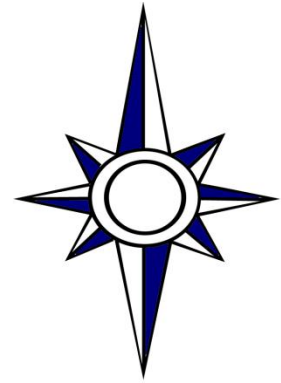


# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Regional Overview:

## At a Time of Uncertainty, Count on North Korea

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There was a brief period during the past four months – 16 days to be precise – when it looked like a breakthrough was possible in the longstanding nuclear stalemate with North Korea; then Pyongyang reverted to form. Shortly after pledging to freeze all nuclear and missile tests, Pyongyang announced a satellite launch, pulling the rug out from under Washington (and itself) and business as usual (or unusual) returned to the Peninsula. The announcement also cast a shadow over the second Nuclear Security Summit hosted by Seoul while providing additional rationale for Washington’s “pivot” toward Asia.

While hopes for a new round of Six-Party Talks were seemingly dashed, other multilateral initiatives seem alive and well. The BRICS met, mostly to complain once again about being under-represented in global financial institutions, while ASEAN’s leaders gathered in Phnom Penh to pat themselves on the back over Myanmar’s “free, fair, and transparent” elections. 2012 has long been proclaimed as the year of elections. In Taiwan, continuity prevailed, as it did in Korea’s National Assembly elections (much to the surprise of most pundits) and Russia (to no one’s surprise). The Plus Three (China, Japan, and South Korea) took a step forward by reaching agreement on a trilateral investment treaty, while Beijing seems to have taken a few steps back as a result of the Bo Xilai and Chen Guancheng affairs, although the impact of both on Chinese attempts to smoothly transfer power to the fifth generation remains to be seen.

### US-DPRK Agreement raises (false) hopes for change

The so-called Feb. 29 Leap Day “food for freeze” agreement between the United States and North Korea appeared to open the door for a resumption of Six-Party Talks. It ushered in an all-too-brief period of optimism that perhaps the new leadership in Pyongyang was prepared to move their country in a more positive direction, even though from the onset the State Department noted that the agreement reflected “important, if limited, progress” and cautioned that much remained to be done in the seemingly endless march toward Korean Peninsula denuclearization after more than three years of stalemate, which began when the Six-Party Talks broke down, during the Bush administration, in the fall of 2008. The agreement was a “test” of Pyongyang’s sincerity. Alas, it all too quickly flunked.

There were warning bells ringing from the outset. The “agreement” was actually two unilateral (and not exactly alike) statements, that essentially had the same bottom line: the US was going to provide the North with 240,000 metric tons of nutritional assistance “with the prospect of additional assistance based on continued need” and the North would implement a moratorium on long-range missile launches, nuclear tests, and nuclear activities at Yongbyon, including uranium

enrichment activities “while productive dialogues continue.” The US said the North agreed to the moratorium “to improve the atmosphere for dialogue and demonstrate its commitment to denuclearization,” while the North said it was doing it “upon request by the US and with a view to maintaining positive atmosphere for the DPRK-US high-level talks.” The North did acknowledge, however, that both sides would “push ahead with the denuclearization through dialogue and negotiations.”

Pyongyang seemed comfortable from the start with the linkage between the freeze and the food aid as a quid pro quo. Washington on the other hand attempted, largely in vain, to initially de-link the two, asserting that food aid was based on humanitarian, not political, concerns and needs. This posed a slight dilemma for the Obama administration once the deal was broken, one that it overcame by announcing that any country that could not be trusted to honor its freeze agreement could also not be trusted to honor food aid restrictions.

Both statements noted the return of IAEA inspectors to monitor the moratorium on uranium enrichment activities at Yongbyon, but only Washington’s statement said they will also “confirm the disablement of the 5-MW reactor and associated facilities.” The IAEA’s return, in any form or fashion, would have been a major step forward, especially given the DPRK’s strongly expressed distrust for this organization in the past.

In its statement, the US “reaffirms that it does not have hostile intent toward the DPRK.” The North claimed that the US “reaffirmed that it *no longer* has hostile intent toward the DPRK.” [emphasis added] A minor point, but significant to Pyongyang, given its prior accusations. More importantly, both reaffirmed their commitment to the Sept. 19, 2005 Joint Statement that laid out the original framework for denuclearization; both also cited the 1953 Armistice Agreement as the “cornerstone” of peace and stability on the Korean Peninsula, although the North added “until the conclusion of a peace treaty.” This is significant given various statements by the North in the past few years claiming that the Armistice no longer applied.

The US statement made no reference to a peace treaty. Nor did it specifically discuss the resumption of Six-Party Talks – administration spokesmen were clear that a number of important (unspecified) steps remain before such talks could resume. The North’s statement made several references to the resumption of the Six-Party Talks. Going a step further, it stated that once they are resumed, “priority will be given to the discussion of issues concerning the lifting of sanctions on the DPRK and provision of light water reactors” (LWRs). Previously, Washington had made it clear that providing LWRs was not in the cards, at least not in the near term.

While there are some unilateral US sanctions, which the Obama administration would have had great difficulty lifting in an election year absent significant gestures on Pyongyang's part, the major sanctions were put in place by the UN Security Council and would require its approval to lift. Curiously, Pyongyang insisted and Washington agreed that US sanctions “are not targeted against the livelihood of the DPRK people.” We should expect to hear these words again.

There are a number of other areas where the two statements differ in content or emphasis. But it’s more important to focus on the issues not addressed in either one. The US statement did acknowledge that “profound concerns” remained “across a wide range of areas,” but did not

articulate them. One would hope the issue of verification would be high on the list since it was the straw that broke the camel's back when it became clear that Pyongyang's 2008 "complete and correct declaration of all its nuclear programs" was neither complete nor correct. Recall that former US Six-Party Talks negotiator Chris Hill thought he had a verification accord worked out with the North, only to have the rug pulled out from under him at the final round of talks that December.

Also conspicuously missing from either statement was any reference to South Korea. The US has made it clear that "the road to improve [US-DPRK] relations runs through Seoul for North Korea." There was immediate concern expressed in Seoul that Pyongyang was seeking a shortcut.

Most importantly, there was no reference to halting satellite launches, an action that Washington (and the rest of the world, save one country) saw as illegal, but which Pyongyang steadfastly proclaimed as a "sovereign right." US negotiators say that they made it abundantly clear to their DPRK counterparts that any attempted satellite launch would be seen as a clear violation of the Leap Day agreement, not to mention UNSC resolutions that ban "all missile activity" by North Korea, including "any launch using ballistic missile technology." While Pyongyang would like to believe their distinction makes a difference, clearly they understood, post UNSC resolutions 1718 and 1874, that the US (and the rest of the international community) would not buy this argument.

Nonetheless, on March 16 the North announced its intention to launch a satellite from its new west coast launch facility sometime between April 12-16 to commemorate North Korean founder and "Great Leader" Kim Il Sung's 100<sup>th</sup> birthday. The attempted launch took place on April 13. The fact that it failed was not totally surprising (two previous attempts likewise ended in failure); their acknowledgment that the satellite failed to reach orbit was (they falsely proclaimed success in the past). Perhaps the presence of international media – brought in as an apparent attempt to legitimize the launch – caused this rare case of transparency. Failure or not, the launch invalidated the Leap Day agreement and sent everyone back to square one.

### **What's going on?**

So what is Pyongyang up to? Nobody knows for sure, of course, but many are speculating that the contradiction between its Feb. 29 declaration of a moratorium on nuclear and missile tests and the satellite launch reflects a power struggle of sorts within the leadership, with some accusing the North's Foreign Ministry of having gotten too far out in front of the military and party leadership. That's possible, but the Leap Day announcement came a week after bilateral US-DPRK negotiations; the Foreign Ministry had plenty of time to vet the agreement before making the announcement.

It is at least equally possible that this was the plan all along. Raise hopes and then test the others by trying to fly a rocket through a (real or imagined) loophole in the agreement. This action may have been designed to prompt heated debates – especially within South Korean political circles but within the US, between Beijing and Washington, and elsewhere as well – over whether to yield to the North's interpretation and turn a blind eye to UNSC resolutions or to allow the Feb.

29 “breakthrough” to break down. Sound familiar? Creating divisions within and between its interlocutors has long been a DPRK ploy and with presidential elections in both the US and ROK this fall, what better time to play another round of this time-honored game?

If the intent was to divide and conquer, the tactic largely failed. The Lee administration in Seoul quickly branded the North’s announcement a “grave provocative act against peace and stability” and there were few voices raised in defense of this clear provocation. The conservatives, as discussed later, even eked out a victory in the National Assembly elections although it is hard to tie the results to the North’s behavior. At a minimum, it did nothing to help the progressive cause. The Russians were also quite direct and to the point in condemning the launch.

Even Beijing, which normally protects Pyongyang and couches all its comments in calls for “all parties” to remain calm, quickly agreed to an April 16 UNSC President’s Statement which “strongly condemns” the launch and “deplores that such a launch has caused grave security concerns in the region.” More importantly, the Security Council Statement “demands that the DPRK immediately comply fully with its obligations under Security Council Resolutions 1718 (2006) and 1874 (2009), including that it: abandon all nuclear weapons and existing nuclear programs in a complete, verifiable and irreversible manner; immediately cease all related activities; and not conduct any further launches that use ballistic missile technology, nuclear tests or any further provocation.”

The UNSC President’s Statement also promised to “designate additional entities and items” to be sanctioned. The United States, European Union, South Korea, and Japan submitted a list of about 40 North Korean companies to the UNSC Sanctions Committee for possible blacklisting. More true to form, China said initially it would only consent to adding two entities to the UN list of banned North Korean firms. On May 2, they reached a “compromise”: three firms were added to the list. Who says Beijing isn’t flexible?

The UNSC President’s Statement ends with a warning: “The Security Council expresses its determination to take action accordingly in the event of a further DPRK launch or nuclear test.” Of course, also true to form, members were not prepared to state in advance what type of “action” would be taken if, as most experts now speculate, the North follows its failed satellite launch attempt with either another missile launch or, more likely, a third nuclear test. Given China’s tendency to block or water down sanctions and its failure to vigorously enforce those it approves, it seems likely that such warnings by themselves will be insufficient to deter Pyongyang from conducting another nuclear test if this is indeed already in their game plan.

While there are indeed reports of “preparations” underway at the North’s nuclear test facility, Pyongyang has been vague about what it’s going to do next, although it’s been crystal clear that it will be Washington’s fault: “The U.S. finally reneged on its promise that ‘it respects the sovereignty of the DPRK and has no hostile intent toward it’ in practice, totally violating the Feb. 29 agreement. We have thus become able to take necessary retaliatory measures, free from the agreement. The U.S. will be held wholly accountable for all the ensuing consequences.”

Pyongyang previously declared that 2012 was going to be the year it demonstrated to the world, on the 100<sup>th</sup> anniversary of the birth of its founder, that it had become a “prosperous and strong

nation.” While “prosperous” remains a bridge too far, the satellite launch was supposed to demonstrate the regime's power and technical prowess. A nuclear test may now be seen as even more necessary, not just to further perfect their weapons capability, but also to save face.

Many speculate that a nuclear test, if it occurs, could employ highly enriched uranium (HEU) rather than plutonium, like their first two tests. Perhaps, but testing an HEU device would catch them in another big lie, since they are maintaining that the uranium enrichment effort is strictly for peaceful energy purposes. Therefore, we would argue that another plutonium-based test seems more likely.

If the international community is serious about trying to deter another nuclear test, then the UNSC needs to discuss penalties in advance and make it clear to Pyongyang what the consequences will be, in the form of stricter (and strictly enforced) economic and financial sanctions. Beijing will also have to send a credible message to Pyongyang that it is serious this time about enforcing sanctions. One way to do this would be for China to announce, in advance, that if North Korea conducts another nuclear test, Beijing will join the Proliferation Security Initiative, which is aimed at keeping nuclear material out of the hands of nonstate actors as part of a US-led counter-proliferation effort.

If we had to predict the future, we would anticipate a nuclear test or another satellite launch attempt in the next month or so, followed by another round of UN sanctions (which Beijing will water down and then half-heartedly enforce), followed, sometime this summer, by a new overture from Pyongyang to return to the “food for freeze” deal, this time magnanimously throwing satellite launches into the mix. While Washington and Seoul are unlikely to take the bait – the famous cartoon of Charlie Brown, Lucy, and the football comes immediately to mind – Beijing will applaud (and take credit for) this new “breakthrough” and the debates and divisions will start anew.

## Second Nuclear Security Summit: the uninvited guest

Whatever Pyongyang’s reason for scuttling the Leap Day deal, the timing of the satellite launch announcement, a week before South Korea was to host the second Nuclear Security Summit (NSS), seemed aimed at least in part to draw attention away from the South’s impending diplomatic success – Pyongyang doesn’t mind being despised, but it hates to be ignored or overshadowed. While North Korea was not on the agenda, Pyongyang made sure it was on everyone’s mind, even as it threatened dire consequences if the assembled leaders were rude enough to condemn the North’s actions.

The March 26-27 Summit was designed to build on the understandings and commitments of the 47 countries that participated in the 2010 summit to secure nuclear materials against loss, theft, and misuse. At that summit, governments committed to a list of actions to strengthen security over nuclear materials, minimize the use of those materials in peaceful programs, and strengthen cooperation in efforts to prevent terrorists and criminal groups from obtaining nuclear materials. Gary Samore, White House coordinator for arms control and weapons of mass destruction, proliferation, and terrorism, told journalists that “80 percent of the national commitments made in Washington have already been completed, which is a pretty good batting average.”

In the 2012 Seoul Communiqué, the 53 assembled heads of state agreed to “renew the political commitments generated at the 2010 Washington Nuclear Security Summit to work toward strengthening nuclear security, reducing the threat of nuclear terrorism, and preventing terrorists, criminals, or other unauthorized actors from acquiring nuclear materials.” They noted that defeating these threats “requires strong national measures and international cooperation” and reaffirmed their “shared goals of nuclear disarmament, nuclear nonproliferation, and peaceful uses of nuclear energy.” They also reaffirmed the “central role of the IAEA in strengthening the international nuclear security framework” and reemphasized the importance of appropriately securing, accounting for, and consolidating HEU and separated plutonium.

While many pundits expressed dissatisfaction with the lack of bold initiatives or breakthroughs – the biggest headline centered on President Obama’s open-microphone gaffe assuring President Medvedev of his second-term political flexibility on missile defense – the meeting was not without its accomplishments: the tackling of the nuclear safety-security interface in the wake of Fukushima; the setting of a target date, the end of 2013, to announce specific voluntary actions that countries will implement to minimize the use of highly enriched uranium in their civilian sectors; increased awareness of the importance of radiological security; and the presentation of “gift baskets” or joint pledges from like-minded countries to strengthen nuclear security. For example, Italy pledged to rid itself of all fissile material, the US joined Belgium, France, and the Netherlands in pledging to begin producing medical isotopes without the use of highly enriched uranium, and several countries agreed to switch to low enriched uranium, which cannot be weaponized, to fuel research reactors. While some speculated that the initiative would end here, the leaders agreed to a third NSS to be held in 2014 in the Netherlands.

### Redefining the “pivot”

In the last issue, we examined at length the so-called US “pivot” toward Asia, highlighted by the announced impending US Marine Corps (USMC) rotational force presence at Darwin, Australia. The first 200 marines are now there, training away. We also joined the chorus of those who did not necessarily like the term, even while applauding the concept. The Obama administration got the message. As one senior official told us at a not-for-attribution conference, “OK, we give up; it’s a terrible term ... and we also know we never left Asia.” (We have long been critics of the “America is back” slogan since it inaccurately implies a certain fickleness when it comes to the longstanding US commitment to Asia’s security.) The new (more appropriate) term of art is “rebalancing” or “refocus.” Clearly the US has been distracted (and stretched thin) by the wars in Iraq and Afghanistan. The shift in emphasis back to Asia is most welcome.

As part of the rebalancing effort, the US and Japan decided to de-link the movement of Marines to Guam and resulting land returns south of Kadena AB from progress on the Futenma Replacement Facility (FRF). This allows movement on plans to send 9,000 Marines from Okinawa to Guam, and other places, including Darwin, which helps relieve the “footprint” problem on Okinawa. It also allowed for a more successful meeting between President Obama and Prime Minister Noda Yoshihiko during the latter’s visit to Washington in late March, the first by a Democratic Party of Japan (DPJ) leader. (For more on this, see the US-Japan chapter.) As Dan Sneider has pointed out, “the relocation of some 9,000 Marines has now been placed in

the broader strategic context of strengthening, not weakening, the US force structure through the region in a more geographically dispersed fashion.” Expect to see an increased rotational presence (but not new US bases) in the Philippines as part of this initiative.

## BRICS Summit

Two other important multilateral meetings convened during the first four months of 2012. The first was the fourth annual BRICS summit in March in Delhi. The BRICS – Brazil, Russia, India, China, and South Africa – generate considerable media attention, but little in fact unites them other than increasing irritation at how the world works.

The BRICs account for 43 percent of the world’s population and 20 percent of its wealth; there is something to their complaint that they are under-represented in global institutions. Consistent with that beef, their summit declaration identified the G20 – which they are members of – as the “go to” institution for global economic management and called for “a more representative international financial architecture, with an increase in the voice and representation of developing countries...” They want more energetic quota reform at the IMF – a process that has been agreed but is moving slowly – as well as an open, merit-based selection process for the head of the IMF and its sister organization, the World Bank.

Their declaration also “expressed concern over the current global economic situation.” But rather than acknowledge that structural imbalances result from their reliance on export-oriented policies, they blame developed countries for excessive debt and poor fiscal balances, and complain that attempts to create excess liquidity to stimulate flagging economies are hurting emerging economies.

Two solutions were put on the table. The first is a study of the viability of a new Development Bank that would supplement existing global and regional financial institutions. The second was agreement to provide credit in local currencies when the BRICS trade among themselves. Trade among the BRICS nations has reached \$230 billion and is growing 28 percent a year on average; the group hopes to increase the total to \$500 billion by 2015. This arrangement should facilitate trade and reduce US influence on the global trade system.

On political issues, the BRICS hewed to the status quo. They criticized human rights violations in Syria but insisted on a negotiated solution. Assessing the situation in Iran, they concluded that it “cannot be allowed to escalate into conflict.” The biggest concern for the leaders seems to be economic stability: their declaration said “We must avoid political disruptions that create volatilities in global energy markets and affect trade flows.” That’s leadership!

As we have previously noted, the BRICS may have a legitimate complaint, but they are hardly united among themselves. Frictions within the group are mounting, especially when it comes to trade and economic policy. China’s efforts to maintain competitiveness by keeping its currency cheap is increasingly a target of complaints by its BRICS trade partners. Note too that for all the demand for institutional reform, the final summit declaration merely notes the “aspirations” of Brazil, India, and South Africa to play a greater role in the United Nations. It is hard to see Moscow or Beijing agreeing to dilute their own authority at the UN.

## ASEAN Summit

Our second major confab was the first of the two ASEAN summits that are held each year. (The first focuses on issues internal to ASEAN; the second has an expanded agenda as it engages dialogue partners.) Cambodia is in the chair this year and there are concerns that the organization may flag given Phnom Penh's lack of experience. There are pressing issues – coming up with a unified position on the South China Sea so that ASEAN can engage China and proceed with the guidelines for a Code of Conduct, the border dispute between Thailand and Cambodia, and the admission of Timor Leste to the group – but little progress. There was much speculation before the meeting that China was pressing Cambodia to keep the South China Sea off the formal agenda and appears to have succeeded. (Robert Sutter and Chin-Hau Huang provide more details in their chapter on China-Southeast Asia relations.) That doesn't mean that other countries can't bring the subject up and apparently they did. According to Cambodian Prime Minister Hun Sen, the chair, the countries "reached common points regarding the issue." That opens the door to negotiations with China but Philippines Foreign Minister Albert del Rosario said ASEAN should reach agreement on a code of conduct "before China is invited" for talks. Otherwise, ASEAN leaders agreed to "step up efforts" to resolve the Spratly Islands disputes.

The most significant development was the reported agreement by four of the five states recognized as Nuclear Weapon States (NWS) in the Nuclear Nonproliferation Treaty – Britain, France, Russia, and the US – to sign the protocol to the Southeast Asian Nuclear Weapons Free Zone. (China, the remaining NWS, said it would sign some time ago.)

Finally, the group applauded the recent elections in Myanmar. They were declared to have been "free, fair and transparent" and "a significant step towards further democratization." Not surprisingly, ASEAN then called for the immediate lifting of all sanctions against Myanmar.

## Elections

It was always reckoned that 2012 would be a year of political transition with elections scheduled throughout the region and a leadership transition anticipated in Beijing. But even the most jaded of observers probably didn't anticipate the way that things would pan out. Even when elections produced "continuity," they also revealed important signs of change.

*Taiwan.* In January, Taiwan held presidential and parliamentary ballots. In the former, President Ma Ying-jeou won a second term, besting Tsai Ing-wen of the Democratic Progressive Party (DPP). While many expected a close race, Ma prevailed with 51.6 percent of the votes; Tsai claimed 45.6 percent and the rest went to James Soong, the perennial also-ran. Ma's margin of victory was larger than expected, but a sliver of the 17 percent margin of his 2008 victory. He promised to learn from the outcome. Just as important, the Kuomintang (KMT) retained its majority in the national legislature, winning 64 seats in the 113-seat assembly. That too is much reduced from the 81 seats it held in the previous assembly.

The results promise stability in cross-strait relations, always important but never more so than when China goes through its own political handover. Some on the island worry that economic



integration between the two sides of the strait gives Beijing excessive leverage over Taiwan politics and policy: two-way trade reached \$160 billion in 2011, a 10 percent increase over 2010. China is Taiwan's number one trade partner, and the biggest source of tourists to Taiwan. It is estimated that roughly 200,000 China-based Taiwan business people flew home to vote in the election. While not all voted for Ma, they are a sizeable constituency in favor of closer ties.

*South Korea:* South Korean politics are always volatile and the April parliamentary ballot – the presidential vote will be held in December – was no exception. Popular disaffection with President Lee Myung-bak was supposed to produce a resounding victory for progressives in the vote. Instead, conservatives eked out a surprising victory in the National Assembly elections. Shrewd tactics by conservative leader Park Geun-hye and a scandal in the main opposition party kept control of the legislature in conservative hands for another four years, as the right claimed 152 seats in the 300-seat legislature.

The results have two important implications. First, a conservative majority suggests continuity in South Korean policy (although ROK politics are intensely personal and no two leaders even when ideologically compatible are likely to have the same policies) as well as something of a truce between the assembly and the Blue House. Second, subject as always to that volatility, Park Geun-hye is now strongly favored to win her party's nomination and is the early favorite in December's presidential ballot.

*Russia.* Prime Minister Vladimir Putin is returning to the Kremlin, this time as president (again). Having swapped jobs in 2008 with current President Dmitry Medvedev to sidestep constitutional constraints, Putin was re-elected with 63.60 percent of the vote, topping with ease the 50 percent threshold needed to avoid a runoff ballot. Communist leader Gennady Zyuganov was second with 17.18 percent and billionaire Mikhail Prokhorov and nationalist Vladimir Zhirinovskiy didn't reach double digits.

Coming on the heels of charges of massive fraud in December's parliamentary vote, this ballot was closely scrutinized. Putin claimed it was "an open and honest fight"; 5,000 complaints of fraud suggest otherwise. The Interior Ministry was probably right to conclude that whatever violations did occur didn't influence the results, given that serious opposition was kept off the ballot and the government ensured that whoever did contest the vote was divided and weak. Nevertheless, Putin must be chastened: he won 71.9 percent of the vote when he ran in 2004.

The Putin presidency is likely to be muscular and assertive. Putin's Russia is a strong country that is being denied its rightful place on the international stage. His administration presents itself as the face of a resurgent nationalism, which is fueled by swelling energy exports. Military modernization is accelerated. His election platform promised extensive handouts to offset the hardships felt by many Russians. Corruption is endemic. There is little sign that the economy is being prepared for the long run. Many economists anticipate an economic squeeze that could accentuate public dissatisfaction. Putin's record suggests he won't embrace reform in response; rather, even more intense nationalism and a search for foreign scapegoats are likely. On a more positive note, Russian specialists tell us Putin is likely to take a harder line toward North Korea in response to its increasingly provocative behavior.

*Myanmar:* The reclusive state continues its re-entry into the international community. It is fair to say that most everyone has been impressed by the speed and scale of the changes underway in Myanmar. In fact, for many observers the challenge is ensuring that expectations don't outpace reality and that the country can actually absorb the aid and assistance that are being offered.

April 1, the government held parliamentary by-elections to fill 45 seats in the 664-member assembly. The first vote for the assembly was two years ago, after public ratification of a new constitution (a vote that engendered controversy on its own) but the number of parties allowed to run was restricted and 25 percent of seats were reserved for the military. The April vote was the first to include the National League of Democracy (NLD) – it boycotted the 2010 ballot.

The NLD won a landslide victory, claiming 43 of the 44 seats it contested. The NLD, and its leader, Nobel Peace Prize Laureate Aung San Suu Kyi, now head the parliamentary opposition. There were fears that the scale of the victory might alarm the military, which retains a tight grip on the reins of power. But it appears to have accepted the result; after all, the opposition will only hold 6 percent of assembly seats. Breaths were held a few weeks later when Daw Suu Kyi refused to take the parliamentary oath of office, claiming that the pledge to “safeguard” the constitution was overbroad; she would only promise to “respect” it. She backed down and was sworn in May 1.

Equally important are the economic changes under way. On April 1 the government adopted a managed float for its currency, the kyat; the exchange rate plunged from the official rate of 6.4 to the US dollar to 818 to the dollar. This step more than any other has the potential to transform the Myanmar economy.

### **Economic progress for the ‘Plus Three’**

There were equally interesting changes afoot in Northeast Asia. In late March, finance ministers from the “Plus Three” – Japan, China, and South Korea – reached agreement on a trilateral investment treaty. The deal had been under discussion for nearly a decade, and negotiations began in 2007. After being approved by “Plus Three” foreign ministers at their sixth meeting, in Ningbo in April, the treaty is expected to be signed by heads of state at a May summit in Beijing. The deal, the first legal economic agreement among the three, will liberalize investment rules, help protect foreign investors, and spur cross-border capital flows. Its provisions protect intellectual property rights and prohibit demands for technology transfer. It is anticipated to lead to a three-way free trade deal, as well as provide new impetus for a China-South Korea FTA. There are concerns that the investment agreement and the subsequent Plus Three FTA are hedges against the Trans-Pacific Partnership, and an attempt to counterbalance any trans-Pacific economic architecture. It will be interesting to compare Tokyo's reaction to the two arrangements and where its diplomatic energy goes.

Shortly after our reporting period ended, “Plus Three” Finance Ministers' and Central Bank Governors' held their 12th trilateral meeting in Manila in early May. In addition to the usual exchange of views, they agreed to step up trilateral financial cooperation and promote their bilateral currency swap arrangements. A key form of cooperation is increased purchases of each other's government bonds; they set up swap agreements late last year. In March, Beijing allowed

Japan to purchase up to \$10.3 billion worth of Chinese government bonds. After the Manila meeting, Japanese Finance Minister Azumi Jun said that Japan will buy South Korean won-denominated government bonds for the first time to help diversify its foreign exchange reserves and provide a boost of confidence to the ROK currency.

## The China question

Hanging over all developments in the region is the political transition in China. In every conference and regional discussion we've had for the last year, the handover of power to the fifth generation in China has assumed talismanic import. Experts and observers argued that China sought a friction-free transition and nothing would be allowed to disturb that process. And then, along came Bo Xilai (and his wife) and Chen Guancheng.

The Bo Xilai brouhaha remains murky and is likely to remain so for years, but reports at this point include rumors of corruption, murder, and coups. Outsiders may never know what he did or the extent of his involvement in those activities. And in truth, his guilt or innocence may be beside the point. Instead, Bo's greatest offense is his unwillingness to let the leadership transition take place behind closed doors. He appeared to openly campaign for a top slot in the party hierarchy, apparently challenging decisions that had been made or were supposed to have been made by top officials out of public view. The resulting tidal waves – including obscure warnings about a new Cultural Revolution – put the lie to reassurances that the party was in control and that political succession – the bane of every authoritarian government – was unfolding as planned.

The Chen Guancheng saga continues to unfold as we write. (Details are available in the chapter on US-China relations by Bonnie Glaser and Brittany Billingsley.) Any time a Chinese human rights advocate takes refuge in an embassy and seeks asylum it is news, but the timing of the Chen episode – on the eve of the US-China Strategic and Economic Dialogue – couldn't have been worse. (Curiously, the Bo Xilai story was triggered by the flight of his right-hand man to the US Consulate in Chengdu on the eve of Xi Jinping's visit to the US.) The diplomatic standoff appears to have been resolved but the incident has raised questions about the power structure in Beijing, in particular the strengths of the Foreign Ministry and the state security apparatus and the central party authority's ability to mediate disputes between them.

The two events are discrete; no one is suggesting any connection between them. But they do raise important questions about how Beijing works and they do so when power is shifting in the capital. We will leave an assessment of CCP dynamics to the leadership monitors; for our purposes, the key issues are whether these incidents will have an impact on China's foreign policy. Will the Chen incident be seen as an embarrassment by China or an infringement by the US of China's domestic affairs? Will the Bo controversy prompt changes in economic policy and the terms of China's economic engagement with the world? How will the security forces come out of each and what will be their future influence on defense policy? In other words, while largely domestic, each of these events has the capacity to upset politics in Beijing and the spillover could affect the entire region.

## Regional Chronology January – May 2012

Jan 3-7, 2012: US Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visits China, South Korea, and Japan to discuss developments in North Korea after the death of Kim Jong Il.

Jan. 5, 2012: President Barack Obama and Secretary of Defense Leon Panetta release a new strategic guidance document entitled *Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense*.

Jan. 5-9, 2012: Indian Army Gen. VK Singh visits Burma and meets President Thein Sein and other senior officials.

Jan. 5-14, 2012: Chinese Vice Chairman of the Standing Committee Chen Zhili visits Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan as President Hu Jintao's special representative.

Jan. 9, 2012: Anwar Ibrahim, Malaysian leader of the People's Alliance Party, is acquitted of sodomy charges.

Jan. 9-11, 2012: South Korean President Lee Myung-bak makes a state visit to China and meets President Hu Jintao and Premier Wen Jiabao.

Jan. 9-11, 2012: Lim Sung-nam, South Korea's special representative for Korea Peninsula peace and security affairs, travels to Beijing and meets Chinese counterpart Wu Dawei.

Jan. 9, 2012: China successfully launches its *Ziyuan III* satellite.

Jan. 9-13, 2012: Special Representative and Policy Coordinator for Myanmar Derek Mitchell visits Burma and Thailand to follow up on Secretary of State Hillary Clinton's December visit to Burma. In northern Thailand, he meets local officials and assistance groups working with refugees in the border region.

Jan. 10, 2012: North Korea announces it will start issuing special pardons for convicts on Feb. 1 "to commemorate milestone birthdays of its two late leaders."

Jan. 10, 2012: Aung San Suu Kyi announces her candidacy for the upcoming parliamentary elections in Burma.

Jan. 10-12, 2012: US Treasury Secretary Timothy Geithner travels to Beijing and Tokyo to meet senior officials including Premier Wen Jiabao and Prime Minister Noda Yoshihiko.

Jan. 11, 2012: Japan's Foreign Minister Gamba Koichiro travels to Afghanistan and meets President Hamid Karzai.

Jan. 11, 2012: North Korea announces that it intends to “remain open to suspending uranium enrichment in exchange for US food aid.”

Jan. 12, 2012: US imposes sanctions on China’s state-run Zhuhai Zhenrong Corp. for selling refined oil to Iran.

Jan. 12-13 2012: Japan’s envoy to the Six-Party Talks Shinsuke Sugiyama travels to Seoul and meets counterpart Lim Sung-nam.

Jan. 13, 2012: Secretary of State Clinton announces the US decision to start a “process of exchanging ambassadors with Burma.”

Jan. 13, 2012: South Korean Prime Minister Kim Hwang-sik travels to Oman and the United Arab Emirates to discuss oil supply issues.

Jan. 13-15, 2011: Fourth Senior Officials Meeting between China and ASEAN on implementing the Declaration on the Conduct of Parties in the South China Sea (DOC) is held in Beijing.

Jan 13-Feb. 17, 2012: The 31<sup>st</sup> annual *Cobra Gold* military exercise is held in Thailand. Participants include military units from Indonesia, Japan, Malaysia, Singapore, South Korea, Thailand, and the US. Nine countries including China and Russia participate as observers.

Jan. 14, 2012: Kuomintang candidate Ma Ying-jeou is re-elected president in Taiwan.

Jan. 16-17, 2012: China’s State Councilor Dai Bingguo travels to New Delhi and meets National Security Adviser Shivshankar Menon to discuss boundary issues.

Jan. 16-18, 2012: US State Department Special Advisor for Nonproliferation and Arms Control Robert Einhorn and Treasury Department Deputy Assistant Secretary for Terrorist Financing and Financial Crimes Daniel Glaser visit South Korea to discuss Iran’s nuclear issues and sanctions.

Jan. 17, 2012: *People’s Daily* proclaims the Diaoyu Islands to be a “core interest” of China.

Jan. 17, 2012: ROK Special Representative Lim Sung-nam and Japan’s Director General for Asian and Oceanian Affairs Sugiyama visit Washington and meet Assistant Secretary of State Campbell and Special Representative for North Korea Policy Glyn Davies.

Jan. 24, 2012: In his State of the Union speech, President Barack Obama announces the creation of a new trade enforcement group to stop unfair trade practices in countries such as China.

Jan. 26-27, 2012: Second US-Philippine Strategic Dialogue is held in Washington. Issues include increasing joint exercises and rotating US troops through Philippine bases. Protestors picket the US Embassy in Manila, while Chinese media call for sanctions on the Philippines.

Jan. 28-Feb. 2, 2012: Russian Foreign Minister Sergei Lavrov visits Japan, Brunei, New Zealand, Australia, and Fiji.

Jan. 30-31, 2012: South Korea's Deputy Defense Minister Lim Kwan-bin, acting US Assistant Secretary of Defense for Asian and Pacific Security Affairs Peter Lavoy, and Japan's head of the Defense Ministry Policy Bureau Nishi Masanori meet in Jeju.

Jan. 31-Feb. 1, 2012: Assistant Secretary Campbell visits Seoul and meets South Korean and Japanese officials.

Jan. 31, 2012- Feb. 3, 2012: Glyn Davies, US special representative for North Korea policy, and Clifford Hart, US special envoy for the Six-Party Talks, travel to Moscow and meet Deputy Foreign Minister Igor Morgulov and Ambassador-at-large for the Six-Party Talks Grigory Logvinov to discuss bilateral and security issues.

Feb. 1- 3, 2012: Assistant Secretary Campbell visits Hanoi.

Feb. 2, 2012: Japanese government officials travel to the US and meet counterparts from the State and Treasury Department to discuss sanctions on Iran.

Feb. 3-4, 2012: Assistant Secretary Campbell visits Phnom Penh to discuss Cambodia's role as 2012 ASEAN chair.

Feb. 4, 2012: China and Russia veto a UN Security Council (UNSC) resolution on Syria calling for President Bashar al-Assad to step down.

Feb. 6, 2012: Secretary of State Clinton signs a sanction waiver for Burma, which will allow it to receive help from the World Bank and other financial institutions.

Feb. 7, 2012: India's Foreign Secretary Ranjan Mathai visits the US to discuss trade and security cooperation.

Feb. 7, 2012: U.S. and Japan agree to transfer 4,700 marines from Okinawa to Guam as part of the 2006 bilateral agreement in which more than 8,000 US Marines are to be relocated.

Feb. 8-16, 2012: Assistant Secretary of State for Political-Military Affairs Andrew Shapiro travels to the Philippines, Indonesia, Singapore, and Malaysia to discuss security cooperation.

Feb. 9, 2012: ROK Special Representative Lim Sung-nam and Russian Deputy Foreign Minister Igor Morgulov agree to promote the resumption of the Six-Party Talks.

Feb. 10, 2012: US Congress approves the transfer of a second Coast Guard cutter to the Philippines Navy. A retired US cutter was transferred in 2011, but most of the ship's radar and sensor equipment was removed. Manila requests that the equipment on the second cutter remain.

Feb. 12, 2012: China's Assistant Foreign Minister Ma Zhaoxu travels to Iran to discuss "Iran's nuclear standoff with the West."

Feb. 13-17, 2012: Chinese Vice President Xi Jinping visits the US and meets President Obama and Vice President Joe Biden. He makes stops in Washington DC, Iowa, and Los Angeles.

Feb. 14, 2012: Japan's Director General of the Economic Affairs Bureau at the Foreign Ministry Yagi Takeshi travels to the US and meets Assistant Trade Representative Wendy Cutler to discuss Japan's intention to join the Trans-Pacific Partnership.

Feb. 14-17: The 14<sup>th</sup> round of negotiations on the Japan-Australia Economic Partnership Agreement (EPA) is held in Tokyo.

Feb. 16, 2012: Korean Ambassador to the US Han Duk-soo resigns his post. Sa Gong-il, the current head of the Korea International Trade Association, is the new ambassador.

Feb. 19, 2012: Japan's Finance Minister Azumi Jun visits Beijing and meets Vice Premier Wang Qishan to discuss economic cooperation.

Feb. 20-22, 2012: Indonesian Defense Minister Purnome Yusgiantoro visits Beijing and meets counterpart Liang Guanglie to discuss military cooperation.

Feb. 20-24, 2012: South Korean and US navies hold a series of joint anti-submarine exercises in the Yellow Sea.

Feb. 20-21, 2012: ASEAN Secretary General Surin Pitsuwan visits Burma and meets President Thein Sein to discuss preparations for the nation's 2014 chairmanship of ASEAN.

Feb. 21, 2012: The first Viet Nam-Australia Defense and Diplomacy Strategic Dialogue is held in Canberra, Australia.

Feb. 23-24, 2012: US Special Representative Glyn Davies meets North Korean First Vice Foreign Minister Kim Gye Gwan in Beijing to discuss the resumption of the Six-Party Talks.

Feb. 26-27, 2012: Prime Minister Noda visits Okinawa prefecture and meets Gov. Nakaima Hirokazu to discuss relocation of Futenma Air Station.

Feb. 27-March 2, 2012: US Deputy Secretary of State Thomas Nide travels to Korea and Japan to discuss economic and political issues.

Feb. 27-April 30, 2012: US and South Korea's armed forces conduct the annual *Key Resolve/Foal Eagle* military exercise.

Feb. 29, 2012: North Korea and the US reach a tentative agreement that includes a moratorium on the North's nuclear and missile programs and the provision of 240,000 tons of US food aid.

March 2-3, 2012: Chinese Foreign Minister Yang Jiechi visits Seoul and meets Foreign Minister Kim Sung-hwan and President Lee Myung-bak to discuss regional and bilateral issues.

**March 5, 2012:** The seventh Korea-Japan-China Senior Foreign Affairs Officials' Consultation and the first Asian Policy Dialogue are held in Beijing.

March 5-14, 2012: China holds its annual meeting of the National People's Congress.

March 7-9, 2012: North Korean Vice Foreign Minister Ri Yong-ho and Lim Sung-nam, South Korea's representative to the Six-Party Talks, attend a forum at Syracuse University.

March 7-10, 2012: South Korean Foreign Minister Kim Sung-hwan visits the US and meets Secretary of State Clinton to discuss mutual cooperation on regional and bilateral issues.

March 12, 2012: Chinese Deputy Foreign Minister Cui Tiankai visits the US and meets Assistant Secretary Campbell.

March 13, 2012: The US, Japan and the European Union file a joint complaint to the World Trade Organization criticizing China's restrictions of rare earth mineral exports.

March 14-18, 2012: Laotian Prime Minister Thongsing Thammavong visits Japan and meets Prime Minister Noda.

March 15, 2012: Bo Xilai is dismissed as Chongqing party chief and its related municipal posts.

March 15, 2012: The US-Korea Free Trade Agreement takes effect.

March 23, 2012: Chinese President Hu Jintao meets Indonesian counterpart Susilo Bambang Yudhoyono in Beijing.

March 25, 2012: Leung Chun-ying is elected as Hong Kong's Special Administration Region's (SAR) new chief executive.

March 26-27, 2012: The 2012 Nuclear Security Summit is held in Seoul with participation by more than 53 heads of state and international organizations.

March 28, 2012: US government suspends food aid to North Korea, saying the decision was based on the DPRK's commitment to refrain from launching missiles and its lack of credibility in being able to "deliver the assistance to those who need it."

March 29, 2012: Fourth BRICS (Brazil, Russia, India, China, South Africa) Summit is held in New Delhi.

March 30-April 2, 2012: Chinese President Hu Jintao visits Cambodia and meets King Norodom Sihamoni, Prime Minister Hun Sen, and other senior officials.

April 1, 2012: Myanmar holds parliamentary elections; National Democratic League wins 43 of the 45 seats being contested.



April 3, 2012: The first 180 US Marines arrive in Darwin, Australia as the initial step in a plan to establish a force of 2,500 marines by 2017.

April 3-4, 2012: The 20<sup>th</sup> ASEAN Summit is held in Phnom Penh.

April 8, 2012: Chinese vessels block a Philippine warship from arresting crews of Chinese fishing boats off Scarborough Reef in the South China Sea, initiating an extended standoff.

April 8, 2012: Japanese, Chinese, and ROK foreign ministers meet in Ningbo, China.

April 10, 2012: Bo Xilai is suspended from the party's Central Committee and its Politburo, pending investigation for "serious disciplinary violations."

April 11, 2012: North Korea holds a Worker's Party of Korea Delegates Conference. Kim Jong Un is named first secretary of the Worker's Party and chairman of the Central Military Commission. Membership in both the Political Bureau of the party's Central Committee and the politburo's five-member Presidium are also conferred.

April 13, 2012: North Korea attempts to launch a satellite; the rocket carrying the satellite breaks apart within moments of launch.

April 13, 2012: North Korea holds the fifth session of the 12<sup>th</sup> Supreme People's Assembly. Kim Jong Un is elected first chairman of the DPRK National Defense Committee.

April 15, 2012: North Korea unveils a new long-range missile and missile transport vehicle during a military parade culminating two weeks of celebrations for the 100<sup>th</sup> anniversary of the birthday of Kim Il Sung.

April 16, 2012: Tokyo Gov. Ishihara Shintaro announces that the Tokyo Municipal Government is negotiating to purchase three of the privately owned Senkaku Islands.

April 16, 2012: The UN Security Council unanimously adopts a Presidential Statement's "strongly condemning" North Korea for its attempted satellite launch. The statement calls the launch a "serious violation" of previous UNSC resolutions 1718 and 1874.

April 16-27, 2012: The US and the Philippines conduct a joint military exercise named *Balikatan* on Luzon and off the coast of the western-most Filipino island of Palawan.

April 16, 2012: North Korea withdraws its offer to accept IAEA inspections at the Yongbyon nuclear facilities in response to the withdrawal of the offer of food aid from the US.

April 17, 2012: Former independence fighter Jose Maria de Vasconcelos, also known as Taur Matan Ruak, is elected president of East Timor.

April 19, 2012: India successfully tests a long-range ballistic missile capable of carrying a nuclear warhead.

April 21, 2012: Japanese Prime Minister Noda Yoshihiko hosts a meeting of Mekong region leaders, promising \$7.4 billion in aid to the region. Leaders of Cambodia, Laos, Myanmar, Thailand, and Vietnam attend.

April 22-27, 2012: China and Russia conduct a joint naval exercise in the Yellow Sea focusing on search and rescue, joint air defense, anti-submarine tactics, rescue of hijacked vessels, and anti-terrorism.

April 25, 2012: Pakistan successfully launches an upgraded, intermediate-range ballistic missile capable of carrying a nuclear warhead.

April 25, 2012: Chinese Vice Foreign Minister Cui Tiankai warns North Korea against conducting a nuclear test, saying it would violate China's national interest.

April 27, 2012: US-Japan Security Consultative Committee announces that around 9,000 marines and their family members – roughly half of the US Marine presence on Okinawa – will be transferred off the island and relocated to Guam, Hawaii, and Australia.

April 27, 2012: In a letter to Sen. John Cornyn, the White House says the US will give “serious consideration” to selling Taiwan *F-16C/D* jets, in addition to upgrading the *F-16A/B* jets.

April 27, 2012: Chen Guangcheng, a blind lawyer under house arrest, enters the US Embassy in Beijing seeking assistance.

April 29-May 2, 2012: Japanese Prime Minister Noda visits the US, meets President Obama, and attends a dinner hosted by Secretary of State Clinton.

April 30, 2012: Philippine Defense Secretary Voltaire Gazmin and Foreign Affairs Secretary Albert del Rosario meet Secretary of State Clinton and Defense Secretary Leon Panetta in Washington to consult on defense, security, political, and economic policies.