission on Military-Technical Cooperation.

Sept. 23, 2011: Russian Foreign Minister Sergey Lavrov meets Chinese counterpart Yang Jiechi on the sidelines of the 66th session of the UN General Assembly in New York. They discuss Syria, Afghanistan, international financial institutions, and Russia's WTO accession.

Oct. 1, 2011: President Medvedev and Prime Minister Putin send congratulatory messages to Chinese counterparts for the 62nd anniversary of the founding of the People's Republic of China.

Oct. 11-12, 2011: Prime Minister Putin visits China at the invitation of Premier Wen Jiabao. The two co-chair the 16th Regular Meeting of the Prime Ministers of Russia and China. Putin also meets President Hu Jintao and Wu Bangguo.

Oct. 13, 2011: Russian Deputy Foreign Minister Mikhail Bogdanov and Chinese counterpart Zhai Jun hold political consultations on Middle Eastern and African problems in Beijing. Bogdanov also meets Vice Minister of Foreign Affairs Zhang Zhijun.

Oct. 19-20, 2011: People's Liberation Army (PLA) Chief of General Staff Chen Bingde meets Zarudniski, deputy chief of general staff of the Armed Forces of the Russian Federation and director of the Operation Department of the General Staff Headquarters in Beijing.

Oct. 19-22, 2011: Russian Security Council Secretary Nikolai Patrushev visits China to participate in the sixth round of strategic security talks with State Councilor Dai Bingguo. He also meets Vice President Xi Jinping.

Oct. 19-22, 2011: China's Minister of Public Security Meng Jianzhu meets Russian Security Council Secretary Nikolai Patrushev in Beijing.

Nov. 3, 2011: Presidents Hu and Medvedev meet on the sidelines of the G20 meeting in Cannes.

Nov. 3, 2011: Russian Deputy Foreign Minister Mikhail Bogdanov receives Chinese Ambassador Li Hui in Moscow. Situation in the Mideast is the key subject of the meeting.

Nov. 7, 2011: Shanghai Cooperation Organization (SCO) 10th Prime Ministers Meeting is held in St. Petersburg. Premier Wen and Prime Minister Putin join the meeting.

Nov. 11, 2011: China-Russia Joint Border Inspection Committee meets in Moscow and launches their first-ever joint border inspection.

Nov. 15, 2011: PLA's Chief of the General Staff Chen Bingde meets Vladimir Pronichev, chief of Russian Border Guard Service in Beijing.

Nov. 17, 2011: Deputy Minister of Foreign Affairs Mikhail Bogdanov receives Chinese Ambassador Li Hui. They discuss the situation in the Middle East and North Africa.

Nov. 24, 2011: Deputy Foreign Minister Mikhail Bogdanov meets Vice Foreign Minister Zhai Jun in Moscow at meeting of deputy ministers of foreign affairs of the BRICS countries.

Nov. 28, 2011: Deputy Foreign Minister Borodavkin and China's Vice Foreign Minister Cheng Guoping meet in Moscow to plan political contacts and to discuss collaboration in regional multilateral structures such as the SCO, East Asian Summit, and ASEAN Regional Forum.

Dec. 12-13, 2011: Vice Chairwoman of the Russian Federation Council Svetlana Orlova visits Beijing to attend ninth plenary session of the China-Russia Friendship Committee for Peace and Development. She is also received by Chinese Vice Premier Li Keqiang and vice chairwoman of China's parliament and chief of the All-China Women's Federation Chen Zhili.

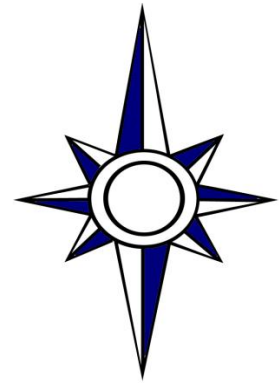
Dec. 16, 2011: The World Trade Organization gives its final approval for Russia's membership at a ministerial conference in Geneva.

Dec. 20, 2011: Foreign Minister Yang Jiechi telephones counterpart Sergei Lavrov to discuss the impact of Kim Jong Il's death on the situation on the Korean Peninsula.

Dec. 23, 2011: PLA Deputy Chief Staff Ma Xiaotian meets defense officials from Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan, who are in China to attend the SCO's defense and security forum in Beijing.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



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India-US and India-East Asia Relations: Triangulate This

Over a decade into the “normalization” of US-India relations and nearly 20 years into India’s “Look East” policy, the US-India-East Asia nexus is regularly articulated by the US and India, generally accepted in the region, and shows some signs of gaining traction including a regular US-India dialogue on East Asia and the launch of the first-ever US-India-Japan trilateral dialogue. More broadly, US views of India as part of Asia now encompass mental as well as policy maps (though not yet bureaucratic and all geographical ones) and transcend party politics. Meanwhile, US-India bilateral relations move steadily if sometimes frustratingly forward, and India-East Asia ties continue to deepen and widen though to neither side’s full satisfaction. One thing is clear: triangulation depends above all on India’s own commitment and actions to build a closer relationship with the wider Asia-Pacific region. Secretary of State Hillary Clinton, in an echo of comments made by regional leaders over the years, told an Indian audience in Chennai in July that “India’s leadership will help to shape positively the future of the Asia Pacific. That’s why ... *we encourage India not just to look east, but to engage east and act east as well* [emphasis added].”

United States-India relations in 2011

US-India relations in 2011 were cordial and constructive but could not match the fanfare and high profile that closed out 2010 – most notably the important and successful visit of President Obama to India in November. Still, the bilateral relationship is sustained by the some 25 ongoing institutional dialogue mechanisms covering a range of potential geographic, economic, security, and political cooperation issues. A highlight of 2011 was in July when the second US-India Strategic Dialogue was held in India. External Affairs Minister S. M. Krishna described it as the “bedrock on which we are building our global strategic partnership...” During 2011, partly in the absence of a policy-driving event such as a presidential or prime ministerial visit, both sides decided to build on this dialogue and the institutional architecture of bilateral ties. To coordinate policies on other regions, Washington and New Delhi launched separate dialogues on Central Asia (in June), West Asia (in July), and announced plans to “expand strategic consultations to other regions, including Latin America and Caribbean.” Recall that New Delhi and Washington earlier announced plans to focus on joint cooperation with Africa during the Obama visit to India in November 2010. Of the region-focused dialogues, the one that has met most often is the one on East Asia which has had four meetings thus far – most recently in September. This suggests the prominence being given by both countries to expanding their interactions in the Asia-Pacific region as part of their global partnership.

Apart from discussions on regional issues, the two countries also held their first bilateral dialogue on United Nations matters in New Delhi in March and launched a homeland security dialogue in May and the first US-India-Japan trilateral dialogue in December. So the underlying structure of the relationship continued to expand and to some extent deepen during 2011.

On core issues however, progress was mixed. In April, for example, India decided not to “down-select” or short-list the US-offered *F-16IN Super Viper* or the *F/A-18E/F Super Hornet* for fulfilling its requirement for 126 Medium Multi-Role Combat Aircraft (MMRCA). Considerable public commentary ensued about the reasons, ranging from political to technical explanations. The two governments, however, handled with equanimity what must clearly have been a disappointment to the US government and companies. An example of downplaying of the issue was that defense acquisitions were mentioned as the seventh of 10 items in the defense section of the July 2011 US-India Strategic Dialogue joint statement. Instead, the two countries focused on the positive fact that India’s defense orders from the US had reached \$8 billion over the past decade – with no mention of the MMRCA.

Meanwhile, there has been no publicly announced progress on discussions to reach agreements for logistics supply or to facilitate military communications or even accept a US offer to have an Indian military officer based at the US Pacific Command headquarters in Hawaii. Overall, however, US-Indian defense discussions, exchanges, and visits continue at a sustained and much higher level than ever before and there is considerable interest within the two militaries in further cooperation. An example of the positive attitude toward future prospects for the defense relationship was expressed in the release of a November 2011 Report to Congress on US-India Security Cooperation. The report reviewed the forward trends in relations across dialogue and service-level activities. An interesting sentence in the report, particularly in light of India’s decision earlier in the year not to down-select US-offered fighter aircraft for acquisition, was that “[s]hould India indicate interest in the JSF [Joint Strike Fighter], the United States would be prepared to provide information on the JSF and its requirements (infrastructure, security, etc.) to support India’s future planning.”

Progress on nuclear cooperation in 2011 was not achieved. In fact, some new issues arose that complicated mutual understandings on next steps. According to former Indian Ambassador to the US Ronen Sen, the Obama administration’s move to block the 46-member Nuclear Suppliers Group (NSG) from transferring enrichment and reprocessing (ENR) technologies globally has undercut Indian confidence in the US commitment to cooperate in the civil nuclear arena. Meanwhile, he acknowledged that India would have to reconcile “our international obligations to exclude supplier liabilities and adherence to our domestic law which mandates stringent supplier liabilities. It remains to be seen how we will square this circle.” In the official dialogue, both the US and India reiterated mutual commitment to civil nuclear cooperation, but the Indian need for reassurance of US commitment was evident as was the US requirement for the Indian government to complete unfinished business. India’s External Affairs Minister Krishna said he was “reassured that United States reaffirmed its commitment for full civil nuclear cooperation” – presumably referring to the transfer of ENR technologies. Secretary Clinton however made no such explicit commitment and reminded the audience at the joint press conference that “[w]e need to resolve those issues that still remain so we can reap the rewards of the extraordinary work that both of our Governments have done” – most likely referring to India’s failure to

address supplier liability issues. It remains to be seen if any progress will be made on these issues in 2012.

On the related issue of India joining four major export control regimes, though Minister Krishna expressed appreciation for US support, he called for “for India’s full membership of the four export control regimes and our expectation of progress in tandem on the four regimes.” Secretary Clinton made it clear that the US strongly supports India’s full membership in the four regimes, including the Nuclear Suppliers Group, but “in a phased manner” – a nuanced difference from Krishna’s call for “tandem” inclusion. The gap in the two positions reflects different visions of the steps required for compliance with the regimes as well as the sequencing that needs to occur.

While the defense and nuclear dimensions of the US-India relationship remained very much works in progress during 2011, the economic dimension was a comparative bright spot. If both goods and services are counted, bilateral trade now hovers around \$90 billion and is growing at almost 30 percent each year, Indian investment in the US has been rising (not least because of Indian companies, desire to invest outside India) and India remains a major source of US foreign students and the income generated by their presence in the US. However, there are also a number of difficult elements in US-India economic relations. External Affairs Minister Krishna in a press briefing following the July 2011 strategic dialogue laid them out with specificity:

While we lauded the growth in trade and investment flows in both directions, we also acknowledged that there was enormous potential for further expansion. We have agreed to resume negotiations on a bilateral investment treaty. I also took the opportunity to convey to Secretary Clinton the concerns of our IT companies in sending their professionals to execute projects and conduct business in the United States. I highlighted that Indian IT companies are contributing to the US economy through investments, employment and supporting US competitiveness. I also requested Secretary Clinton to consider a Totalisation Agreement with India.

It is clear from this intervention what India’s priorities are for the economic relationship. However, while discussions on these matters will continue, it is unlikely that agreement on a bilateral investment treaty or a totalization agreement (that would exempt IT professionals from India from paying social security levies in US to offset the impact of a visa fee hike made last year) will be reached soon; both because of the inherent difficulties these issues pose but also because of both countries’ increasing focus on domestic issues as they gear up for elections. The US has a long list of complaints about commercial conditions and more fundamentally about Indian commitment to further economic reforms. This was dramatically illustrated late in the year when India announced relaxation of restrictions for foreign direct investment (FDI) in the retail sector only to have to suspend the decision after the outbreak of public protest and intra-coalition and parliamentary dissonance.

A final point about US-India relations in 2011 pertains to their interaction in the UN Security Council, where India completed the first year of its two-year non-permanent term. As noted above, the US and India established a dialogue earlier in the year to better understand and coordinate their positions in the UNSC, suggesting that what is going on already is not sufficient or at least not effective. The relationship at the UN traditionally has been one of considerable

dissonance between the two countries and with potentially some important matters slated for consideration there in 2012 – such as Iran sanctions, Syria, possibly Burma – it will be an aspect worth closely watching in the year ahead.

India-East Asia relations in 2011

India's interactions with East Asia continued apace in 2011 with a range of multilateral and bilateral meetings as in previous years. However, US and East Asian officials continue to express varying degrees of disappointment and even irritation at what they see as the lack of Indian dynamism in engaging East Asia. Of course, some Indians wonder what the responses would be if India were to seek to launch any major political or security initiatives in the region and just precisely what India could do that would be of salience and interest to some 20 countries across this wide region. Meanwhile, in the absence of a dynamic "Act East" policy to match its stated "Look East" policy, India's priorities as expressed by officials seem to focus on the economic dimension of its engagement. As noted in last year's article, one priority has been inclusion in the region's emerging integration both through increased commercial, trade, and investment ties and the completion of bilateral and multilateral economic agreements.

One theme that was played repeatedly by India with its regional counterparts was a plea for more imports from India. For example, at the 5th meeting of the India-Malaysia Joint Commission in May 2011, an Indian official stated that "[w]e have also requested the Malaysian side to consider greater imports from India as a way of having balanced and sustainable trade in the long term." Similar calls were made by India in formal meetings with China, Australia, New Zealand, and Thailand. In general, Indian officials are acutely aware that commercial relationships with Asia are far from reaching their full potential.

A second economic theme played by India was its commitment to East Asian integration. Prime Minister Manmohan Singh, in his remarks at the 6th East Asia Summit Plenary session in November 2011, renewed emphasis on this element of India's relations with East Asia saying:

India is working actively to integrate with this region. We are in the process of finalising a Comprehensive Economic Cooperation Agreement with ASEAN. We have concluded similar agreements with the Republic of Korea, Malaysia and Japan. An agreement is already in place with Singapore. We have commenced negotiations for a Comprehensive Economic Cooperation Agreement with Indonesia, Australia and New Zealand. Several useful reports and studies by the Economic Research Institute for ASEAN and East Asia have been produced and contain proposals which can be taken forward. These include a Comprehensive Asian Development Plan to enhance connectivity in the region.

In addition to the economic themes, India's interactions with East Asia during the year sought to garner support for nuclear energy cooperation with Japan and the ROK and on uranium sales and uranium mining in Mongolia. India also used leadership visits to Korea and Mongolia to highlight shared values of democracy, rule of law, and respect for human values.

India-China

In 2011, the year after the 60th anniversary of Sino-Indian relations, no major bilateral visits took place though Prime Minister Singh did travel to China in April for a BRICS summit and met President Hu on the sidelines. Also Singh and Premier Wen Jiabao met on the sidelines of the East Asia Summit held in Bali in November. However, a number of disputes and disagreements occurred over the year – the most important perhaps being the postponement by China of a scheduled round of border talks due to India allowing the Dalai Lama to speak at the Global Buddhist Congregation.

A notable development was the announcement of what Prime Minister Singh called a “new mechanism to maintain peace and tranquillity [sic] on the border.” His national security advisor provided a fuller explanation saying the “Working Mechanism for Consultation and Coordination” was designed to “...consult and coordinate on border affairs relating to the maintenance of peace and tranquility, if there are any issues; and will explore cooperation in the border areas ... It will implement the agreements ... [the] 1993 and 1996 Border Peace and Tranquility Agreement and the CBM agreement.”

Even more striking was the repeated Indian official statements that seemed to downplay any problems on the border. For example, Ambassador Menon stated that “[*it is one of the most peaceful borders that we have* [emphasis added].” And at a press briefing following Prime Minister Singh and Premier Wen’s meeting on the sidelines of the East Asia Summit later in the year, Secretary (East) Sanjay Singh told the press that “they also noted with satisfaction that the boundary was peaceful and tranquil.” It appears that accentuating the peacefulness and tranquility of the border has supplanted earlier emphasis on the pace at which the dispute should be resolved – with the Indians pressing for quicker resolution and the Chinese placing the settlement in the context of the wider relationship.

Meanwhile, the Sino-Indian economic relationship continues to grow (with a target of two-way trade of \$100 billion by 2015) despite ongoing Indian complaints about access. Prime Minister Singh highlighted the issue of the trade imbalance to reporters saying,

[w]ell I did raise the question of the trade imbalance. We import goods and services which give rise to the severe trade imbalances. President Hu Jintao recognised that it is the problem. I also specifically mentioned two areas, one pharmaceutical industry and the other IT ... I cannot say he said precisely this with regard to these two areas, but he did say that he did recognise that China has also the responsibility to tackle the problem of trade imbalances.

Sino-Indian defense exchanges also continued during the year, notwithstanding a flap in the previous year about China denying a visa to a Kashmir-based Indian army officer. In fact, Indian officials took some effort to clarify media misunderstandings that bilateral defense exchanges had been “frozen.” National Security Advisor Menon told journalists in April that, “[j]ust to clarify, we never froze defence exchanges; we have always continued defence exchanges ... But following the discussions ... about these exchanges, it has been agreed that a multi-command Indian Army delegation will be visiting China later this year; and we are also discussing further

exchanges and visits in this sector during the year.” Indeed the 4th Annual Defence Dialogue (ADD) with China was held in Delhi in December.

On an altercation over plans announced by India and Vietnam in September that they would jointly explore for energy near the contested Spratly Islands, Indian Secretary (East) Sanjay Singh, in reply to a press question, stated that “Prime Minister observed [to Premier Wen Jiabao in November at the East Asia Summit] that exploration of oil and gas in the South China Sea by India was purely a commercial activity, and that the issues of sovereignty should be resolved according to international law and practice.” This response appeared to also address Chinese Foreign Ministry warnings that it did not “want to see foreign companies engage in activities that will undermine China’s sovereignty and rights and interests.” These statements followed a murky episode in July in which an Indian naval ship visiting Vietnam was allegedly sent a radio message by China warning it stay out of Chinese waters.

India-Japan relations

India-Japan relations were low-key during 2011, though the novelty of the first-ever US-Japan-India trilateral meeting in mid-December attracted some attention. Other important events during the year included the signing and entry into force of the Comprehensive Economic Partnership Agreement (CEPA), a summit between Prime Ministers Singh and Noda Yoshihiko on the sidelines of the UNGA in September, the holding of the fifth Japan-India Foreign Ministers’ Strategic Dialogue in October, and Noda’s visit to India at the end of the year.

In mid-February, the two countries signed the CEPA – the negotiations for which had been concluded at the end of 2010 during Prime Minister Singh’s visit to Tokyo. At the signing, Foreign Minister Maehara Seiji, according to an official statement, expressed his intention to cooperate with India on development of rare earths, and reaffirmed Japan’s commitment to the steady implementation of the Dedicated Freight Corridor (DFC) and realization of the Delhi-Mumbai Industrial Corridor (DMIC) project, stating that Japan seeks to contribute to India’s development.” It entered into force in August.

At the prime ministers’ meeting the two sides welcomed the signing of the CEPA, acknowledged the importance of the Indian Ocean and sea lanes, agreed to discuss “reinforcement of bilateral cooperation on the security front” (without any publicly announced details) and decided to make 2012, the 60th anniversary of India-Japan relations “an essential opportunity for raising broad public awareness about the cultural and people-to-people exchanges between the two countries, among other exchanges.” There was no reported progress on nuclear cooperation. But what is worth noting is that the Japan Foreign Ministry website statement regarding the issue does not re-state earlier conditions for cooperation but rather sets the issue in the context of the terrible nuclear disaster in Japan. The case for a civil nuclear cooperation agreement seems to have been raised by Singh to which Noda “stated that bringing the accidents at the Fukushima Daiichi Nuclear Power Station under stable control is the highest priority of the administration; that Japan will carry out a thorough investigation of the accident and share the information with India in a swift and accurate manner; and that taking account of these points, Japan would like to move forward the cooperation with India.” At the subsequent foreign ministers’ dialogue the next month, a similar formulation was articulated, although Foreign Minister Gamba is reported to

have “also asked for India’s understanding on Japan’s strong sentiment on nuclear disarmament and nonproliferation as the only country to have ever suffered a wartime nuclear devastation.” Again, the previously stated Japanese requirements for the completion of an agreement for civil nuclear cooperation now under negotiation are not highlighted. One other interesting note from the 5th Strategic Dialogue was the explicit suggestion by External Affairs Minister Krishna for a “bilateral exercise between Maritime Self-Defense Force and Indian Navy.” No Japanese response to the proposal is recorded.

The December 2011 US-Japan-India trilateral dialogue reportedly took place in a relaxed and constructive manner. Press reports suggest that discussions were wide-ranging, examined opportunities to also cooperate with China, and set the stage for possibly more detailed talks in the future.

Prime Minister Noda’s visit to India on Dec. 29 also showed the continuing commitment to high-level ties. In a joint statement issued at the conclusion of the visit, the two countries agreed to conduct naval exercises in the Indian Ocean, continue with a Japan-funded freight corridor between Delhi and Mumbai, and increase an existing currency swap arrangement from \$3 billion to \$15 billion for the troubled Indian rupee. There was no significant progress on negotiations on nuclear cooperation, although it is worth noting that the joint statement separates discussion of civil nuclear cooperation negotiations and the two countries broader nonproliferation and disarmament policies.

India-Republic of Korea

The most important event in India-ROK relations in 2011 was the visit of President Pratibha Patil to Seoul. This followed President Lee Myung-bak’s January 2010 visit to India where he was chief guest at the Republic Day celebrations. They noted that “bilateral trade grew more than 40 percent in 2010 consequent to the operationalisation of the Comprehensive Economic Partnership Agreement (CEPA) with effect from 1st of January 2010” and that two-way trade was now more than \$20 billion with a target of \$30 billion by 2014. India is now the seventh largest export destination for the ROK and one of India’s top 10 sources of foreign direct investment. Some 300 Korean companies have facilities in India, employing some 40,000 workers. Defense cooperation was also discussed with a planned visit of the Korean defense minister to India and the opening of a defense attaché office at the Indian Embassy in Seoul. Finally, an agreement for cooperation in the peaceful uses of nuclear energy was signed with Korea reportedly interested in export opportunities to the Indian energy market. However, Indian officials were extremely reticent to discuss details of the agreement in a press briefing.

India-ASEAN/Southeast Asia

India’s ties with ASEAN and individual Southeast Asian countries continued to develop in 2011. 2012 will mark the 20th anniversary of the formal India-ASEAN relationship (India became a sectoral dialogue partner of ASEAN in 1992). India is now a full participant of ASEAN-led forums including the ASEAN Regional Forum (ARF) and the East Asia Summit (EAS). An India-ASEAN Commemorative Summit is planned for December 2012. India appears to be using all the ASEAN-approved phrases regarding its interactions. For example, Prime Minister Singh,

at the November EAS, stated that “India has consistently supported the centrality of ASEAN in the EAS architecture and the ASEAN way of dialogue at a pace comfortable to all.” Also, two meetings of the ASEAN-India Eminent Persons Group were held during 2011 in order to produce a draft ASEAN-India Vision 2020 document to advance ties. On the economic front, negotiations are ongoing for a Free Trade Agreement in Services and Investments. Overall India-ASEAN economic relations continue to grow. Trade reached over \$50 billion in 2011 and a \$70 billion target has been set for 2012. There are also efforts to promote more travel and exchanges. Indian officials pointed out to the media that of 11 countries eligible for visa on arrival in India, seven are from ASEAN.

2011 brought several ASEAN member country leaders to India. Among the important visits was that of Indonesian President Susilo Bambang Yudhoyono as the chief guest for India’s Republic Day in January. In March, Malaysia’s Deputy Prime Minister and Education Minister Muhyiddin Yassin visited Mumbai and New Delhi primarily to promote economic cooperation. Malaysia remains an important bilateral economic partner and is currently country coordinator for the talks on an India-ASEAN Free Trade Agreement in Services and Investments. Also in March, Albert del Rosario, secretary, Department of Foreign Affairs of the Philippines visited India for the inaugural meeting of the Joint Commission on Bilateral Cooperation. India and the Philippines, very much an emerging relationship, agreed to establish a Joint Working Group on Cooperation in Counter Terrorism, agreed to rename their “Security Dialogue” as a “Strategic Dialogue,” urged the early convening of the first meeting of the Joint Defence Cooperation Committee (JDCC), and announced the initiation of flights between Manila and Delhi six times a week. In April, Thailand’s Prime Minister Abhisit Vejjajiva led a high-level delegation to India; his first visit since taking office in 2008. Other important developments in India-Southeast Asia relations are covered immediately below.

India-Burma/Myanmar: External Affairs Minister Krishna traveled to Burma in June for his country’s first meeting with the newly established civilian government that took office at the end of March. In a pre-departure statement he stated that “[t]he visit will give us an opportunity to further vitalize our multi-faceted relationship in the new political environment.” A specific purpose of the visit was to “inaugurate three of the ten Rice Silos (Warehouses) being set up in Myanmar and with India’s assistance following the devastating Cyclone Nargis that hit the country 3 years ago.”

In October, Myanmar President Thein Sein and 10 Cabinet members visited India and met Prime Minister Singh and other senior officials. They agreed to expand cooperation in oil and gas exploration, open up border trade, and speed up the construction of natural gas pipelines. India also offered \$500 million in credits for infrastructure projects, including roads, inland waterways, and ports.

India has steadily improved its ties with the military-led government and like other countries will have to adapt to the evolving political environment in the country. What Indian policy appears to have demonstrated over the past several years – a policy that is unlikely to change – is that interests relating to China’s position, insurgents operating from Burma, and commerce, including infrastructure connectivity and energy resources, will continue to drive New Delhi’s policy regardless of the political configuration in the country.

India-Vietnam: Two important mutual visits took place in 2011. In September, External Affairs Minister Krishna visited Vietnam for the 14th India-Vietnam Joint Commission Meeting on Trade and the next month President of Vietnam Truong Tan Sang visited India. India expressed eagerness for the visit with the spokesman pointing out that “President Sang assumed office in August 2011 and this is his very first visit outside the ASEAN region. We look forward to rolling out a red carpet welcome for the President.” And India characterized the state of relations positively saying “Our ties are marked by mutual trust and a near identity of outlook on bilateral, regional and international issues, and matters of common interest. The relations are free of any divergences.” Bilateral economic relations are growing with trade jumping some 34 percent, but from a low base of \$3.5 billion. The two countries set a target of \$7 billion for 2015. Unusually, India remains comparatively more important to Vietnam than vice versa – being Hanoi’s 10th largest trade partner. India also runs a trade surplus with Vietnam though Indian officials made a point of noting that the imbalance in India’s favor was beginning to decline following Vietnam’s ratification of the India-ASEAN FTA, which led to a 136 percent increase in Vietnam’s exports to India. Already, nearly \$250 million have been invested by Indian companies in 54 ventures in Vietnam. Indian and Vietnamese energy companies ONGC Videsh Limited and PetroVietnam also signed an agreement in October to further energy cooperation in areas Vietnam claims as part of its exclusive economic zone in the South China Sea – and about which China raised some warnings. The two countries plan to mark the 40th anniversary of bilateral relations in 2012 with a ‘Year of India in Vietnam.’”

India-Australia

The highlight in India-Australia relations in 2011 was the annual Foreign Ministers’ Framework Dialogue (FMFD) held in January in Australia. At the time, External Affairs Minister Krishna said “We also discussed the uranium issue; I drew attention to our requirements, particularly in the context of climate change and India’s energy and development requirements.” Later in the year, the Australian National Labour Party made an internal decision to change its policy and sell uranium to India. The FMFD also “agreed to regular senior officials consultations on IOR-ARC [Indian Ocean Rim Association for Regional Cooperation].”

Economic relations remain relevant to both sides with India now Australia’s third largest overall market and fifth largest trade partner. Australia is India’s sixth largest trading partner. However, as with other countries, India has a trade imbalance. During the FMFD External Affairs Minister Krishna “noted that the trade imbalance with Australia was the second largest that India had with any of its trading partners. He urged greater flexibility and requested for early action and on issues that impacted on India’s exports to Australia...”

Late in the year, Indian media carried unconfirmed reports alleging that Foreign Minister Kevin Rudd had claimed India was “really quite positive” about a trilateral US-India-Australia economic and security arrangement. According to the press article, India’s External Affairs Ministry was “not aware of any such proposal” though an unnamed Indian official expressed definite interest in expanded defense cooperation with Australia in counterterrorism and maritime security but not in the context of a security grouping.

India-New Zealand

In June, Prime Minister John Key and Trade Minister Tim Groser led a business delegation to India to promote commercial links, particularly in “sectors like education, agriculture, dairy farming, food processing...” Bilateral trade remains very small, less than a \$1 billion. But the number of Indian students in New Zealand has increased from about 163 a decade ago to nearly 10,000 today. On defense cooperation, Prime Minister Key announced that New Zealand will appoint a defense advisor to India and both sides agreed that safety of sea land and maritime security required regional and global cooperation.

Conclusion: triangulate this!

In 2012 no major advances in either US-India or India-East Asia relations are expected. Both the US and India will be in “election-mode” over the coming year and no head of government visits are planned, although the two leaders will likely meet on the sidelines of such events as the UNGA, G20, and the East Asia Summit. In the absence of high-profile events to move the US-India relationship forward, officials are expected to keep the relationship on an even track by using the 25-plus established mechanisms to push progress on concrete issues ranging from defense and nuclear cooperation to trade and investment. Similarly, in the case of India-East Asia relations, the now-institutionalized nature of India’s bilateral and multilateral ties with the region will keep engagement alive. Meanwhile, new mechanisms such as the US-India dialogue on East Asia and the US-Japan-India trilateral dialogue will inch forward the concept of triangulation in US-India-East Asia relations.

Chronology of India Relations with US and East Asia January – December 2011

Jan 18-20, 2011: India’s External Affairs Minister (EAM) S.M. Krishna visits Australia to attend the Foreign Ministers’ Framework Dialogue.

Jan. 24-26, 2011: Indonesian President Susilo Bambang Yudhoyono makes a state visit to India as chief guest for India’s Republic Day.

March 8-12, 2011: Malaysian Deputy Prime Minister and Education Minister Muhyiddin Yassin visits Mumbai and New Delhi primarily to promote economic cooperation.

March 15, 2011: Albert del Rosario, secretary, Department of Foreign Affairs of the Philippines visits India for the inaugural meeting of the Joint Commission on Bilateral Cooperation.

April 5, 2011: Thailand Prime Minister Abhisit Vejjajiva leads a delegation to India; his first visit since taking office in 2008.

April 8-9, 2011: Foreign Secretary Nirupama Rao visits Japan to meet Japanese counterparts.

April 13, 2011: Prime Minister (PM) Manmohan Singh meets President Hu Jintao on the sidelines of the 3rd BRICs meeting in Sanya, China.

May 3, 2011: EAM Krishna visits Malaysia for the 5th India-Malaysia Joint Commission Meeting.

May 26, 2011: US and India conduct their first-ever homeland security dialogue.

June 20-22, 2011: EAM Krishna makes first high-level Indian visit to Myanmar after newly established civilian government takes office.

June 26-30, 2011: New Zealand Prime Minister John Key and Trade Minister Tim Groser visit India.

July 18-21, 2011: US Secretary of State Hillary Clinton visits India (New Delhi and Chennai) for the 2nd India-US Strategic Dialogue.

July 24-27, 2011: Indian President Pratibha Patil visits Republic of Korea.

July 27-30, 2011: President Pratibha visits Mongolia after a gap of 23 years and signs three agreements covering defense cooperation, media exchanges, and cooperation between India's Planning Commission and Mongolia's National Development Innovation Committee.

July 22-23, 2011: EAM Krishna travels to Bali to participate in the 9th India-ASEAN Post-Ministerial Conference, the East Asia Summit Foreign Ministers Consultations, and the ASEAN Regional Forum Ministerial Meeting.

Oct. 11-14, 2011: Vietnam's President Truong Tan Sang visits India.

Oct. 12-15, 2011: Myanmar President Thein Sein and 10 Cabinet members visit India.

Oct. 28-30, 2011: EAM Krishna visits Japan and meets Prime Minister Noda Yoshihiko and Foreign Minister Gamba Koichiro.

Nov. 17-20, 2011: PM Singh attends the Ninth ASEAN-India Summit and the Sixth East Asia Summit (EAS) in Bali.

Nov. 18, 2011: President Barack Obama and PM Singh meet on the sidelines of the EAS in Bali; their first meeting since Obama's visit to India in November 2010.

Nov 18, 2011: PM Singh and Cambodian PM Hun Sen meet on the sidelines of the EAS.

Dec. 6-9, 2011: Australian Defense Minister Stephen Smith visits India and meets counterpart A.K. Antony. They take steps to build on the strategic partnership under the framework of the 2009 Joint Declaration on Security Cooperation.

Dec. 19, 2011: US hosts Japan and India for the first-ever trilateral dialogue to exchange views on regional and global issues of mutual interest.

Dec. 27-29, 2011: Japanese Prime Minister Noda visits New Delhi to reinforce relations and boost trade and investment based on a free trade agreement between the two countries that came into force in August.

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