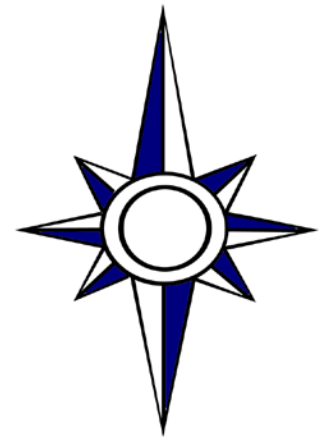




P a c i f i c F o r u m C S I S



Comparative Connections



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

edited by

Carl Baker
Brad Glosserman

September – December 2013
Vol. 15, No.3
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Pacific Forum CSIS

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

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Bilateral relationships in East Asia have long been important to regional peace and stability, but in the post-Cold War environment, these relationships have taken on a new strategic rationale as countries pursue multiple ties, beyond those with the 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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The sudden, public, and brutal purge and dispatch of Jang Song Thaek, uncle-by-marriage and erstwhile mentor of Kim Jung Un, sent shock waves around the world, and doubtless inside the DPRK as well. By contrast, inter-Korean relations were mostly undramatic, if also not very satisfactory. In September, the Kaesong Industrial Complex (KIC), the last remaining North-South joint venture, reopened after five months in limbo. Uneven progress since then raises doubts about the North's sincerity and hence this project's viability and long-term prospects. Hopes that the KIC's reopening might usher in a wider thaw were dashed when the North canceled reunions of separated families scheduled for end-September. Meanwhile DPRK media subjected ROK President Park Geun-hye and her government to a barrage of often puerile, petty, and personal sniping. While Park and/or Kim may yet surprise us, overall as 2014 opens the two Koreas seem to be pretty much back to first base and starting over – not for the first time.

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There was a dramatic turn in the Syria crisis and a potential light at the end of the “Iranian tunnel,” thanks to the persistent efforts of Russia, or more precisely, President Putin. Meanwhile, President Xi Jinping and Premier Li Keqiang devoted themselves to economics by kicking off a new “Silk Road Economic Belt” strategy through the heartland of Asia. This does not mean Russian and Chinese leaders were on divergent paths. In fact, they met frequently in multilateral and bilateral settings: three times for Putin and Xi (G20 in St. Petersburg, SCO summit in Bishkek, and APEC forum in Bali) and twice for the prime ministers (Medvedev’s visit to Beijing and the SCO Prime Ministers Meeting in Tashkent). Despite their largely convergent outlook on many global issues, Russia seemed more guarded about China’s new westward drive through Central Asia, which it still considered special, if not exclusively, for Russia even two decades after the Soviet breakup.

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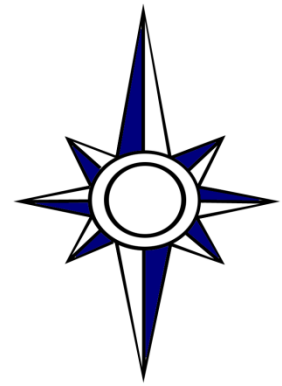
by Satu Limaye, East-West Center

The tenor of US-India relations in 2013 was similar to that articulated by then Secretary of State Hillary Clinton in 2012 when she spoke of the need for “daily, weekly, monthly collaboration” rather than dramatic breakthroughs. In a February 2013 visit to Washington, Foreign Secretary Ranjan Mathai echoed these comments. He argued that the bilateral relationship has reached a “new normal” in which consultation has become a habit. For its part, the Obama administration continued to hail the relationship as a defining partnership. There were about 60 official visits during the year and about 35 different dialogues, working and consultation mechanisms to move the relationship forward. The areas of discussion and action covered commercial ties including trade and investment, defense relations, a special focus on Afghanistan, and broad consultation on Asia-Pacific and global issues.

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Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Regional Overview: Self-Inflicted Wounds

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

2013 ended with a series of self-inflicted wounds. President Obama, with a huge assist from the US Congress, reinforced apprehensions about the US commitment to the region – not to mention concerns about Washington’s inability to get its act together – by skipping both the East Asia Summit (EAS) and the Asia Pacific Economic Cooperation (APEC) Economic Leaders Meeting. Setting an unreachable yearend goal to finalize the economic foundation of the pivot – the Trans-Pacific Partnership (TPP) – was another in the series. So too was President Xi Jinping’s decision, just prior to Vice President Biden’s trip to China, Japan, and Korea, to announce China’s East China Sea Air Defense Identification Zone encompassing territory claimed by both US allies. China’s promise of more ADIZs to come raised concerns (and increased calls for greater US involvement) from nations bordering the South China Sea as well. Not to be left out, Japanese Prime Minister Abe Shinzo closed out the year by visiting Yasukuni Shrine, further alienating Beijing and Seoul while drawing a rare rebuke from Washington as well. How much this will impact his “go south” policy to build better relations with ASEAN remains unclear. North Korea’s regent Jang Song Thaek saw his career go to the dogs – at least figuratively – due to alleged greed and other criminal acts (like not applauding his nephew vigorously enough). However his final wound was inflicted, many fear that the prospect for Chinese-style reform in North Korea died with him.

Pyongyang’s “smile offensive” quickly fades

Let’s start with the most serious, indeed fatal, wound. We talked in our September issue of *Comparative Connections* about a possible North Korean “smile offensive.” It didn’t last long and clearly did not apply to the country’s presumed number two leader, Jang Song Thaek. His purge and subsequent quick execution – most likely by firing squad – proved once again the dangers associated with being next in line in an authoritarian society. Even being the top guy’s uncle (by marriage, not by birth) cannot save you.

What this means for the stability of the regime and its future policies is anyone’s guess, and it’s important to remember that when it comes to North Korea, we’re all guessing. The experts seem divided between those who think that Jang’s removal from power reflects Kim Jong Un’s total control – he is now secure enough to remove his father’s chosen mentor – and those who believe that it reflects just how unstable and vulnerable the young general really is. One thing is sure: the previously purged Jang won’t be making another comeback. Putting him to death – common for lower-ranking individuals but rare for senior leaders, especially if members of the ruling family – could show how insecure Kim is about his ability to truly neutralize his once-powerful uncle. This could indicate that more purges and instability will follow.

While much remains to be sorted out or understood, one suspects that “Chinese-style reform” has become increasingly unlikely for North Korea. Jang had long been seen as its chief advocate. When Jang visited Beijing in 2012, he reportedly assured the Chinese leadership that, in return for Chinese support for the new boy leader, Kim Jong Un would, with Jang’s encouragement and guidance, eventually take the North down the Chinese path.

In all likelihood, this line of thinking has been at least temporarily discredited. If reports that China received no advance warning of this event and that some Jang supporters are seeking asylum in China are true, this bodes ill not only for the China model, but perhaps for the overall China-North Korea relationship as well. The fact that Jang’s long list of sins included selling North Korean assets too cheaply to China must be additional salt in the Chinese wound.

In his 2014 New Year’s message, Kim Jong Un (in addition to boasting about ridding the Party of “factional filth”) continued to call for both economic development and a strong defense posture (read: nuclear weapons); Washington and Seoul (and more quietly even Beijing) have insisted Pyongyang can’t have both. Kim mentioned “nuclear war” six times in his speech, making it clear that a strong defensive capability was critical given the continued threat posed by “the US and south Korean war maniacs.” This does not bode well for the prospects of a resumption of denuclearization talks anytime soon.

As was the case in his 2013 address, Kim seemed to be waving a conditional olive branch toward the South, but only if Seoul changed its evil ways. As we were going to press, ROK President Park Guen-hye wisely called his bluff, calling for a resumption of the divided families program – cruelly scuttled this summer at the 11th hour by the North – as a sign of Pyongyang’s sincerity. Stay tuned! [See Aidan Foster-Carter’s North-South Korea Relations for more details].

Obama no show

In his end of year commentary in *The Huffington Post* entitled “The Asia Rebalance is here to Stay,” Assistant Secretary of State for East Asia and the Pacific Daniel Russel boasted that his boss, Secretary of State John Kerry, had been to Asia four times in the last nine months. That’s the good news. What he did not say was that two of these trips were to fill in for President Obama, who was forced to cancel (for domestic political reasons you all know and we are personally embarrassed about) his scheduled Fall Asia visit to Bali (for the APEC meeting), Brunei (for the EAS), Malaysia, and the Philippines.

By all accounts, Kerry acquitted himself well. While his participation in the ASEAN Regional Forum meeting this past summer was literally a fly-by, this time he spent a full nine days in Asia attending the two summits with a side visit to Malaysia as well. He returned to Asia in December to amend for Obama’s missed trip to the Philippines, at which time he visited Vietnam as well.

Speaking on background, a senior administration official noted that Kerry received “very strong signals from all of the ASEAN countries about the US contributions to ASEAN as a key actor in both regional economic architecture and the regional security architecture” at the US-ASEAN Summit that took place along the sidelines of the EAS. The senior official also praised the EAS:

The East Asia Summit has really arrived at a point of a strategic dialogue among all of the member states in which they can address a variety of economic and security challenges facing the region in a very constructive way, in [a] way that facilitates practical cooperation, but in a way that also creates – allows a conversation that facilitates development of rules and norms on maritime security but also on nonproliferation, also on challenges like humanitarian assistance and disaster relief in a way that further confirms that the East Asia Summit has really arrived as the principal political and security institution in the region.

With all due respect to Secretary Kerry, this is all the more reason President Obama should have been there. His absence was not fatal to the “pivot’s” credibility, even though the international media had a field day declaring his absence as another big victory for China. If this is true (and we think this theme was grossly overplayed), Beijing managed to snatch defeat from the jaws of victory shortly thereafter with its ill-timed and ill-conceived ADIZ announcement.

Biden and China’s East China Sea ADIZ

Details of the vice president’s trip to Japan, Korea, and China (and Kerry’s trips to Malaysia, the Philippines, and Vietnam) are provided in the respective bilateral chapters that follow this overview. Here we will primarily address the atmospherics. Biden’s second trip to the region this year was initially aimed at reinforcing the US commitment both to its strong alliances and to the “new type of major country relations” being trumpeted by Chinese President Xi Jinping, with whom Biden had established a good personal relationship during exchange visits when Xi was vice president. Instead, it was mostly about the ADIZ. Biden (rightly) felt compelled to show strong support to Washington’s two close allies in the face of perceived Chinese assertiveness and it cast a pale on his visit to Beijing as well.

We say “perceived assertiveness” because no one denies China’s right to establish an ADIZ; the US, Japan, and South Korea, (among many others) have them, why not China? But the somewhat threatening manner in which it was announced, the ground rules (insisting on notification of aircraft passing through, even if not heading toward the Chinese mainland), the fact that it covered territory claimed and occupied by Japan and South Korea, and the timing (during increased tensions with Japan over the disputed islands and just before Biden’s visit) all magnified the problem, as did Beijing’s acknowledgment that additional ADIZ announcements covering the Yellow Sea and South China Sea were forthcoming at a time of Beijing’s choosing. The announcement stirred nationalist feelings in Japan and South Korea and made many in Seoul have second thoughts about what they thought was a growing special relationship with Beijing.

The announcement also prompted the Pentagon to remind folks in the region, and especially in China, who the real superpower still is. A *B-52* mission was deliberately flown through the newly declared ADIZ without prior warning or permission; the PLA Air Force did not respond. While the ADIZ announcement may have served the purpose of putting more pressure on Japan to acknowledge its territorial dispute with China, it clearly undercut Xi’s “good neighbor” policy pronouncements and made China’s neighbors further cheer on the US pivot.

Discovering who ‘real friends’ are

The limits of China’s “good neighbor” policy were also evident in the aftermath of Typhoon *Haiyan*, the superstorm that walloped the Philippines on Nov. 8. *Haiyan*, known as Typhoon *Yolanda* in the Philippines is thought to be the strongest storm ever recorded, packing winds of 196 mph. Nearly 8,000 people died or were left missing in the storm and 11 million have been affected, many left homeless. In the wake of this catastrophe, Beijing’s first response was to offer \$100,000 in cash and additional humanitarian relief assistance, a miserly response by any standard, the reflected Chinese anger over Manila’s readiness to challenge its claims to territory in the South China Sea. After being roundly criticized in the international media, Beijing pledged an additional \$1.4 million in aid and dispatched a hospital ship.

In contrast, the US initially contributed \$20 million in aid, a figure that was subsequently increased to \$37 million. The US also dispatched *Osprey* helicopters and other equipment from Okinawa, along with the *USS George Washington* carrier strike group, amphibious ships and other vessels, and *C-130* cargo planes. In all, some 13,000 military personnel have been working on the relief effort. Equally impressive was Japan’s response. Tokyo initially offered \$10 million and then upped that sum to \$30 million in emergency grant aid, with another \$2 million worth of emergency relief goods and assistance via nongovernmental organizations. In addition to a total assistance package of \$52 million, 1,000 Self-Defense Forces personnel were dispatched to help out, the largest such overseas deployment.

The “rebalance” lives on!

Secretary Russel’s commentary was not the only defense of the US rebalance. A more definitive statement came from National Security Advisor Susan Rice in an address about “America’s Future in Asia” at Georgetown University in late November, during which she announced President Obama’s April 2014 planned trip to Asia (reportedly to Malaysia, the Philippines, and Japan, although some are speculating that Abe’s Yakukuni visit may prompt a revision).

Following the theme laid out by Vice President Biden in his July speech (outlined in our last Regional Overview), Rice stressed the multidimensional nature of the rebalance, which she called “the cornerstone” of the Obama administration’s foreign policy: “No matter how many hotspots emerge elsewhere, we will continue to deepen our enduring commitment to this critical region. Our friends in Asia deserve and will continue to get our highest level attention.”

She outlined what the administration hoped to achieve over the next three years: “Ultimately, America’s purpose is to establish a more stable security environment in Asia, an open and transparent economic environment, and a liberal political environment that respects the universal rights and freedoms of all.”

In her comments on “enhancing security,” she focused on strengthening US alliances and building a constructive relationship with China: “When it comes to China, we seek to operationalize a new model of major power relations. That means managing inevitable competition while forging deeper cooperation on issues where our interests converge – in Asia and beyond.”

One area of deeper cooperation was the Korean Peninsula, where she reinforced the US argument that North Korea could not have both nuclear weapons and economic progress: “Pyongyang has a choice: on the one hand lies greater isolation and crippling economic privation; on the other, a true chance for peace, development and global integration.”

While identifying “fostering democratic values” and “advancing human dignity” as other important US goals, she paid particular attention to the importance of “expanding prosperity”; she identified “concluding negotiations for the Trans-Pacific Partnership and achieving Congressional approval” as “our foremost economic goal in the region.”

Trade talks: timid and tepid

Trans-Pacific Partnership. Concluding the TPP may be Washington’s “economic goal,” but that wasn’t enough to produce a final deal. The desire to wrap up talks by the end of 2013 outpaced reality. A four-day ministerial meeting in Singapore in December failed to produce an agreement despite “substantial progress” (the term used in the official statement released after the meeting). US Trade Representative Michael Froman characterized the talks as having “great momentum.”

It is easy to blame President Obama’s absence for the failure – his presence at the APEC meeting would have spurred negotiations and provided more “oomph” – but there is little indication that the sheer force of his personality would have resolved the complex difficulties that hold up a deal. The negotiations have been closely held, triggering considerable concern about the TPP’s terms among groups not at the table. Draft sections have been leaked to Wikileaks and several memos found their way to the *Huffington Post* website, one of which shows the US as the outlier on many issues. The difficulties have not dented the Obama administration’s enthusiasm for an early conclusion of the TPP talks, however. The next round of meetings is scheduled for January. Meanwhile, there are glimmers of interest in China, South Korea, and Taiwan about joining the negotiations. There is little prospect of that before a deal is finalized, but those comments indicate a positive assessment of the TPP prospects and its terms.

Regional Comprehensive Economic Partnership. The second round of RCEP talks took place in Australia in September, the third round is scheduled for January 2014 in Malaysia, and a final deal is still on track to conclude by the end of 2015. RCEP is considered by many to be the Asian counter to the TPP. It is an Asia-only deal that includes the 10 ASEAN states and six of their dialogue partners (China, Japan, Korea, Australia, New Zealand, and India) and lowers its standards for the sake of greater inclusiveness. The official view is that TPP and RCEP are mutually reinforcing efforts to promote regional integration, although elements of competition are unmistakable.

World Trade Organization talks. TPP and RCEP are sub-optimal economic responses to the failure of the Doha round of World Trade Organization negotiations. Sub-optimal because global trade deals are always preferable to regional agreements and produce less distortion of trade. But both regional negotiations also have political purposes the WTO process does not address. (Some of those purposes are acknowledged – promotion of regional integration – while others are dark speculations – the TPP is an attempt to create a regional order that minimizes Chinese influence).

In the last month of 2013, WTO members agreed on a small package of trade measures that proved that Doha is not yet dead and stirred some hope for the larger negotiating framework. Representatives in Bali, Indonesia adopted measures to streamline trade, allow developing countries more options for ensuring food security, and boost developing countries' trade. The agreement was noteworthy for several reasons. First, it was the first ever from the WTO system, which was established in 1995. Second, it demonstrated important cracks among developing nations thought to be allied; the split between Brazil and India in particular is noteworthy.

Abe targets ASEAN

Noteworthy last year was Japanese Prime Minister Abe Shinzo's aggressive Southeast Asia diplomacy. During his first year in office, Abe visited every ASEAN member state and in December hosted a Japan-ASEAN Summit. The summit commemorated 40 years of partnership between Japan and ASEAN, a reminder that Southeast Asia has long figured prominently on the Japanese diplomatic agenda. Nevertheless, the Abe strategy seems to herald a new approach, one with two interconnected strands. The first is the prioritization of Southeast Asia above Japan's neighbors in Northeast Asia. The failure to make progress in relations with Beijing and Seoul has disillusioned the prime minister and encouraged him to focus his time and energy elsewhere. Second, aggressive outreach to Southeast Asia, in both the bilateral and multilateral context, is an attempt to raise Japan's regional profile and counter the view that Tokyo is a spent diplomatic force, or at least one that is relegated to second place behind China. In other words, Southeast Asia has become an arena for diplomatic competition with China. One compelling example is the Dec. 15 announcement of a new "strategic partnership" between Japan and Cambodia, a government that was lambasted two years ago as the handmaiden of Chinese interests in ASEAN. The new relationship was lubricated by the announcement of nearly ¥14 billion in infrastructure loans to Cambodia. While there is great reluctance to call this outright competition and no regional government wants to pick sides between Tokyo and Beijing, the battle for regional affections gives Southeast Asian governments more leverage and room to maneuver.

A 'regret' addressed

The success of Japanese attempts to raise its regional profile ultimately depends on how Tokyo is perceived by regional governments. That task became considerably harder on Dec. 26 when Prime Minister Abe made a surprise visit to Yasukuni Shrine, the site where the souls of those who fought for Japan – including convicted war criminals – are interred. The visit was a genuine surprise: there was no reason to go that day – it is no special occasion; Abe said he merely wanted to tell the souls of his accomplishments on the anniversary of his first year in office. Even close allies such as Liberal Democratic Party Secretary General Ishiba Shigeru and Komei party head Yamaguchi Natsuo heard about it only when the prime minister was en route to the shrine. On the other hand, Abe has repeatedly said that his failure to visit Yasukuni during his first term in office was one of his greatest regrets.

To be fair to Abe (without in any way condoning the visit), he made it clear that the purpose of his visit – heated allegations by others notwithstanding – was not to glorify Japan's past but to commit his administration to peace: "There is criticism based on the misunderstanding that a visit to Yasukuni Shrine is an act of worshiping war criminals. I came to report before the souls

of the war dead how my administration has worked over the past year. I came today to express my determination and pledge to build an era in which people will not suffer from the horrors of war.” Abe noted that he also visited Chinreisha Shrine, dedicated to those killed by wars worldwide from all countries: “To those who lost their lives in wars, I placed my hands together to pray for the repose of their souls and vowed to renounce war, with the resolve of building an era in which the people will never again suffer the ravages of war.” The message was clearly lost due to the venue where it was delivered.

The visit triggered predictable, powerful criticism from China and Korea. Less anticipated was the expression of “disappointment” by the United States because the visit would “exacerbate tensions with Japan's neighbors.” Some reporting suggests that the prime minister may have thought that the prospect of progress on the long-stalled move of Futenma Air Station in Okinawa – a deal was announced the day before the visit – would secure US acquiescence to the visit; if so, he miscalculated.

The question now is how severe the repercussions will be. Economist Richard Katz has argued that Beijing has attempted to insulate the Japan-China economic relationship from political winds; an editorial in China's famously nationalistic *Global Times*, which counseled against overreacting to the visit, suggests he may be right. Still, the visit indicates that Abe has lost patience with his neighbors and abandoned hope of finding common ground to forge a forward-looking relationship; at least, he figures the costs of not going are no longer worth paying. That may be a reasonable calculation from his perspective – at least as a conservative nationalist politician. Whether it serves Japan's national interest is another matter. Plainly, however, it frustrates US attempts to promote cooperation between its two Northeast Asian allies and makes even more sensitive any divergence between Washington and Tokyo when it comes to dealing with China. Among the key questions for the first months of 2014 is how the damage will be contained and whether he has done real harm to the US-Japan relationship.

2014 economic outlook

As always, much will depend on economic performance. The ability of regional governments to improve their citizens' lives is the starting point for political legitimacy, but growth pays other dividends, too. A rejuvenated economy will shift perceptions of US strength and resilience relative to that of China, as well as give President Obama additional leverage in domestic political debates. Prime Minister Abe's economic agenda is designed to provide a foundation for the reassertion of Japanese standing and influence. Growth also changes perceptions of the utility of trade deals.

The US outlook has brightened as a tepid recovery appears to take root. Unemployment has fallen to under 7 percent, and growth hit 4.1 percent in the third quarter of 2013. Final numbers aren't yet available, but housing markets appear to be recovering, exports are growing in tandem with inventories, all of which puts the consensus forecast of 2.5 percent growth for the year within reach. A budget deal struck at the end of 2013 could eliminate debilitating uncertainty – a similar agreement on raising the debt ceiling cannot be assumed – allowing the IMF, among others, to forecast 2.6 percent growth in 2014.

Japan had a good year in 2013 as Abenomics and a steadily depreciating yen boosted growth. The economy expanded a blistering 3.8 percent in the second quarter, but that pace slowed (as was inevitable). By year's end, GDP was expected to register growth of 1.1 percent over the year, down from an initial forecast of 1.9 percent. (In contrast the OECD in November forecast 1.8 percent growth in 2013.) The big question for Japan is whether the projected increase of the consumption tax from 5 percent to 8 percent will strangle the recovery. Most economists believe that there is enough momentum to sustain the expansion, but some fear that part of the growth in 2013 resulted from early purchases to avoid the new tax rate. The Bank of Japan is anticipating 1.4 percent growth for 2014, while the OECD forecast is slightly brighter at 1.5 percent.

China continues to moderate its glide path, with most predicting that the country will hit the official target of 7.5 percent growth this year. The OECD forecast is 7.7 percent for 2013, and 8.2 percent in 2014. Questions remain about the reliability of Chinese statistics and the ability of the government to continue to check unbridled expansion, but the recovery in the US bodes well for an economy that remains heavily dependent on exports.

Regional Chronology September – December 2013*

Sept. 3, 2013: The Philippines accuses China of constructing concrete structures within its territory in the Scarborough Shoal (Philippines: Panatag Shoal; Chinese: Huangyan Island).

Sept. 3-6, 2013: Tenth China-ASEAN Expo is held in Nanning. China's Premier Li Keqiang proposes an expanded version of the China-ASEAN FTA to enhance regional economic ties.

Sept. 5-6, 2013: G20 Leaders Summit is held in St. Petersburg.

Sept. 7-11, 2013: South Korea's President Park Geun-hye visits Vietnam and meets President Truong Tan Sang. They sign seven cooperation agreements strengthening bilateral trade.

Sept. 9-13 2013: US Special Representative for North Korea Policy Glyn Davies visits South Korea, China, and Japan to discuss China's proposal to restart Six-Party Talks.

Sept. 9-13, 2013: The ASEAN Defense Ministers Meeting Plus Counter-Terrorism Exercise is held in Indonesia, involving 10 ASEAN members and eight partner nations.

Sept. 11-13, 2013: Singapore's Prime Minister Lee Hsien Loong visits Vietnam and meets Prime Minister Nguyen Tan Dung and President Truong Tan Sang. They advance bilateral relations to a strategic partnership.

Sept. 14-15, 2013: China and ASEAN hold Sixth Senior Officials Meeting on Implementation of the Declaration on the Conduct of Parties in the South China Sea and discuss establishment of a formal code of conduct.

* Chronology compiled by Pacific Forum CSIS intern Heather Heffner

Sept. 15-19, 2013: Japanese Defense Minister Onodera Itsunori visits Vietnam and Thailand to discuss bilateral maritime security. He meets Vietnam's Prime Minister Nguyen and Thailand's Prime Minister Yingluck Shinawatra.

Sept. 18, 2013: Tony Abbott is sworn in as Australia's 28th prime minister.

Sept. 18-20, 2013: Singapore's President Tony Tan Keng Yam visits Malaysia and meets Prime Minister Najib Razak and Sultan Abdul Halim.

Sept. 18-Oct. 9, 2013: US and Philippines conduct the annual *Bilateral Amphibious Landing Exercise (PHIBLEX)* in and around the Philippines.

Sept. 19-21, 2013: China's Foreign Minister Wang Yi visits the US and meets Vice President Joe Biden, Secretary of State John Kerry, and other senior US officials.

Sept. 21, 2013: North Korea indefinitely postpones planned family reunions for those separated during the Korean War until "a normal atmosphere is created for dialogue and negotiations."

Sept. 23-27, 2013: Japan's Prime Minister Abe Shinzo visits Canada and the US. He meets Canada's Prime Minister Stephen Harper and attends the UN General Assembly.

Sept. 23-28, 2013: Annual general debate of the UN General Assembly is held in New York.

Sept. 24, 2013: Hun Sen is sworn in as Cambodia's prime minister for five more years despite opposition party boycott.

Sept. 25, 2013: Taiwan receives the first of 12 refurbished *P-3C Orion* anti-submarine aircraft from the US based on a 2007 agreement. The remaining aircraft will be delivered by 2015.

Sept. 25-30, 2013: Indian Prime Minister Manmohan Singh visits the US. He meets President Obama in Washington and addresses the UN General Assembly in New York.

Sept. 28-Oct. 4, 2013: US Secretary of Defense Chuck Hagel visits South Korea and Japan.

Sept. 30-Oct. 1, 2013: Australia's Prime Minister Tony Abbott visits Indonesia and meets President Susilo Bambang Yudhoyono. They agree to set up a bilateral framework to address the issue of asylum seekers.

Oct. 1-2, 2013: US and Philippines conduct fourth round of talks on increased rotational presence of the US military in the Philippines.

Oct. 1-12, 2013: US Secretary of State John Kerry visits Japan to participate in the US-Japan Security Consultative Meeting. He also visits Indonesia to attend APEC meetings and Brunei to attend ASEAN-related meetings, filling in at both stops for President Obama. He also visits Malaysia where he addresses the Global Entrepreneur Summit in place of Obama.

Oct. 1-8, 2013: Asia-Pacific Economic Cooperation (APEC)-related meetings including the Ministerial Meeting and Economic Leaders Meeting are held in Bali.

Oct. 2-3, 2013: US-Japan Security Consultative Meeting (2+2) is held in Tokyo.

Oct. 2-6, 2013: China's President Xi Jinping visits Southeast Asia for the first time since assuming office in March 2013, with stops in Malaysia for bilateral talks and Indonesia for the APEC Economic Leaders Meeting.

Oct. 8, 2013: South Korea's National Intelligence Service releases report stating North Korea's Yongbyon nuclear reactor was restarted in August 2013.

Oct. 9-10, 2013: US, South Korea, and Japan conduct a trilateral naval search and rescue exercise near the southern coast of Korea. North Korea condemns the exercise.

Oct. 9-10, 2013: ASEAN-related meetings including the 23rd ASEAN Summit, the 16th ASEAN+3 Summit, and the 8th East Asia Summit are held in Brunei.

Oct. 9-15, 2013: China's Premier Li visits Brunei, Thailand, and Vietnam.

Oct. 10-12, 2013: South Korean President Park visits Indonesia and meets President Yudhoyono. They agree to establish a special economic zone for South Korean firms.

Oct. 14-20, 2013: Australian Foreign Minister Julie Bishop visits Japan, South Korea, and Hong Kong. She meets Foreign Ministers Kishida Fumio and Yun Byung-se.

Oct. 16-19, 2013: ASEAN Secretary General Le Luong Minh visits China and meets Foreign Minister Wang Yi.

Oct. 17-18, 2013: Philippine President Benigno Aquino visits South Korea and meets President Park. The defense ministers sign a Memorandum of Understanding on bilateral defense.

Oct. 18-20, 2013: Two Japanese Cabinet members visit Yasukuni Shrine during the Annual Autumn Festival. China and South Korea condemn the visits.

Oct. 18-28, 2013: Chinese People's Liberation Army (PLA) Navy conducts *Maneuver 5* maritime exercise involving all three PLAN fleets in the Western Pacific.

Oct. 20-24, 2013: India's Prime Minister Manmohan Singh visits Russia and China. He meets President Vladimir Putin and Premier Li. He signs nine bilateral agreements with China including the Border Defense Cooperation Agreement, which pledges neither side will use military means to attack patrols along the border.

Oct. 21-23, 2013: Indonesian Foreign Minister Marty Natalegawa visits North Korea and meets Foreign Minister Pak Ui Chun. They agree to expand trade ties.

Oct. 22-23, 2013: Russia's Prime Minister Dmitry Medvedev visits China and meets President Xi and Premier Li. They sign 21 bilateral cooperation agreements.

Oct. 22-25, 2013: Mongolian Prime Minister Norov Altankhuyag visits China and meets President Xi and Premier Li. They agree to advance their strategic partnership.

Oct. 26, 2013: US Korean War veteran Merrill Edward Newman is arrested in North Korea for being a "war criminal" and "infringing upon the dignity and sovereignty of the DPRK and slandering its socialist system."

Oct. 28, 2013: New Zealand Defense Minister Jonathan Coleman meets Defense Secretary Chuck Hagel in Washington. They agree to resume bilateral military cooperation, which has been suspended for nearly three decades.

Oct. 29-30, 2013: Malaysian Defense Minister Hishammuddin Hussein visits China and meets Defense Minister Chang Wanquan. They vow to increase military ties.

Oct. 30-31, 2013: India's Army Chief General Bikram Singh visits Myanmar and meets President Thein Sein. They discuss border security and bilateral military cooperation.

Oct. 31, 2013: China claims that a Japanese Maritime Self-Defense Force vessel interfered with a Chinese *Maneuver 5* naval exercise taking place in the West Pacific Ocean.

Oct. 31-Nov 1, 2013: Malaysia's Defense Minister Hishammuddin Hussien visits Vietnam and meets Defense Minister Phung Quang Thanh.

Nov. 1-2, 2013: Russian and Japanese foreign and defense ministers meet in Tokyo. They agree to vice-ministerial talks on the South Kuril Island/Northern Territories in January 2014.

Nov. 4-8, 2013: China's Special Representative for Korean Peninsula Affairs Wu Dawei visits North Korea to discuss possible resumption of Six-Party Talks.

Nov. 4-29, 2013: New Zealand hosts *Exercise Southern Katipo* involving air, maritime, and ground forces, from nine countries. The exercise includes the aerial-specific *Exercise Kiwi Flag 2013* (Nov. 6-29) with air forces from Singapore, US, France, Australia, and New Zealand.

Nov. 5-11, 2013: China-Indonesia bilateral military exercise *Sharp Knife Airborne 2013* is held in Bandung.

Nov. 5-14, 2013: China and India conduct bilateral *Hand-in-Hand 2013* army exercise in China's Sichuan Province.

Nov. 7, 2013: South Korea's Deputy Minister for Political Affairs Lee Kyung-soo, China's Vice Minister of Foreign Affairs Liu Zhenmin, and Japan's Asia Bureau Director General Sugiyama Shinsuke meet in Seoul to promote trilateral cooperation.

Nov. 7-21, 2013: Five Power Defense Arrangements' *Exercise Bersama Lima 2013* is held in Malaysia, involving air and maritime drills with participants from Malaysia, Singapore, New Zealand, Australia, and the United Kingdom.

Nov. 8, 2013: Australia's Defense Minister David Johnston visits Indonesia and meets Defense Minister Purnomo Yusgiantoro.

Nov. 8-11, 2013: Typhoon *Haiyan* moves through the Philippines, Vietnam, and Southern China.

Nov. 10, 2013: China, Russia, and India Foreign Ministers Meeting is held in New Delhi.

Nov. 12-13, 2013: Russian President Vladimir Putin visits Vietnam and South Korea and meets Presidents Truong Tan San and Park Geun-hye. South Korea agrees to participate in the joint-Rajin-Khasan railroad project with Russia and North Korea.

Nov. 12-14, 2013: China-US humanitarian assistance and disaster relief military exercise is held in Oahu, Hawaii.

Nov. 15, 2013: Caroline Kennedy begins her tenure as US ambassador to Japan.

Nov. 15, 2013: Myanmar releases 69 more political prisoners and promises the remainder of the estimated 80 such prisoners will be released by the end of the year.

Nov. 15-17, 2013: Japanese Prime Minister Abe visits Cambodia and Laos. He signs a military agreement with Cambodia's Prime Minister Hun Sen to allow Japanese forces to train Cambodian personnel. He also meets Laos's Prime Minister Thongsing Thammavong.

Nov. 17-19, 2013: Chinese State Councilor Yang Jiechi visits South Korea and meets National Security Advisor Kim Jang-soo to discuss regional security. He also meets President Park and Foreign Minister Yun Byung-se.

Nov. 18-29, 2013: Mongolian President Tsakhiagiin Elbegdorj makes an extended visit to Southeast Asia with stops in Myanmar, Vietnam, Singapore, and Hong Kong.

Nov. 19-24, 2013: Negotiators from 12 members of the Trans-Pacific Partnership (TPP) meet in Salt Lake City.

Nov. 19-25, 2013: US Special Representative for North Korea Policy Glyn Davies visits China, South Korea, and Japan to discuss resumption of Six-Party Talks.

Nov. 20, 2013: The 2013 Australia-United States Ministerial Consultations (AUSMIN) on strengthening bilateral defense and security cooperation is held in Washington.

Nov. 23, 2013: China announces establishment of its East China Sea Air Defense Identification Zone (ADIZ) that includes the Diaoyu (Japan: Senkaku) Islands and Suyan Rock (Socotra Rock; South Korea: Ieo-do). Japan, South Korea, Taiwan, and US lodge protests.

Nov. 24-30, 2013: New Zealand's Defense Minister Jonathan Coleman visits Vietnam and China to broaden and formalize bilateral defense cooperation.

Nov. 26-29, 2013: South Korea, China, and Japan hold third round of trilateral free trade agreement talks in Seoul.

Nov. 26-Dec. 31, 2013: Chinese aircraft carrier *Liaoning* accompanied by several escort ships conducts military exercises in the South China Sea.

Nov. 30, 2013: Japan asks the International Civil Aviation Organization to investigate the impact of China's East China Sea ADIZ on aviation safety.

Dec. 1-8, 2013: Vice President Joe Biden visits Asia. He stops in Japan, China, and South Korea.

Dec. 4-6, 2013: Myanmar President Thein Sein visits the Philippines and meets President Aquino.

Dec. 5, 2013: *USS Cowpens*, a guided missile cruiser, is forced to maneuver to avoid collision with a Chinese PLA Navy ship in the South China Sea.

Dec. 5-7, 2013: Australia's Foreign Minister Julie Bishop visits Indonesia and China. Foreign Minister Marty Natalegawa asks Australia to sign a "code of conduct" on intelligence practices. Bishop attends the China-Australia Foreign and Strategic Dialogue.

Dec. 6, 2013: North Korea releases US Korean War veteran Merrill Newman from custody.

Dec. 6-7, 2013: Annual China-Australia Foreign and Strategic Dialogue is held in Beijing.

Dec. 7-10, 2013: Trade ministers from the 12 countries negotiating the Trans-Pacific Partnership (TPP) trade deal meet in Singapore, but fail to reach agreement on several issues.

Dec. 8, 2013: South Korea expands its KADIZ southward to include Mara-do, Hong-do, and Ieo-do to take effect Dec. 15. China "regrets" South Korea's decision.

Dec. 8-9, 2013: South Korea, the US, and UK conduct a trilateral naval exercise off Busan.

Dec. 8-21, 2013: Fourth China-Thailand antiterrorism military exercise *Strike-2013* involving Special Forces from both countries is held in Thailand.

Dec. 9, 2013: Prime Minister Shinawatra dissolves Thailand's Parliament and calls for new elections amid widespread antigovernment protests.

Dec. 9, 2013: Philippine government and the Moro Islamic Liberation Front (MILF) sign the power-sharing annex (the third of four) to the Framework Agreement on the Bangsamoro.

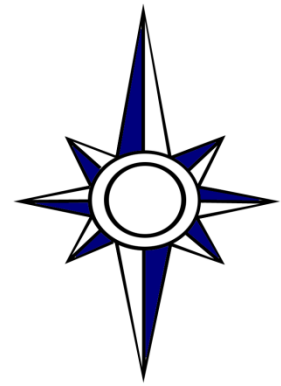
Dec. 10-15, 2013: Singapore's Prime Minister Lee Hsien Loong visits South Korea and Japan. He meets President Park and Prime Minister Abe.

Dec. 12, 2013: India's Deputy Consul General in New York Devyani Khobragade is arrested for making false declarations on a visa application for her Indian domestic worker and breaking US law by paying her employee below the minimum wage.

Dec. 12-14, 2013: The ASEAN-Japan Commemorative Summit and the fifth Mekong-Japan Summit are held in Tokyo. Japan announces \$20 billion in loans and grants to ASEAN countries that will be disbursed over five years. It also announces an expansion of the Japan-ASEAN Integration Fund aimed at economic integration of Southeast Asian countries.

Dec. 14-18, 2013: US Secretary of State Kerry visits Vietnam and the Philippines.

Dec. 26, 2013: Japanese Prime Minister Abe visits Yasukuni Shrine, drawing immediate condemnation from China and South Korea. The US expresses disappointment with the visit.



US-Japan Relations: Big Steps, Big surprises

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Prime Minister Abe continued to focus on the economy but also introduced diplomatic and defense strategies as his first year in office came to a close. The US and Japanese governments participated in TPP trade negotiations and bilateral talks but could not resolve differences on agricultural liberalization and market access for automobiles. A meeting of the bilateral Security Consultative Committee set forth priorities for defense cooperation, and China's announcement of its East China Sea ADIZ put bilateral coordination to the test. The governor of Okinawa approved a landfill permit for the Futenma Replacement Facility on Okinawa, establishing some momentum for the realignment of US forces there. Prime Minister Abe's visit to Yasukuni Shrine disappointed the Obama administration and sparked major debate in the US, but was not expected to upend bilateral diplomacy.

Abe's policy agenda takes shape

After introducing the three "arrows" of "Abenomics" – fiscal stimulus, monetary easing, and an outline for a "growth strategy," or structural reform – earlier in the year, Prime Minister Abe Shinzo was greeted with revised growth numbers in September suggesting that real GDP growth totaled 3.8 percent in the second quarter and news from the Cabinet Office that business investment had turned positive for the first time since the fourth quarter of 2011. He then announced on Oct. 1 that economic conditions were sufficiently robust to proceed with an incremental increase in the consumption tax from 5 to 8 percent beginning in April 2014 per legislation passed last year to shore up public finances. To counter any potential economic headwinds the tax increase might produce, Abe vowed to introduce new stimulus measures including corporate tax cuts and reiterated his commitment to structural reform and deregulation as engines of growth. Japan's tough stance on agricultural liberalization in the context of the Trans-Pacific Partnership (TPP) trade negotiations (more below) and a decision by the government to restrict online sales of over-the-counter drugs prompted some analysts to warn of potential backsliding on reform, but Abe remained steadfast in declaring his commitment to press forward. The government passed a \$182 billion stimulus package in December with an estimated economic impact of 1 percent of real GDP and 250,000 jobs created.

Prime Minister Abe also outlined his vision for Japanese diplomacy in an address to the United Nations General Assembly in late September. His remarks covered a range of issues beginning with Japan's condemnation of the use of chemical weapons by the Assad regime in Syria and a pledge of support for refugees to developments in East Asia and the Middle East. Abe also devoted considerable attention to women's empowerment both domestically and in the context of Japan's development agenda. In an encore to the "Japan is back" theme that anchored his visit to

Washington back in February, Abe used this opportunity to speak more broadly of Japan's leadership role in the world as a "proactive contributor to peace," recognizing that leadership abroad depends on economic growth at home.

The Abe national security agenda also featured prominently with implications for the US-Japan alliance. The Diet approved legislation establishing Japan's first National Security Council to be housed in the Prime Minister's Office for the purpose of centralizing policy coordination and facilitating communication with the United States and other partners. This was followed by Japan's first National Security Strategy, which outlines priorities for strengthening Japan's own security, the US-Japan alliance, cooperation with other regional partners, and Japan's leadership globally. The Abe Cabinet also approved new National Defense Program Guidelines (NDPG), further developing plans for the defense of Japan's southwest islands outlined under the rubric of "dynamic defense" in the previous NDPG of December 2010; emphasizing the need to promote the integration of Japan's Self-Defense Forces ("building a dynamic joint defense force") and jointness and interoperability with US forces; and identifying priorities such as amphibious capabilities, intelligence, surveillance and reconnaissance (ISR), ballistic missile defense, and space and cyber defense. The document stopped short of declaring the need for indigenous strike capability to deter the North Korean missile threat, which appeared in earlier drafts, but did make vague reference to this issue as an item for future consideration in the context of strengthening deterrence. The NDPG was accompanied by a Midterm Defense Plan (MTDP) which outlines procurement priorities (primarily air and naval assets) and a 5 percent increase in defense spending over the next five years. Finally, the government strong-armed a bill through the Diet aimed at protecting classified information by stiffening penalties against civil servants for leaks. The bill sparked controversy and was decried in public protests as a retreat from transparency; one survey released in December shortly after it passed revealed 82 percent of the public wanted the law revised or abolished. The outcry over the secrecy law was attributed to a decline in Abe's public approval rating to below 50 percent in some polls but the Abe government held firm under the assumption that improved economic conditions would secure his political footing heading into 2014.

The bilateral agenda

The economic pillar of the US-Japan relationship continued to garner significant attention as both governments participated in a series of TPP trade negotiations and bilateral talks in parallel. Japan's desire to exempt five sensitive agricultural products – rice, wheat, beef and pork, dairy, and sugar – from tariff reductions proved particularly contentious in the TPP context and ongoing disagreements over market access issues for US automobiles animated the bilateral discussions. The failure of the 12 TPP countries to reach an agreement by the end of the year raised questions about the timeline for concluding negotiations, though the parties noted in a joint statement in December that "significant" progress had been made and that talks would continue next year. Also uncertain were the prospects for congressional approval of Trade Promotion Authority (TPA), which would subject any final agreement on TPP to a simple up-or-down vote and hence strengthen the US position in the negotiations. The politics of trade in Tokyo and Washington appeared to complicate bilateral economic dialogue, but the two sides were expected to press on given the economic and strategic significance of Japan's participation in TPP for establishing rules and norms for trans-Pacific economic integration.

The two governments also made great strides in bilateral security cooperation, convening a meeting of the Security Consultative Committee (SCC) or “2+2” in Tokyo in October. Secretary of State John Kerry, Secretary of Defense Chuck Hagel, Foreign Minister Kishida Fumio, and Defense Minister Onodera Itsunori issued a joint statement reaffirming the importance of the alliance and announced that the two governments would review the Guidelines for US-Japan Defense Cooperation, last updated in 1997, to reflect changes in the regional and global security environment. The statement also listed several priorities for cooperation including ballistic missile defense, space and cyber defense, joint ISR activities, dialogue on extended deterrence, joint training and exercises, the realignment of US forces on Okinawa, and trilateral and multilateral security cooperation. The four officials also signed a protocol amending the 2009 Guam International Agreement, offering additional details regarding the realignment of US forces from Okinawa to Guam.

Secretary Kerry and Minister Kishida then met with their Australian counterpart, Julie Bishop, to convene the Trilateral Security Dialogue (TSD) on the margins of the Asia Pacific Economic Cooperation (APEC) summit in Bali. The three governments issued a joint statement addressing the situation in Syria, North Korea’s nuclear and missile programs, opposition to any unilateral or coercive actions that could change the status quo in the East China Sea and the importance of freedom of navigation in the South China Sea, clear responses to increased Chinese assertiveness in the maritime domain. The US and Japanese governments also conducted a fifth round of trilateral dialogue with India in Tokyo in November as well as a US-Japan-ROK consultation on North Korea in Washington.

ADIZ

China’s Nov. 23 declaration of its East China Sea Air Defense Identification Zone (ADIZ) elicited formal protests from the Abe government and statements of concern from Secretary of State Kerry and Defense Secretary Hagel reiterating steadfast US support for allies and partners in the region, and in Hagel’s case, reaffirming US policy that Article V of the US-Japan Security Treaty applies to the Senkaku Islands. The US military then flew two *B-52* bombers into China’s ADIZ to demonstrate freedom of navigation in international airspace and signal opposition to Chinese attempts at coercion. If the ADIZ announcement was designed to test the vitality of the US-Japan alliance, the consistent responses from Washington and Tokyo, firm but restrained, suggested China would fail to detect and exploit any differences between the allies. But in what appeared to be a gap in bilateral coordination, the Abe government urged Japanese commercial airlines not to file flight plans with Beijing in advance of entering the ADIZ, while the State Department issued a statement encouraging US commercial airlines to comply with Beijing’s request though noting that this did not indicate acceptance of China’s requirements for operating in the ADIZ. Vice President Joe Biden visited Japan shortly thereafter and reaffirmed the need to coordinate further on the ADIZ in a meeting with Prime Minister Abe. Biden reiterated US concerns about China’s attempt to unilaterally change the status quo in the East China Sea during a joint press conference with Abe and stressed the need for crisis management mechanisms between Japan and China to reduce the risk of escalation. Abe and Biden also discussed bilateral cooperation on global issues and issued a fact sheet on humanitarian assistance and disaster relief, development assistance, and global security including a

commitment to Syria, Middle East Peace, and maritime security. The ADIZ announcement highlighted the importance of constant coordination on regional security cooperation to prevent Beijing from concluding it can drive a wedge between Japan and the US as it attempts to defend its sovereignty claims.

Futenma relocation

On Dec. 27, Okinawa Gov. Nakaima Hirokazu announced the approval of a landfill permit that would pave the way for the construction of the Futenma Replacement Facility (FRF) at Henoko and the closure of Marine Corps Air Station Futenma, located in the heavily populated area of Ginowan in central Okinawa. The decision came 17 years after the bilateral Special Action Committee on Okinawa (SACO) first agreed to relocate Futenma and contravened longstanding local opposition to the plan and a preference that the new facility be constructed outside Okinawa prefecture. This positive news coincided with the approval by the US Congress of the 2014 National Defense Authorization Act, signed by President Obama on Dec. 26, repealing the prohibition of funding for the relocation of US Marines from Okinawa to Guam that had been in place since 2012, indicating sufficient progress has been made in the bilateral planning process to satisfy congressional concerns about cost and implementation. While further hurdles lie ahead for FRF, these positive developments served to facilitate the realignment process and allow the two governments to focus more attention on joint training and regional capacity building initiatives in line with their respective defense strategies.

Yasukuni

Prime Minister Abe's Dec. 26 visit to the Yasukuni Shrine, where Japan's war dead including 14 Class-A war criminals are memorialized, prompted a statement from the US Embassy in Tokyo expressing disappointment with "an action that will exacerbate tensions with Japan's neighbors" and hopes that Japan will find constructive ways to address sensitive history issues and improve relations with South Korea and China. The visit temporarily diverted the attention of the international community away from Abe's economic and diplomatic agenda and revived a narrative of resurgent nationalism and revisionism under his rule that was prevalent when he returned to power a year ago. Though disappointed in Abe's decision to visit the shrine, the Obama administration has an interest in preventing history from becoming the defining narrative for the US-Japan alliance. Abe has delivered on important issues such as defense strategy, TPP, and Okinawa, which should enable the two governments to move on and focus on the future of the relationship. Of course, much will depend on how Tokyo handles Yasukuni and other sensitive history issues in the months ahead.

Public opinion

In December, *Yomiuri Shimbun* and *Gallup* issued a joint public opinion survey on foreign policy issues revealing interesting observations on US-Japan relations and the rise of China. Eighty-seven percent of Japanese surveyed felt Japan-China relations are not good and 78 percent considered China a military threat, compared to 62 percent in the United States. (The survey was taken shortly after China declared the ADIZ.) Fifty-five percent of Americans think China will become more important politically for the US compared with only 40 percent who

chose Japan. In contrast, 65 percent say Japan can be trusted compared to 32 percent who say the same about China. Respondents in the US and Japan expressed great confidence in their militaries (91 and 78 percent, respectively) and the US military and Japan Self-Defense Forces are the most trusted institutions in both countries. Perhaps reflecting the challenges in advocating trade liberalization, only 35 percent of Americans and 33 percent of Japanese thought TPP would be good or somewhat good for their country. One troublesome dimension of US-Japan relations is the state of Japan-Korea ties. A record 72 percent of Japanese respondents said they did not trust South Korea compared with only 41 percent of Americans who felt that way. Tension between Tokyo and Seoul could encourage China to attempt to drive a wedge between Washington's closest allies.

The new year

The Obama administration will seek to obtain Trade Promotion Authority from Congress while trying to sustain momentum in the TPP negotiations. Meanwhile, the agriculture lobby in Japan could pressure the Abe government to continue insisting on exemptions for sensitive products and weaken the prospects for TPP as an engine of domestic economic reform. Japan will debate whether to exercise the right of collective self-defense with clear implications for the review of the bilateral defense guidelines and defense cooperation writ large. The two governments will continue to keep a close eye on North Korea and Chinese activities in the East China Sea. Bilateral agenda-setting should continue apace with an eye toward a presidential visit to Japan in the spring.

Chronology of US-Japan relations September – December 2013

Sept. 3, 2014: President Barack Obama and Prime Minister Abe Shinzo agree in a telephone conversation to work closely to improve the situation in Syria.

Sept. 5, 2013: Obama and Abe discuss security issues including Syria and North Korea, the Trans-Pacific Partnership (TPP) trade negotiations, and other issues in a meeting on the margins of the G20 summit in St. Petersburg, Russia.

Sept. 5, 2013: State Department releases fact sheet on economic and strategic imperatives of TPP.

Sept. 7, 2013: International Olympic Committee selects Tokyo to host the 2020 Olympic Games.

Sept. 7-9, 2013: Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel meets officials in Tokyo to discuss a range of bilateral, regional, and global issues.

Sept. 9, 2013: Cabinet Office of Japan revises estimates for second quarter real GDP growth upward from 2.6 to 3.8 percent and reports that business investment turned positive for the first time since the fourth quarter of 2011.

Sept. 10, 2013: Assistant Secretary of State for International Narcotics and Law Enforcement Affairs William Brownfield meets officials in Tokyo to discuss bilateral and international cooperation on rule of law issues.

Sept. 11, 2013: Komeito leader Yamaguchi Natsuo meets Deputy Secretary of State William Burns and other US officials regarding the US-Japan alliance and regional issues.

Sept. 15, 2013: *Kyodo News* survey finds 46.8 percent of the public favors an increase in the consumption tax while 50 percent disapprove.

Sept. 18-21, 2013: Chief negotiators for the 12 TPP countries convene in Washington, DC.

Sept. 19, 2013: *Yomiuri Shimbun* survey posts a 67 approval rating for the Abe Cabinet.

Sept. 25, 2013: Prime Minister Abe discusses his economic policies at the New York Stock Exchange and outlines his vision for Japan as a “proactive contributor to peace” in a separate address to the Hudson Institute in New York City.

Sept. 26, 2013: Abe addresses the United Nations General Assembly to outline his diplomatic agenda across a range of issue areas including women’s empowerment.

Sept. 26, 2013: US and Japanese governments reach an agreement on trade in organic foods, noting that beginning in January 2014 foods certified as organic in Japan or the US can be sold as organic in either country.

Sept. 30-Oct. 1, 2013: US and Japanese negotiators meet in Tokyo for the second round of bilateral trade negotiations taking place in parallel to TPP negotiations.

Oct. 1, 2013: Prime Minister Abe announces a decision to increase the consumption tax from 5 to 8 percent beginning in April 2014.

Oct. 3, 2013: Secretary of State John Kerry, Foreign Minister Kishida Fumio, Secretary of Defense Chuck Hagel, and Defense Minister Onodera Itsunori convene in Tokyo for a Security Consultative Committee (SCC) or “2+2” meeting and issue a joint statement outlining priorities for the US-Japan alliance. They also sign a protocol amending the 2009 Guam International Agreement regarding the realignment of US forces in Japan.

Oct. 3, 2013: Kerry and Hagel pay their respects at Chidorigafuchi, a cemetery in Tokyo for the remains of unidentified Japanese who died overseas during World War II.

Oct. 4, 2013: Kerry, Kishida, and Australian Foreign Minister Julie Bishop convene for a ministerial of the US-Japan-Australia Trilateral Strategic Dialogue on the margins of the Asia Pacific Economic Cooperation (APEC) summit in Bali, Indonesia.

Oct. 4, 2013: Deputy Secretary of State William Burns discusses the US-Japan relationship in an address to the US-Japan Council in Washington, DC.

Oct. 16, 2013: US Senate approves the nomination of Caroline Kennedy as ambassador to Japan.

Oct. 18, 2013: *Jiji Press* poll yields a 55.8 percent approval rating for the Abe Cabinet. Forty-seven percent of respondents approve of Prime Minister Abe visiting the Yasukuni Shrine.

Oct. 21-23, 2013: US and Japanese negotiators meet in Washington for the third round of bilateral trade talks conducted in parallel with the TPP negotiations.

Oct. 28, 2013: Abe Cabinet approval rating stands at 60 percent according to a *Kyodo News* survey. Fifty percent of the Japanese public opposes a bill to stiffen penalties for leaking classified information.

Nov. 7, 2013: Special Representative for North Korea Policy Glyn Davies, Special Representative for Korean Peninsula Peace and Security Affairs Cho Tae-yong, and Ministry of Foreign Affairs Director General for Asian and Oceanian Affairs Junichi Ihara meet in Washington, DC for a trilateral dialogue on North Korea.

Nov. 24-25, 2013: Special Representative for North Korea Policy Davies visits Tokyo for consultations on North Korea policy.

Nov. 18, 2013: US Ambassador to Japan Caroline Kennedy presents her credentials to Emperor Akihito in Tokyo.

Nov. 19-24, 2013: Chief negotiators for the 12 TPP countries meet in Salt Lake City, Utah, to address outstanding issues.

Nov. 23, 2013: Defense Secretary Hagel and Secretary of State Kerry each issue statements expressing concern about China's announcement of an East China Sea Air Defense Identification Zone (ADIZ).

Nov. 26, 2013: Japanese government asks Japanese commercial airlines not to submit flight plans to Chinese authorities as requested by China when it announced an East China Sea ADIZ.

Nov. 26, 2013: US sends two *B-52* bombers into China's ADIZ to demonstrate freedom of navigation in international airspace.

Nov. 27, 2013: Japanese Diet approves legislation establishing a National Security Council in the Prime Minister's Office.

Nov. 27, 2013: Defense Secretary Hagel and Defense Minister Onodera discuss the situation in the East China Sea during a telephone call.

Nov. 29, 2013: State Department states that the US government generally expects commercial airlines operating internationally to operate consistent with Notices to Airmen (NOTAMs), but that this expectation does not indicate US government acceptance of China's requirements for operating in the East China Sea ADIZ.

Dec. 1, 2013: *Asahi Shimbun* survey indicates a 49 percent approval rating for the Abe Cabinet.

Dec. 3, 2013: Vice President Joe Biden meets Prime Minister Abe in Tokyo and reaffirms bilateral coordination on China's ADIZ. Abe and Biden also issue a joint statement outlining other initiatives on the bilateral agenda.

Dec. 5, 2013: Japanese government announces a \$182 billion economic stimulus package.

Dec. 6, 2013: Legislation stiffening penalties for leaks of classified information passes the Diet.

Dec. 9, 2013: *Kyodo News* survey finds 82 percent of the Japanese public wants the new secrecy of information law revised or abolished.

Dec. 10, 2013: Ministers and heads of delegation for the 12 TPP countries finish a four-day ministerial in Singapore and announce "substantial progress" towards an agreement with a pledge to continue discussions in January 2014.

Dec. 15, 2013: *Yomiuri Shimbun* and *Gallup* publish an annual survey of US and Japanese views on US-Japan relations and other issues.

Dec. 17, 2013: Abe Cabinet approves the country's first National Security Strategy as well as new National Defense Program Guidelines and Midterm Defense Plan.

Dec. 20, 2013: 2014 National Defense Authorization Act (NDAA) including the repeal that prohibits funding for the realignment of US Marines from Okinawa to Guam clears the Senate.

Dec. 25, 2013: US and Japan announce bilateral consultations toward a framework regarding environmental stewardship of US military facilities and areas in Japan.

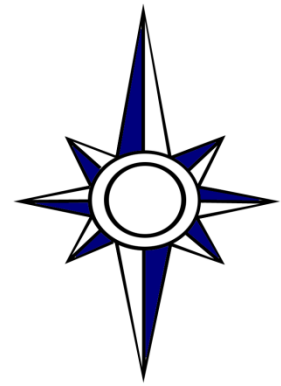
Dec. 26, 2013: Prime Minister Abe visits Yasukuni Shrine in Tokyo. US Embassy in Tokyo issues a statement expressing disappointment and urging Japan and its neighbors to deal with sensitive issues of the past in constructive ways and improve relations.

Dec. 26, 2013: President Obama signs the 2014 NDAA bill.

Dec. 27, 2013: Okinawa Gov. Nakaima Hirokazu approves a landfill permit for the Futenma Replacement Facility at Henoko.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-China Relations:

Biden Visits China amid ADIZ Fracas

Bonnie Glaser, CSIS/Pacific Forum CSIS
Jacqueline Vitello, CSIS

Bilateral interactions in the final months of 2013 were characteristically active. Secretary of State John Kerry attended the APEC Economic Leaders Meeting and the East Asia Summit in President Obama's place, and met President Xi Jinping and Premier Li Keqiang. There were several military exchanges, including the first-ever live drill involving members of the US and Chinese armed forces. A week after the Chinese military announced the establishment of its East China Sea Air Defense Identification Zone (ADIZ), which rattled the region, Vice President Biden visited China along with Japan and South Korea. Vice Premier Liu Yandong visited the US for the Fourth China-US High Level Consultation on People-to-People Exchange. On the economic front, the 24th Joint Commission on Commerce and Trade (JCCT) was held in Beijing. The long anticipated CCP Third Plenum delivered a blueprint of sweeping reforms. US and Chinese navy ships got within 100 yards of each other in yet another close call.

China announces East China Sea ADIZ

On Nov. 23, just nine days before Vice President Joe Biden's planned visit to Japan, China, and South Korea, China's Ministry of National Defense (MND) announced an East China Sea ADIZ. About half of the area overlaps with Japan's ADIZ and covers the Senkaku/Diaoyu Islands that are disputed between China and Japan. A small area of China's ADIZ also overlaps with the ADIZs of South Korea and Taiwan. In proclaiming the ADIZ, China's MND issued a set of requirements for foreign aircraft operating in the zone. All such aircraft, it said, are required to report their flight plan to China, maintain two-way radio communication, keep on their air traffic control radar beacon system transponder, display insignia, and follow instructions. If Chinese regulations are violated, the MND warned that the Chinese military would adopt "emergency defensive measures."

The reaction from Washington was swift. Two statements were issued that same day, one by Secretary of Defense Chuck Hagel and the other by Secretary of State John Kerry. Hagel's statement described the announcement of an ADIZ in the East China Sea as "a destabilizing attempt to alter the status quo in the region" which "increases the risk of misunderstanding and miscalculation." In addition, it declared that the conduct of US military operations in the region would not change and reaffirmed longstanding US policy that Article V of the US-Japan Mutual Defense Treaty applies to the disputed islands between Japan and China in the East China Sea.

Kerry's statement also charged that China's unilateral action was an attempt to change the status quo and warned that "Escalatory action will only increase tensions in the region and create the risks of an incident." It stated that freedom of overflight and lawful use of sea and airspace are

“essential to prosperity, stability, and security in the Pacific.” Noting that US ADIZ procedures do not apply to foreign aircraft not intending to enter US national airspace, Kerry called on China to not implement its threat to take action against aircraft that violate China’s regulations.

To underscore its opposition to China’s new ADIZ and its commitment to Japan’s security, the US flew two *B-52* bombers through the zone without complying with any of the rules set by Beijing. According to the Pentagon, the bombers were on a routine training mission planned in advance, but one senior DoD official said that mission “was a demonstration of long-established international rights to freedom of navigation and transit through international airspace.”

China’s Foreign Affairs spokesperson insisted that the East China Sea ADIZ was in line with the UN Charter and other international laws and practices; was aimed at safeguarding China’s national sovereignty and security of China’s territory and air space; and would not affect freedom of overflight. The People’s Liberation Army Air Force (PLAAF) scrambled fighter jets in response to flights by US and Japanese military aircraft through the ADIZ.

While Japan demanded that Beijing rescind the ADIZ, US officials stated only that the US would not recognize the zone and called on China to not implement it. Tokyo and Washington also differed in their instructions to commercial airlines: Japan told its airlines to not file flight plans with China, but the Obama administration said that for safety reasons, US airlines should comply with notices to airmen in accordance with usual practice.

The issue of China’s ADIZ dominated Vice President Biden’s trip to Northeast Asia, including his discussions in China. In Tokyo, the vice president called for China and Japan to establish crisis management mechanisms and effective channels of communication to reduce the risk of escalation. Biden assured Prime Minister Abe Shinzo that he would discuss the matter in detail with Chinese President Xi Jinping. According to US officials, when Biden met Xi on Dec. 4, he conveyed “deep concerns” over China’s ADIZ; he reiterated that the US does not recognize the zone, and urged China to not implement it. Speaking on background, a senior US official stated that President Xi took on board what the vice president said. “It’s up to China, and we’ll see how things will unfold in the coming days and weeks.”

Biden visits China, has in-depth talks with Xi Jinping

Biden spent a total of five and a half hours in talks with Xi Jinping that, according to a senior administration who delivered a briefing on background, “ranged from the strategic to the detailed, and covered every significant topic in the US-China relationship.” The official described the conversation as “back-and-forth” and marked by “the casual candor that these two leaders have developed over the course of their relationship.” They reviewed progress toward establishing a new type of major power relationship, which President Xi and Obama had agreed to attempt to create at their June summit in California. Two weeks earlier on Nov. 20, National Security Adviser Susan Rice delivered a speech at Georgetown University in which she stated that the US seeks to “operationalize a new model of major power relations” with China. From the US perspective, Rice said, “That means managing inevitable competition while forging deeper cooperation on issues where our interests converge—in Asia and beyond.”

Among the regional issues discussed by Xi and Biden, North Korea received a great deal of attention – both the internal situation in North Korea in light of the purge of Kim Jong Un’s uncle, Jang Song Thaek, and lessons that can be drawn from the progress of pressure plus dialogue in the case of Iran for their shared goal of persuading Pyongyang to denuclearize. Both leaders also presented their views of the Asia-Pacific region, including the territorial disputes in the South China Sea and the East China Sea. The vice president encouraged China to take steps to promote a more peaceful, stable regional environment.

In a conversation about economics, President Xi explained the outcomes of the Chinese Communist Party’s Third Plenum. Biden told Xi that such reforms could “really help deepen and strengthen the US-China bilateral economic relationship” as well as benefit China’s economic growth. Climate change and clean energy were also discussed.

In addition to his lengthy discussions with Xi Jinping, Biden met Chinese counterpart Vice President Li Yuanchao and delivered a speech at a breakfast with the American Chamber of Commerce in Beijing and the US-China Business Council. Both the US and China judged the Biden visit a great success. After the visit, a senior administration official stated that the US-China relationship is “big,” “complex,” and “increasingly mature.” “No one issue keeps the other set of issues from being able to move forward,” the official stated.

Kerry stands in for Obama at APEC and EAS

Secretary of State John Kerry represented the United States at the APEC Economic Leaders Meeting in Bali, Indonesia in early October after President Obama canceled due to the government shutdown in Washington. Worldwide media and academic communities alike criticized Obama’s move and touted Chinese President Xi Jinping as the “dominant force” in the room, due to the US president’s absence.

Kerry delivered an animated speech in which he pledged to knock down trade barriers between the 21 member states, attempting to dispel the perception of the US as a protectionist economy. Much of the current discussion in the US on trade in the Asia-Pacific is focused on the Trans-Pacific Partnership (TPP). The TPP, therefore, was high on the list of Kerry’s priorities at APEC, as 12 of the 21 member states are negotiating partners.

China has been wary of the TPP. When the US decided to join the negotiations, Beijing voiced concerns that the US was seeking to exclude China from the new free-trade arrangements. More recently, China has expressed concern that the agreement benefits primarily the richest countries. In a speech immediately following Kerry’s, President Xi stated, “China will commit itself to building a trans-Pacific regional cooperation framework that benefits all parties.” Despite this apparent guardedness, China stated earlier this year that its Ministry of Commerce would conduct a study to analyze the pros and cons of joining the TPP. If China is to join, however, it will have to make some comprehensive reforms, as the agreement attempts to standardize supply chain issues in areas including labor practices, state owned enterprises, and intellectual property. The US is hopeful that China will see the benefits in joining the TPP and slowly bring its economy in line with the agreement’s stringent requirements. National Security Advisor Susan Rice singled out China in her Nov. 20 speech at Georgetown University stating, “we welcome

any nation that is willing to live up to the high-standards of this agreement to join and share in the benefits of the TPP, and that includes China.” China will chair APEC in 2014.

On the sidelines of the APEC meeting, Kerry briefly met Xi Jinping, though the discussion was not reported by the Chinese media. Speaking to business executives, Kerry implicitly emphasized the need for fair play and criticized China’s alleged practice of illicitly appropriating intellectual property. “If your ideas are at risk of being stolen, and your innovations can be ripped off, you will never reach the full potential of that country or economy,” he stated.

On Oct. 10, immediately following the APEC meeting, Kerry traveled to Brunei for the East Asia Summit (EAS) where he again had to fill in for Obama. Chinese newspapers publicized this as Premier Li Keqiang’s turn to “play a starring role in Obama’s absence.” Li called for greater cooperation on nontraditional security issues and urged the completion of China’s preferred free trade agreement, the Regional Comprehensive Economic Partnership (RCEP), by 2015. Kerry vigorously defended US willingness and ability to resolve its domestic financial issues when concerns were raised by many Asian leaders, including Li.

On the sidelines of a series of ASEAN meetings with its dialogue partners in Brunei, which convened just prior to the EAS, Kerry met Premier Li. According to *Xinhua*, they discussed the consensus reached between Obama and Xi at Sunnylands on establishing a new type of big power relationship. Li voiced concern about the pending deadline to raise the US debt ceiling and urged the US to ease control on high-technology exports to China. Kerry reportedly reiterated that the US welcomes China’s rise and considers China an important cooperative partner. He added that the US is willing to enhance strategic communication and cooperation with China and constantly enrich the contents of the new type of big power relations. In a background briefing on the meeting, US officials said that Kerry also raised human rights issues, North Korea, Syria, and the South China Sea. In addition, Li and Kerry exchanged their assessments of their respective country’s economic situations, including goals and challenges.

South China Sea remains front and center

The South China Sea remained a prominent issue on the US-China agenda in the final months of 2013. In Secretary Kerry’s meeting with Premier Li in Brunei on Oct. 10, he urged Beijing to make progress more quickly in negotiations on a code of conduct that formalizes confidence building and conflict prevention measures between China and ASEAN. In his remarks to the leaders at the EAS on the same day, Kerry stated that “All claimants have a responsibility to clarify and align their claims with international law.” He maintained that “Freedom of navigation and overflight is a linchpin of security in the Pacific.” In language intended to provide backing to the Philippines, Kerry voiced US support for claimants to engage in arbitration and other peaceful means of negotiation. A US State Department official briefing on background said that “the great preponderance of leaders” joined the US secretary of state in speaking directly “about the issue of maritime security and the South China Sea with reference to the Code of Conduct.”

Kerry highlighted US concerns about the South China Sea again during his visit to Hanoi in mid-December. Speaking to the media with his host Vietnamese Deputy Prime Minister and Foreign

Minister Pham Binh Minh, he said that the US is “very concerned and strongly opposed to coercive and aggressive tactics to advance territorial claims.” Kerry repeated calls for claimants to clarify their claims and align them with international law and to use peaceful means to negotiate their disputes. While parties are working toward a code of conduct, he noted, they can take steps today to put crisis prevention arrangements in place. Kerry also warned China against unilaterally declaring an ADIZ over the South China Sea. A few days later at a joint press conference with the Philippines Foreign Secretary Albert Del Rosario, Kerry repeated US positions and concerns. He emphasized US support for arbitration and the rule of law and opposition to “unilateral actions that have the impact of being provocative and raising the temperature and potential conflict.”

US-China military exchanges continue to expand

US-China military exchanges were very active in the last four months of 2013, continuing a trend that started in late 2012 when Xi Jinping became secretary general of the Chinese Communist Party and apparently instructed the PLA to improve the US-China military-to-military relationship. On Sept. 9, US and Chinese officials met in Beijing for the 14th Defense Consultative Talks. James Miller, undersecretary of defense for policy, and Lt. Gen. Wang Guanzhong, deputy chief of the PLA General Staff, co-chaired the meeting. The two sides discussed how to advance a new model of military-to-military relations, ways to enhance communications to prevent misunderstand and misperception, and agreed to expand cooperation in areas of mutual interest, including humanitarian assistance, disaster relief, peacekeeping, and maritime safety. They also agreed to sustain bilateral dialogue on sensitive security matters, including nuclear, space, cyber, and missile defense. Regional topics addressed included East China Sea, South China Sea, and North Korea.

Later that month, a PLA delegation led by Maj. Gen. Chen Dongdeng, director of military management of the Department of the PLA General Staff, visited the Combined Arms Center at Fort Leavenworth. The exchange focused on the development of Army doctrine, operational theory development and instruction, and professional military education.

In early November, the *USS George Washington* hosted senior PLA officers and members of the press aboard the aircraft carrier as it sailed in the South China Sea toward Hong Kong. The Chinese officers, including Maj. Gen. Chen Weizhan, were from the PLA Hong Kong garrison.

A week later, the US and Chinese militaries held their first live humanitarian assistance and disaster relief drill at Bellows Air Force Base in Hawaii. The exercise simulated joint efforts to provide rescue and assistance to a third country that was hit by a severe earthquake. According to *Xinhua*, the drill was “designed to maximize ‘side by side’ interaction and communications,” and involved 47 US soldiers and other participants along with 26 officers and soldiers from the PLA. The two sides also exchanged briefings on their respective experiences in disaster relief operations. A second phase of the exchange took place at Fort Hamilton Base in New York where they visited the water conservancy project repaired by the US Army Corp of Engineers.

While that exercise was taking place, Su Zhiqian, commander of the East China Sea Fleet of the PLA Navy, received a delegation headed by Adm. Mark E. Ferguson III, vice chief of naval

operations of the US Navy. Ferguson was given a tour of the guided missile destroyer *Changchun*, the newly-commissioned light frigate *Shangrao*, and a new type of submarine. While aboard the *Shangrao*, the US delegation went to sea and observed Chinese training.

Near miss at sea

Even though professional interaction between the US and Chinese navies is increasing, the risk of an accident persists, especially as vessels from the two nations operate in close proximity to one another. Such a danger was highlighted in December when the *USS Cowpens*, a *Ticonderoga*-class guided-missile cruiser, and a PLAN amphibious dock ship had a dangerous encounter. The *Cowpens* was apparently conducting surveillance of China's new aircraft carrier, the *Liaoning*, which was conducting military drills in international waters. According to a report in China's *Global Times*, which cited an unnamed Chinese source, on Dec. 5, the *Cowpens* entered within a 45 km inner defense layer of the *Liaoning* carrier group. The Chinese source further charged that the *Cowpens* was tailing and harassing the *Liaoning* formation. The Chinese amphibious dock ship allegedly warned the *Cowpens* to leave the area.

US Navy sources maintained that the *Cowpens* was shadowed by the PLAN amphibious vessel, one of four ships protecting the carrier formation as it conducted exercises in the South China Sea. The Chinese ship then suddenly crossed the bow of the *Cowpens* at a distance of 100 yards and came to an abrupt stop in the water. The *Cowpens* was forced to take evasive action to avoid a collision. The incident was defused when the *Cowpens* and the *Liaoning* made bridge-to-bridge communications to ensure safety of navigation.

Articles published by *Xinhua* and the PLA daily *Jiefangjun Bao* claimed that China's maritime authority had posted a navigation notice on its website designating three no-sail areas in advance of the commencement of the PLAN exercise. However, China's Maritime Safety Administration did not post a no-sail warning until Dec. 6, one day after the near miss occurred.

China's Defense Ministry confirmed, but downplayed, the incident on Dec. 18. A statement on the ministry's website noted the Chinese naval vessel "strictly followed protocol and properly handled" the encounter and the "two defense departments used normal working channels to stay informed of the relevant situation and carry out effective communication." A Pentagon spokesman adopted a similar stance, saying that the near-miss wasn't "a crisis-level incident by any stretch" and would not affect US-China military-to-military relations. In a statement sent to *Phoenix TV*, the US Department of Defense said that close military activities of navies from different countries are normal, and called upon all parties to follow international maritime rules.

In response to a question at a Dec. 19 press briefing, Defense Secretary Hagel condemned the dangerous maneuver by the PLAN amphibious ship as "irresponsible" and called for putting in place a mechanism to enable the US and China to defuse these kind of incidents "as they occur." On the same occasion, Gen. Martin Dempsey said that during his visit to China in May 2012, the two sides had agreed to establish "rules of behavior" when they encounter each other in the air, sea, and cyber domains. He added that working groups set up to discuss these matters have been "making some progress."

Third Plenum outlines road map for reforms

The Third Plenary Session of the 18th Chinese Communist Party (CCP) Central Committee came to a close on Nov. 12, bringing the official announcement of much anticipated domestic reform. The document outlining the Central Committee's plenary conclusions, "A Decision on Major Issues Concerning Comprehensive and Far-Reaching Reforms," was published three days later, on Nov. 15. This blueprint lays out a bold reform package and further highlights the strong personal authority of Xi Jinping.

With the ultimate goal of "rejuvenating the Chinese nation" in accordance with Xi's Chinese Dream, the Third Plenum has endeavored to address a number of crucial, long-standing problems that, if left unchanged, would likely hinder China's continued economic growth. Many of these reforms seek to stimulate growth of the middle class, including the easing of the infamous one-child policy, relaxation on restrictions for rural residents to obtain residency in urban areas, and numerous improvements to current taxation practices. The CCP also decided to do away with labor camps and reduced the number of crimes subject to the death penalty.

The Nov. 15 document assigned a "decisive" role to the market in allocating future resources, which is a decidedly stronger position than the "basic" role that prior government documents had accorded to the market. As anticipated, liberalization of the financial sector is a key focus of the new reforms. Private capital will now be allowed to set up small and medium-sized banks, and will similarly be allowed in other previously heavily guarded state owned enterprises (SOE). The document also calls for the creation of a deposit insurance system, the acceleration of market-based interest rates, and the convertibility of the renminbi capital account. SOEs will be required to remit a higher percentage of their profits to the central government and management of SOEs will be professionalized.

Reforms were also announced for the Chinese military, including the creation of a joint command system and operational theater commands that are likely to eventually replace the current seven military regions. The plenum also proposed the establishment of two new high-level leadership bodies to guide and implement the reform process and enhance coordination. The first, a leading group for "comprehensively deepening reform" was created in December with Xi Jinping as its head. The new leading group will be charged with managing the entire reform process. The second high-level leadership body will be a National Security Committee that will likely be launched at the National People's Congress next spring. The NSC is likely to be tasked with both internal as well as external policy matters.

The extent of the announced reforms not only demonstrates the CCP's understanding of some of the basic struggles facing the party and the country, such as the slowdown of growth in recent years, but also serves as a strong indication of President Xi Jinping's growing authority within the CCP. Still, despite the encouraging nature of the reforms, the CCP has not provided a timeline for execution, and it remains to be seen whether some of the more ambitious reforms will be successfully implemented.

JCCT makes modest progress

US Commerce Secretary Penny Pritzker and US Trade Representative Michael Froman, along with Chinese Vice Premier Wang Yang, co-chaired the 24th US-China JCCT in Beijing on Dec. 19-20. The Commission is made up of three separate working groups on: trade and investment, business development and industrial cooperation, and commercial law. There is traditionally an additional side dialogue on export controls. Pritzker, while acknowledging that progress was made, revealed some frustration, stating that China and the US, “still have more work on critical issues if we are to further develop our economic relationship.”

Despite Pritzker’s apparent disappointment, several important conclusions were reached. China once again agreed to accelerate its negotiations to join the WTO Agreement on Government Procurement (GPA). Similar promises were made in July at the Strategic and Economic Dialogue, when China agreed to submit a bid to the GPA by the end of 2013. While this deadline has passed, Beijing nevertheless stated its intention to finalize its bid in 2014, with Chinese Commerce Minister Wang Chao indicating that the terms of this bid would be more or less on par with the other nations that have joined. Previous attempts by China to join the GPA have excluded Chinese SOEs, which was not in accordance with standard GPA regulations. At the recent Third Plenum, however, private investment in these SOEs was opened up slightly, which raises hopes for a more successful GPA bid in 2014. Froman stated his optimism that a breakthrough in this area would offer “significant opportunities for U.S. companies” in China. Susan Rice echoed Froman’s statements in her Georgetown University speech, saying that, if realized, the reforms proposed at China’s Third Plenum “could go a long way towards leveling the playing field for private and foreign investors.”

On intellectual property rights, a key area of concern for US companies, China committed to adopting and publishing a new Action Program on “trade secrets protection and enforcement.” If this program proves to be comprehensive and is implemented, it could alleviate a large source of tension in the US-China relationship. The US and China also signed a new memorandum of understanding (MOU) on US-China IP Cooperation and Technical Assistance. Under the terms of the MOU, the US agreed to “provide a program of technical assistance to Chinese intellectual property agencies, courts and the legislature on strengthening the protection and enforcement of intellectual property rights, and on adopting and maintaining innovation policies that are non-discriminatory and pro-competitive.” Cooperation on this issue should help China to better understand the nature of US concerns regarding IP rights, and to better regulate current practices. In addition, vague promises were made by China to promote the domestic sale of US beef. Both sides agreed on a target date of July 2014 for the resumption of US beef access to the Chinese market on the basis of “mutually agreed conditions.” If the sale of US beef does increase in China, this could eliminate a long-standing source of friction.

Also of note, in early December the US and China’s commerce departments jointly convened the 2013 US-China Legal Exchange, with meetings in Boston, Washington DC, and Orange County, California. The exchange centered on Chinese energy conservation and renewable energy law, as well as legal aspects of entrepreneurship in China. Chinese government representatives traveled to the US for the exchange to explain recent changes in Chinese commercial law.

ITA talks fail at the WTO

Information Technology Agreement (ITA) talks at the World Trade Organization broke down after the latest round of negotiations, which took place Nov. 11-21. Negotiators from more than 50 countries were seeking to update the 1996 international agreement that governs trade in electronic goods. The goal of the negotiations was to expand product coverage and reduce the list of sensitive items that would be excluded from trade liberalization.

Participants blamed China for the failure to reach agreement. A press release issued by the EU mission to the WTO indicated that the main outstanding issue was China's request for the exclusion of a large number of IT products from trade liberalization. Specifically, Beijing requested to treat 141 products as "sensitive" and to exclude 59 of these products altogether.

The US and other countries, including the European Union, viewed China's demands as excessive. The negotiating round ended in disappointment and frustration, especially since many participants had joined the talks with a mandate to conclude the negotiations. China's unwillingness to make concessions to close a deal was widely seen as a negative portent for future trade negotiations with China. As China seeks to join other negotiations, such as a new Trade in Services Agreement, or negotiate a US-China bilateral investment treaty, Chinese protectionist demands could obstruct a deal.

China's representative, Vice Minister Yu Jianhua, tried to allay concerns and hold out hope for a future agreement. He said that China showed "maximum flexibility," and attributed the failure to reach agreement to a "gap in perceptions." Yu added that "We could not reach a deal this time, but this is not the end of the road." Expressing the US position, US Trade Representative Froman commented, "China's refusal to show more ambition... is disappointing for all of the countries, companies and workers who stand to benefit from an expansion in information technology trade." He added, "Rather than heading toward a meaningful agreement at the WTO Ministerial, this puts the talks at serious risk of breaking down altogether and raises questions about China's commitment to meet the standards of negotiations in which it seeks to participate."

People-to-people exchanges strengthened

At the invitation of Secretary of State Kerry, Chinese Vice Premier Liu Yandong visited the US for the Fourth China-US High Level Consultation on People-to-People Exchange (CPE). The talks, which took place in Washington DC on Nov. 21, focused on six areas: education, science and technology, culture, sports, women and youth. Liu hailed the talks as "very successful," and said that 75 important joint outcomes were achieved. Kerry, co-chair of the CPE, noted the importance of people-to-people exchanges in building a "new type of major power relations" between the US and China.

Among major outcomes of the consultations were the launch of bilateral and global science and technology forums, and an agreement to establish a China-US innovation demonstration park. The two sides will also continue to advance student exchanges and opportunities in their respective countries. Writing in *USA Today*, Liu said "The key to sound relations between countries lies in the amity between their peoples based on mutual understanding."

Looking back and forward

2013 was a year of ups and downs for US-China relations. The Obama-Xi summit in June at the Annandale Estate in Sunnylands, California marked the high point, as the two leaders agreed to try to avoid the past pattern of military conflict between rising powers and established powers, and instead establish a new model of major power relations. China's announcement of an East China Sea ADIZ constituted the low point. Friction dominated over cooperation on such issues as the South China Sea and cyber security. Greater success was achieved on multilateral challenges, including the implementation of sanctions against North Korea and in talks aimed at a nuclear deal with Iran.

2014 will see continued improvements in the bilateral military relationship, with a trip to China by Defense Secretary Hagel expected in the first half of the year and China's participation in the *Rim of the Pacific (RIMPAC)* exercises in Hawaii in June and July. A summit between Obama and Xi is not on the agenda, though it cannot be ruled out, and the two leaders will almost certainly meet on the sidelines of multilateral forums such as the G20 and APEC. Tensions will likely persist on maritime issues, including the East China Sea and South China Sea territorial disputes and the activities permissible in Exclusive Economic Zones. Competition in the military sphere will also continue, especially the rivalry between Chinese efforts to prevent the US from easily gaining access to its near seas in a crisis and US insistence on maintaining access to those waters in all circumstances. Concerted efforts will be needed to identify areas of cooperation and produce positive results, but doing so will be essential to keeping bilateral ties on an even keel.

Chronology of US-China Relations*

September – December 2013

Sept. 6, 2013: President Barack Obama and President Xi Jinping meet on the margins of the G20 conference in St. Petersburg to discuss cooperation in the Asia-Pacific region.

Sept. 6, 2013: Committee on Foreign Investment in the United States approves the \$7.1 billion takeover of US pork giant Smithfield Foods by China's Shuanghui International Holdings.

Sept. 6, 2013: Vice President Li Yuanchao meets a US congressional delegation led by Sen. Kirsten Gillibrand in Beijing.

Sept. 6-9, 2013: Three Chinese ships visit Pearl Harbor in Hawaii for a routine port visit, the first in seven years.

Sept. 6-10, 2013: Adm. Wu Shengli visits the US and meets US Navy Chief of Operations Adm. Jonathan Greenert and tours Third Fleet headquarters in San Diego before going to Washington.

* Chronology and research assistance by CSIS intern Denise Der

Sept. 9, 2013: Deputy Chief of General Staff of the Chinese People's Liberation Army Lt. Gen. Wang Guanzhong and US Under Secretary of Defense for Policy James Miller co-chair the Defense Consultative Talks in Beijing.

Sept. 9, 2013: US Special Representative for Afghanistan and Pakistan James Dobbins and Minister of the Chinese Embassy in Washington Lu Kang hold a ceremony to launch the US leg of the US-China joint training program for 12 young Afghan diplomats.

Sept. 11, 2013: Acting Deputy US Trade Representative Wendy Cutler and Under Secretary of Commerce for International Trade Francisco Sanchez co-chair the US-China Joint Commission on Commerce and Trade (JCCT) Mid-Year Review in Beijing.

Sept. 12, 2013: US Special Representative for North Korea Policy Glyn Davies meets China's Special Representative for Korean Peninsula Affairs Wu Dawei in Beijing to discuss North Korea.

Sept. 13-14, 2013: Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel visits Beijing and meets Chinese Foreign Minister Wang Yi and other officials.

Sept. 16, 2013: China's Commerce Ministry announces duties of up to 6.5 percent on the import of US materials used to make solar panels.

Sept. 19-21, 2013: Foreign Minister Wang Yi visits Washington and meets Vice President Joe Biden, Secretary of State John Kerry, National Security Advisor Susan Rice, and Congressional leaders.

Sept. 24-Oct. 1, 2013: Air Force Chief of Staff Gen. Mark Welsh, Gen. Herbert Carlisle, the Pacific Air Forces commander, and Chief Master Sgt. of the Air Force James Cody visit Beijing.

Sept. 26, 2013: Chinese Foreign Ministry spokesman Hong Lei lodges solemn representations to the US in response to the delivery of *P-3* anti-submarine aircrafts to Taiwan.

Sept. 26, 2013: Secretary of State Kerry and Foreign Minister Wang meet on the sidelines of the 68th UN General Assembly in New York.

Sept. 27, 2013: US International Trade Commission lifts punitive duties on shrimp from China.

Oct. 4, 2013: Due to the US government shutdown, President Barack Obama cancels his trip to Asia to attend the Asia-Pacific Economic Cooperation (APEC) Economic Leaders Meeting in Bali, and the East Asian Summit in Brunei, and visit the Philippines and Malaysia.

Oct. 8, 2013: Secretary Kerry meets President Xi on the sidelines of APEC.

Oct. 9, 2013: Secretary Kerry and Premier Li Keqiang meet on margins of East Asia Summit.

Oct. 9-10, 2013: Shao Qiwei, chairman of the China National Tourism Administration, leads a delegation of 50 to attend the China-US Tourism Leadership Summit in Chicago.

Oct. 10, 2013: Bipartisan Congressional-Executive Commission on China releases its 2013 Annual Report on human rights and rule of law developments in China. It maintains that China has not made significant progress in expanding civil liberties or restraining the CCP's power.

Oct. 21, 2013: NASA lifts a ban barring Chinese scientists from attending the Kepler Science Conference at NASA's Ames Research Center in Mountain View, California.

Oct. 21-22, 2013: US Chamber of Commerce and the China Center for International Economic Exchanges co-host the 5th US-China CEO and Former Senior Officials Dialogue in Washington.

Oct. 22-25, 2013: Tenth round of Bilateral Investment Treaty talks are held in Washington.

Oct. 25, 2013: World Trade Organization (WTO) upholds a joint claim by the US, Japan, and EU that China's export duties on rare earth metals violate WTO rules.

Oct. 28-29, 2013: China's Special Representative for Korean Peninsula Affairs Wu Dawei visits Washington and meets US Special Representative for North Korea Policy Glyn Davies and other officials to discuss how to achieve the shared goal of denuclearizing North Korea.

Oct. 28-30, 2013: US Secretary of Energy Ernest Moniz visits Beijing for the US-China energy policy dialogue.

Oct. 29, 2013: Construction begins on a nuclear security center in Beijing jointly financed by the US and China.

Oct. 29, 2013: US International Trade Commission approves countervailing duties and anti-dumping probes on imports from China and Japan of a chemical used to sanitize water.

Oct. 30, 2013: In its Semi-Annual Report to Congress on International Economic and Exchange Rate Policies, the US Treasury Department states that China's yuan is still "significantly undervalued" and has not strengthened as quickly as necessary.

Nov. 6, 2013: US-China Economic and Security Commission releases a draft report that states that cyber intrusions by China's PLA Unit 61398 continue apace.

Nov. 7, 2013: Senior PLA officers from the Hong Kong garrison tour the aircraft carrier *USS George Washington* in the South China Sea.

Nov. 7-8, 2013: Officials gather in Charlottesville, Virginia for the sixth U.S.-China Legal Experts Dialogue. Acting Assistant Secretary for Democracy, Human Rights, and Labor Uzra Zeya and Acting Legal Adviser Mary McLeod lead the US delegation; Supreme People's Court Senior Judge Hu Yunteng leads the Chinese delegation.

Nov. 8-12, 2013: *USS George Washington* and four escort ships make a port visit in Hong Kong.

Nov. 9-12, 2013: Third Plenary Session of the 18th Chinese Communist Party (CCP) Central Committee is held.

Nov. 12-14, 2013: US Army and China's People's Liberation Army hold a joint disaster relief exercise in Hawaii.

Nov. 13, 2013: Roberta Jacobson, US assistant secretary of state for western hemisphere affairs, leads the US delegation at sixth China-US Sub-Dialogue on Latin America in Beijing.

Nov. 15, 2013: US Treasury Secretary Jacob Lew visits Beijing and meets President Xi and Vice Premier Wang Yang to discuss China's new economic agenda following the Third Plenum.

Nov. 18-22, 2013: Vice Premier Liu Yandong co-chairs the fourth China-US High-level Consultation on People-to-People Exchange with Secretary of State Kerry in Washington.

Nov. 20, 2013: US Ambassador to China Gary Locke announces that he will leave his position early next year to rejoin his family in Seattle.

Nov. 20, 2013: National Security Adviser Susan Rice delivers a speech at Georgetown University.

Nov. 20-22, 2013: US envoy for the Six Party Talks Glyn Davies visits Beijing and meets counterpart Wu Dawei.

Nov. 21, 2013: US Trade Representative Michael Froman suspends Information Technology Agreement negotiations after accusing China of jeopardizing talks on expanding a WTO agreement to eliminate trade tariffs on technology products.

Nov. 23, 2013: China announces the establishment of its East China Sea Air Defense Identification Zone (ADIZ).

Nov. 25, 2013: Twelve US Senators urge the US Commerce Department to uphold anti-dumping and countervailing duty orders against Chinese steel to protect US steelmakers.

Nov. 26, 2013: Two unarmed *B-52* bombers conduct a routine training mission through China's announced ADIZ.

Nov. 26, 2013: Vice Premier Wang Yang discusses trade issues by phone with Secretary of Commerce Penny Pritzker and US Trade Representative Michael Froman in preparation for the 24th Session of the China-US JCCT.

Nov. 29, 2013: State Department extends six-month Iran sanctions waivers to China, India, and South Korea after all three countries reduce purchases of Iranian crude oil.

Dec. 3, 2013: China files a complaint under the WTO dispute settlement mechanism over US anti-dumping measures against 13 types of Chinese products.

Dec. 4-5, 2013: U.S. Vice President Joe Biden visits Beijing on a tour of Northeast Asia and meets President Xi Jinping and Vice President Li Yuanchao.

Dec. 4-9, 2013: US Department of Commerce hosts the US-China Legal Exchange.

Dec. 5, 2013: Bipartisan group of US senators including Robert Menendez, Marco Rubio, and Bob Corker write a letter to the Chinese Ambassador to the US Cui Tiankai criticizing the establishment of the East China Sea ADIZ, asking that China not implement it.

Dec. 5, 2013: *USS Cowpens*, a US guided missile cruiser, narrowly avoids a collision with a Chinese Navy ship maneuvering nearby in the South China Sea.

Dec. 10, 2013: China blocks the entry of 59,100 tons of US corn after it is found to have a strain of genetically modified corn not yet approved by the Ministry of Agriculture.

Dec. 13, 2013: China announces it will stop levying anti-dumping and anti-subsidy duties on certain types of cars imported from the US when the measures expire on Dec. 15.

Dec. 13, 2013: China suspends imports on shellfish from the West Coast of the US after detecting high levels of arsenic and a toxin that causes paralytic shellfish poisoning.

Dec. 15, 2013: Foreign Minister Wang and Secretary of State Kerry discuss bilateral ties and exchange views on Israeli-Palestinian peace talks and the Syria issue over the phone.

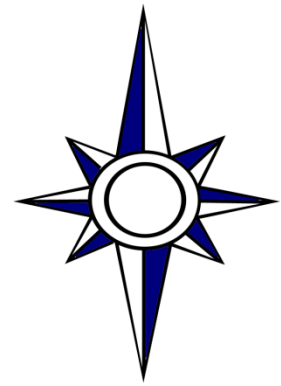
Dec. 19-20, 2013: Vice Premier Wang Yang hosts Secretary of Commerce Pritzker, US Trade Representative Froman and Secretary of Agriculture Tom Vilsack for the JCCT in Beijing.

Dec. 20, 2013: President Obama nominates Sen. Max Baucus (D-MT) to be the next ambassador to China.

Dec. 23, 2013: China rejects two batches of US corn byproducts totaling 2,000 tons shipped to Shanghai after they were found to be tainted with a genetically modified strain not approved by China's Ministry of Agriculture.

Dec. 24, 2013: Office of the US Trade Representative presents its 2013 annual report to Congress on China's compliance with its WTO obligations. The report says the US has "many concerns" over China's business practices, despite significant progress.

Dec. 31, 2013: Foreign Minister Wang Yi delivers an address "In Commemoration of the 35th Anniversary of the Establishment of China-US Diplomatic Relations."



US-Korea Relations:

The Demise of Jang Song Thaek

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

The best news in the final months of the year was South Korea's announcement of its interest in joining the Trans-Pacific Partnership (TPP). Beyond that, we saw bad, ugly, and unpredictable developments. North Korea startled the world by purging and executing Jang Song Thaek, only to be followed by the indefatigable Dennis Rodman's visit to the country. China's declaration of its new East China Sea Air Defense Identification Zone (ADIZ) caused a momentary lapse in Seoul's good alliance management. Japanese Prime Minister Abe Shinzo's Yasukuni Shrine visit poured cold water on any hope for near-term improvements in Seoul-Tokyo relations. The year ended with no progress on outstanding bilateral negotiations between the US and ROK on a range of issues, leaving 2014 with a great deal of unfinished business.

Jang Song Thaek's unceremonious fall

The biggest surprise in US-ROK relations in the last months of 2013 was the purge and execution of Jang Song Thaek. Uncle of North Korean leader Kim Jong Un and brother-in-law of late leader Kim Jong Il, Jang was widely regarded as the second most powerful figure in North Korea. Media reports of Jang's sudden purge broke in early December following South Korea's National Intelligence Service's briefing to National Assembly sessions that Jang had been removed from all of his positions and his two closest aides had been executed. Amid frenzied press speculation about Jang's whereabouts, North Korea broke its silence a week later on Dec. 9 and officially confirmed that Jang had been purged. Political purges are nothing new in North Korea, but the succession and pace of high-level ones taking place under Kim Jong Un are unusual, even by DPRK standards. Prior to Jang, the most well-known case was Vice Marshal Ri Yong Ho who disappeared in July 2012. Indeed the senior figures who stood with Kim during his father's funeral (except two) are now gone. Nevertheless, what was stunning about Jang's purge was the manner in which the regime handled his case. Not only did it publicly announce a list of his criminal acts, but it also broadcast footage of Jang being dragged out from his seat by uniformed officers during a Korean Workers' Party meeting. Three days later, on Dec. 13, North Korean state media, *Korea Central News Agency (KCNA)*, released another photo of Jang handcuffed in the courtroom and announced his execution right after a special military trial. Calling Jang a "traitor for all ages," *KCNA* reported that Jang had been found guilty of treason and his involvement in economic corruption.

ROK President Park Geun-hye characterized the execution as a "reign of terror." Even the White House criticized Jang's execution as "another example of extreme brutality of North Korean regime." Beijing officials remained somewhat speechless in the aftermath of losing the

individual in the DPRK leadership seen as closest to China and a promoter economic reform in the country.

Why was Jang purged? No one knows for certain. The *KCNA* statement indicates Jang was a threat to Kim's power and was therefore disloyal to the state. This is an extraordinary admission by a government that prides itself on maintaining absolute unity as a source of strength. Rumors are that Jang also maintained separate channels of communication with several countries in the region, which undeniably must have been seen as threatening by Kim. Factional struggles within the Party also played a role, presumably as Kim's efforts to shift some of the power and business ventures from the military to the Party led to a scramble within the latter for control of the newly acquired political and material assets.

Kim is clearly trying to consolidate his power and this latest act is an important reflection of that process. However, it is far from an indicator of stability in the system. On the contrary, Jang's execution points to significant churn still brewing inside the opaque regime for two reasons. First, Kim clearly trusts no one within the system, even his closest associates. This is hardly a condition for stability. Second, between the purges of high-level military generals and senior party officials, the young Kim is attacking the Party and the military at the same time to consolidate his position. This is historically unusual. Kim Il Sung for example, favored the Party as the primary ally as he built his leadership. Kim Jong Il favored the military over the Party as part of his "military-first" policy. Yet the young Kim seems to be either ignorant of the risks, or brash enough to discount them. Meanwhile, he builds ski resorts and amusement parks....

For US-ROK relations, the key manifestation of these internal dynamics is the likelihood of a North Korean provocation in the early months of 2014. Brittle dictatorships that experience internal factionalization or recovery from such factionalization do not usually experience bouts of conciliatory or cooperative external behavior. On the contrary, shows of force become important demonstrations of who holds power and how to rally a domestic constituency. If such provocations come, they are likely to do so before US-ROK annual military exercises in the spring as the DPRK is not prone to undertake such activities while US and ROK forces are mobilized and exercising. Then again, one cannot really be sure of any pattern of behavior with this leader.

Six party what?

Despite continued shuttle diplomacy to move the diplomatic ball forward with Pyongyang, efforts to resume the Six-Party Talks remained stalled. In September, signs of resumed operation at the Yongbyon nuclear facility in North Korea raised concern about the country's continued nuclear weapons development. In parallel to this development, North Korea engaged in a series of track two dialogues, trying to push the burden of responsibility to resume negotiations onto the Obama administration. After track two dialogues in Europe with the North Koreans, former negotiators Stephen Bosworth and Robert Gallucci called for the administration to stem the tide of the North's nuclear breakout by resuming some form of talks and abandoning the "strategic patience" approach. At issue is whether the US is willing to relax some of the preconditions it has for a return to talks. This is often described as "seriousness of purpose" demonstrated by the North through a freeze of its programs, a recommitment to the February 2012 agreement, and

full disclosure of the uranium-based nuclear program. The Park government is against any relaxation of the terms, and in late October, Kim Jang-soo, chief of Blue House National Security Office, traveled to the US and met senior officials in Washington on these questions.

In late November, news reports emerged that North Korea was detaining an 85-year-old US citizen, Merrill Newman. Secretary of State John Kerry said North Korea was taking “dangerous steps” in holding a US citizen. The State Department issued an advisory against travel to North Korea, warning against arbitrary arrest of US tourists by North Korea. The fact that Merrill is a Korean War veteran seems to be the main reason for his detainment, but he was eventually released after a coerced apology. However, Kenneth Bae remains in the North. Despite a similar videotaped apology, Bae has remained imprisoned for over one year. Efforts at getting the Christian missionary released have been unsuccessful, making Bae the first American since the Korean War to have been imprisoned and sentenced to a labor camp for an extended period.

To make the strange even more bizarre, former NBA star and *avant-garde* celebrity Dennis Rodman made his third visit to the country in late December to train North Korean basketball players in preparation for an exhibition game with retired NBA players, scheduled for January 2014 in time for Kim Jong Un’s birthday. The media heaped pressure on Rodman to use his so-called friendship with the North Korean leader to obtain Bae’s release. The fact that such a question was even raised in public as a serious proposition speaks to the utter failure in official efforts to secure the American’s release. While the US government distanced itself from Rodman’s activities in the North, it would not surprise us if it had hoped secretly that Kim would do Rodman a “solid” and release Bae (he did not).

ADIZ ripples

China’s Ministry of National Defense’s November announcement of a new air defense identification zone (ADIZ) in the East China Sea sparked new levels of tensions with Japan, the United States, and Korea. The Chinese ADIZ significantly overlaps with Japanese and Korean zones. Washington and Tokyo protested vigorously but what was missed by most reports was the ripple this caused in US-ROK relations. Seoul eventually sided with its two allies on opposing China’s actions, but not until it tried unsuccessfully to cut a separate deal with Beijing.

The Chinese zone was very problematic for Koreans. It created a list of new identification rules – a flight plan, radio correspondence, and more – that governs any foreign aircraft, military or civilian, flying within the zone. The planes must identify themselves to Beijing, either to the Chinese military or the civil aviation administration. China insisted that the new zone is in accordance with the common international practices of establishing such zones. The United States and Japan issued clear rejections of the zones.

For Korea, the issue was that China’s new zone overlapped with Korea’s own ADIZ off the southern island of Jeju, where China’s claim to the 20-by-115 km (12-by-71 miles) of airspace encroaches on an area already patrolled by the Korean Air Force. Included within the Chinese zone is a Korea-controlled submerged rock, known as Ieodo in Korean. This rock, known in Chinese as Suyan Rock and internationally as Socotra Rock, has been historically disputed between Korea and China, and consequently whether it belongs in Korea or China’s exclusive

economic zone. Korea built the Jeodo Ocean Research Center, an unmanned scientific station on the rock in 2003, which lies 149 km south of the Mara Island near Jeju to great objections from the Chinese. The Korean Navy includes Jeodo within its area of operations, further increasing the possibility of conflict on the sea between Korea and China.

China's actions undeniably put a damper on the growing positive relations between China and Korea under President Park Geun-hye. Just a couple of weeks before the ADIZ announcement China's State Councilor Yang Jiechi paid a well-received three-day visit to Seoul, where he met with Park and other high-ranking Korean officials, including Kim Jang-soo, the national security chief, and Foreign Minister Yun Byung-se, to discuss progress made in the ROK-China Strategic Cooperation Partnership. Before that, there was the successful Park-Xi Summit in June, where both leaders agreed to take the relationship to the next level in their joint communique.

At pre-scheduled bilateral talks that took place shortly after the ADIZ announcement, press reports indicated that the Korean side offered a proposal for China to redraw the zone to avoid the overlap with Jeodo rock. China rejected this proposal. But what was worrying about this little-reported incident was Korea's willingness to "de-link" its problems with China from the rest of the region. What would have happened if Beijing accepted Korea's proposal? Would Seoul have accepted China's zone as long as it had no overlap with the ROK's, while the US and Japan would have continued to protest it? This may have seemed like a clever policy in the short term to avoid a crisis with China. But in the long term, this is detrimental to Korea's interests.

In international relations theory, the way a rising great power establishes an empire in its region is by "picking off" its smaller neighbors with individual deals so that the region does not balance against it. It is a "divide and conquer" strategy. South Korea's proposal on China's new zone was exactly the type of policy choice that would allow China to assert greater influence in the region.

After Beijing rejected Seoul's proposal, the Park government did not have much of a choice but to stand with the United States, Australia, and Japan in staunch opposition to China's new zone. This apparently was not Seoul's first choice.

Abe's Christmas surprise

Despite Seoul's initial unsuccessful play on the ADIZ, the overall effect of the ADIZ controversy was to give momentum to slow but steady closed-door, working-level efforts to get Japan-ROK relations back on track. Senior Foreign Ministry officials on both sides worked hard to develop "building blocks" that would climax in a long-postponed summit between Park Geun-hye and Abe Shinzo, who have not held a summit in their first year in office.

Abe's surprise visit to the Yasukuni Shrine in late December threw cold water on this effort. The bureaucrats have to start all over again now in terms of rebuilding relations, but the future may not be as dim as people think. Seoul, though disappointed by Abe's action, did not sign on to Chinese proposals for a joint statement condemning Japan, and unlike Beijing, has avoided the histrionics criticizing Abe. While a summit may be out of the question for the near future, there is conviction on both sides to restart Japan-ROK and Japan-ROK-US trilateral cooperation, particularly in the defense areas given the uncertainties surrounding North Korea.

OPCON Transfer, SMA, TPP

The Obama and Park administrations ended this year without any progress in their negotiations on the delay of wartime operational control (OPCON), Special Measures Agreement (SMA or host nation support), the Trans-Pacific Partnership, or the civil nuclear negotiations (123 agreement). In late September, Secretary of Defense Chuck Hagel traveled to South Korea to participate in the annual Security Consultative Meeting. While defense ministers of the two countries signed a “bilateral strategy for tailored deterrence” to more effectively deal with North Korea’s nuclear weapons and other weapons of mass destruction, they punted on consultations about South Korea’s request for a further delay of wartime operational control (OPCON) transfer beyond the current 2015 schedule. Meanwhile, Seoul and Washington failed to break deadlocks on the 123 civil nuclear negotiations or on SMA. In the latter case, six rounds of SMA negotiations were held from September till December to strike a deal before the current agreement expires at the end of 2013. In light of defense budget cuts imposed by sequester at home, the US pushed South Korea to raise the host nation’s contribution up to, reportedly, 1 trillion won. Yet, negotiators were unable to narrow their differences and only agreed to extend the negotiations into 2014. [Ed. note: a new five-year SMA was announced Jan. 12 under which the ROK will provide 920 billion won (\$866.6 million) in 2014 with annual adjustment for inflation in subsequent years]

On the civil nuclear agreement, a two-year extension bill, which was reached between Presidents Obama and Park in April, has yet to pass the US Senate Foreign Relations Committee. To take effect, this extension bill must be passed before March 2014. In defense of the Obama administration, all of these negotiations are difficult ones that will likely require higher-level political intervention to reach a deal. Then again, it still leaves a good deal of unfinished business for the alliance in 2014.

The best news of the quadrimester was South Korea’s official announcement in late-November of its interest in joining the Trans-Pacific Partnership (TPP). How did the Koreans end up being willing but late to the party? Part of the reason stems from protracted internal debates in Seoul about the merits of joining TPP versus the China-backed Regional Comprehensive Economic Partnership (RCEP). This delayed a decision well into the fall. Another reason is the Park government’s devolving of trade authority from the Foreign Ministry to the newly created Ministry of Trade, Industry, and Energy at the beginning of her presidency. The former organization carried the ball on trade since 1998, and was well-known for a strategic, savvy, and omniscient posture in making trade policy compared with the more functional and narrowly focused bureau in which the negotiating authority now sits.

Washington and Seoul have developed a consultation mechanism to facilitate Korea’s joining the TPP. The most likely scenario is that Korea will be one of the first nations to “dock” onto TPP after an agreement among the original members is reached in 2014. Seoul’s trade adjustment costs in joining the trade pact are manageable given the measures already granted to domestic producers under KORUS. Most important, Koreans are motivated by Japan’s commitment to negotiate the elimination of non-tariff barriers in the context of TPP – something that has impeded the now-dormant bilateral FTA talks between Seoul and Tokyo.

Chronology of US-South Korea Relations*

September – December 2013

Sept. 3, 2013: ROK Defense Minister Kim Kwan-jin asserts that the December 2015 deadline is not appropriate for Seoul to regain the wartime operational control at the National Assembly's National Defense Committee meeting.

Sept. 3, 2013: US Secretary of Defense Chuck Hagel reports to the Senate Foreign Relations Committee that North Korea's chemical weapons are a threat to the ROK Air Force and USFK.

Sept. 10, 2013: US Special Representative for North Korea Policy Glyn Davies meets South Korean Special Representative for Korean Peninsula Peace and Security Affairs Cho Tae-yong in Seoul. Davies states that North Korea's lack of a "positive attitude" toward denuclearization will hamper the Six-Party Talks process.

Sept. 12, 2013: US-Korea Institute at Johns Hopkins' SAIS reports a resumption of activity at North Korea's Yongbyon nuclear reactor.

Sept. 17, 2013: Operations resume at the Kaesong Industrial Complex.

Sept. 18, 2013: China holds an unofficial seminar in Beijing to mark the 10th anniversary of the Six-Party Talks. The US and ROK decline to send official government representatives.

Sept. 24, 2013: ROK Defense Acquisition Program Executive Committee restarts high-profile fighter acquisition project and rejects Boeing's *F-15 Silent Eagle* as the winner of the project.

Sept. 26, 2013: Former US envoy on North Korea Stephen Bosworth meets North Korean chief negotiator Ri Yong Ho in Berlin to discuss denuclearization of the Korean Peninsula.

Sept. 27, 2013: Fourth round of negotiations on Special Measures Agreement (SMA) is held in Washington.

Sept. 29-Oct. 2, 2013: Secretary of Defense Hagel visits Korea. He visits the Demilitarized Zone, celebrates the 60th anniversary of the US-ROK alliance, attends the US-ROK Security Consultative Meeting, and signs with Korean counterpart Kim Kwan-jin a joint military strategy that reaffirms South Korea's position under the US nuclear umbrella and outlines contingency plans for dealing with the North Korean threat.

Oct. 2, 2013: US experts, including former nuclear negotiator Stephen Bosworth, informally meet North Korean officials in London to discuss a revival of the Six-Party Talks.

* Chronology compiled by Dana D' Amelio.

Oct. 3, 2013: Blue House Foreign Affairs Secretary Ji Chul-ki says that South Korea is “greatly interested” in joining the Trans-Pacific Partnership and may bring up the possibility of entering negotiations at the upcoming Asia-Pacific Economic Forum in Bali, Indonesia.

Oct. 4, 2013: Seoul remains silent following Japan’s controversial announcement of pursuing collective self-defense with US support.

Oct. 8, 2013: ROK National Intelligence Service director Nam Jae-joon tells Parliament that the Yongbyon reactor has been up and running since August. Nam also confirms that North Korea is strengthening its military targeting Seoul and border islands in the West Sea.

Oct. 8, 2013: North Korea condemns the US and South Korea for “military provocations” ahead of planned US-ROK-Japan joint naval drills to be held off the coast of South Korea.

Oct. 10-11, 2013: South Korea, Japan, and the US conduct naval drills off the Korean coast.

Oct. 16, 2013: Defense Minister Kim Kwan-jin denies the ROK will join the US defense missile program.

Oct. 18, 2013: South Korea and US sign agreement to set up system for monitoring bioterrorism.

Oct. 18, 2013: US Army Pacific Commander Gen. Vincent Brooks says the current timeline for transfer of operational wartime control (OPCON) to the ROK is realistic.

Oct 24-25, 2013: ROK Chief of the Presidential National Security Office Kim Jang-soo visits the US, meets National Security Advisor Susan Rice, Secretary of State John Kerry, and Secretary of Defense Hagel in Washington.

Oct. 25, 2013: US-Korea Institute reports on its blog *38 North* that North Korea appears to be digging two new tunnels near the Pyunggye-ri nuclear test site, prompting speculation that Pyongyang is preparing for another nuclear test.

Oct. 28, 2013: Allegations surface that South Korea was targeted for wiretapping by the US National Security Agency (NSA). South Korea seeks clarification from the US.

Oct. 30-31, 2013: Sixth round of negotiations for the SMA are held in Seoul.

Nov. 1, 2013: Special Representative for North Korea Policy Davies meets South Korean Special Representative for Korean Peninsula Peace and Security Cho Tae-yong in Washington.

Nov. 5, 2013: South Korea again asks the US to explain allegations that the NSA targeted the Korean embassy following fresh reports that the NSA labeled South Korea a “focus area.”

Nov. 6, 2013: Special Representative for North Korea Policy Davies meets South Korean Special Representative for Korean Peninsula Peace and Security Cho and Japan’s Director General for

Oceanian Affairs Bureau in Washington to discuss North Korea's denuclearization and conditions for re-entering the Six-Party Talks.

Nov. 11, 2013: Following the rejection of Boeing *F-15 Silent Eagle*, Lockheed Martin's *F-35* emerges as the only qualified contender for Seoul's newly-restarted fighter jet project.

Nov. 17, 2013: US Special Envoy on North Korean Human Rights Issues Robert King arrives in Seoul for talks with South Korean officials.

Nov. 18, 2013: Seventh round of SMA negotiations kicks off in Washington.

Nov. 19, 2013: State Department issues a heightened travel advisory against North Korea.

Nov. 20, 2013: National Security Advisor Rice says in a speech at Georgetown University that the US should not seek to resume negotiations with North Korea as long as parts of Pyongyang's nuclear program are still in operation.

Nov. 20, 2013: Reports surface that North Korea is detaining a US citizen, 85-year-old Korean War veteran Merrill Newman.

Nov. 21, 2013: Special Representative for North Korea Policy Davies reaffirms the US position that negotiations with Pyongyang cannot take place unless it suspends its nuclear program.

Nov. 22, 2013: ROK Joint Chiefs of Staff approve the purchase of 40 *F-35A* stealth fighters with the option to later purchase 20 more over the course of four years beginning in 2018.

Nov. 23, 2013: China's Ministry of National Defense announces East China Sea Air Defense Identification Zone (ADIZ).

Nov. 29, 2013: ROK Deputy Prime Minister Hyun Oh Seok expresses South Korea's interest in holding talks to explore possibility of joining TPP.

Dec. 2, 2013: ROK National Intelligence Service announces that Jang Song Thaek has likely been removed from power following the execution of his two closest associates in November.

Dec. 6, 2013: Vice President Joe Biden and President Park Geun-hye meet in Seoul and agree to cooperate on the row created by China's newly declared ADIZ.

Dec. 7, 2013: North Korea releases Merrill Newman.

Dec. 8, 2013: South Korea announces expanded ADIZ that includes Jeodo and overlaps with both Japan's ADIZ and China's recently declared ADIZ.

Dec. 9, 2013: North Korea confirms via the *Korean Central News Agency* that Jang Song Thaek has been purged and releases a list of accusations against him.

Dec. 10-12, 2013: Ninth round of SMA negotiations are held in Seoul.

Dec. 11-14, 2013: South Korea's head of the Defense Ministry's Policy Planning office Lt. Gen. Ryu Je-sung visits Washington and meets Under Secretary of Defense for Policy James Miller, Deputy Assistant Secretary of State of East Asian and Pacific Affairs James Zumwalt, National Security Staff Korea Director Sydney Seiler.

Dec. 12-13, 2013: US and South Korea hold working-level talks on the transfer of wartime operational control (OPCON).

Dec.13, 2013: *Korean Central News Agency* announces that Jang Song Thaek was tried before a military tribunal for attempting to overthrow the state and summarily executed on Dec. 12.

Dec. 14, 2013: North Korea denounces Vice President Biden's recent trip to Asia saying the trip was meant to militarily contain North Korea.

Dec. 15, 2013: South Korea's expanded ADIZ goes into effect.

Dec. 17, 2013: ROK Vice Foreign Minister Kim Kyou-hyun meets Deputy US Secretary of State William Burns to discuss the evolving security situation with North Korea, China's expanded ADIZ, and Japan's pursuit of the right of collective self-defense.

Dec. 19-23, 2013: Dennis Rodman visits North Korea to train basketball players.

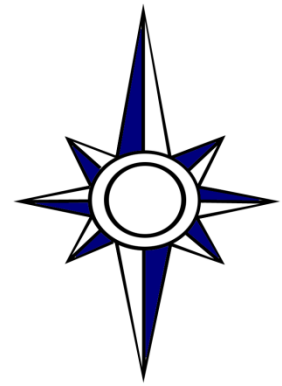
Dec. 24, 2013: South Korea approves private humanitarian aid to North Korea.

Dec. 26, 2013: Japanese Prime Minister Abe visits the Yasukuni Shrine.

Dec. 30, 2013: ROK Foreign Ministry announces that negotiations with the US over the so-called 123 agreement on civilian nuclear energy will resume on Jan. 7, 2014.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-Southeast Asia Relations: Obama Passes

Sheldon Simon, Arizona State University
Carl Baker, Pacific Forum CSIS

Faced with a government shutdown and a debt default crisis, President Obama cancelled an extended visit to Southeast Asia that would have included several bilateral and multilateral meetings. While Secretary of State Kerry filled in for the president at these venues and most regional leaders expressed understanding, several also expressed anxiety over Washington's ability to carry out a consistent policy toward Southeast Asia. The US rebalance toward Asia continued with financial commitments to enhancing maritime security, announcements of military sales, deployment of an additional Littoral Combat Ship to Singapore, and calls for accelerated negotiations on the Trans-Pacific Partnership agreement. The robust response by the US to Typhoon *Haiyan* in the Philippines was widely viewed as a concrete example of the ongoing US security commitment to its allies and partners and garnered goodwill in the region.

President Obama absent from Southeast Asia

Stymied by a government shutdown and a looming debt default brought about by a dysfunctional Congress held in thrall by a minority faction of the Republican Party, President Barack Obama cancelled a long-planned Asia visit that would have brought him to Brunei for ASEAN-related meetings (ASEAN-US Summit and the East Asian Summit) and to Indonesia for the APEC Economic Leaders Meeting, along with side trips to Malaysia and the Philippines. Although the "second team" stood in for the president – Secretary of State John Kerry, Secretary of Defense Chuck Hagel, Commerce Secretary Penny Pritzker, and US Trade Representative Michael Froman all spent time in the region – there was some concern expressed by regional leaders as this was the third time in Obama's presidency that he was forced to cancel an Asian trip because of pressing domestic issues.

Several leaders from the ASEAN states expressed their understanding of the president's cancellation. A senior Thai diplomat noted that President Obama's commitment to the region's importance was evident in the fact that he had not missed an ASEAN Summit since taking office in 2009. Indonesian Foreign Minister Marty Natalegawa downplayed Obama's absence, noting that "it won't bring any fundamental impact to US engagement in the region. This is something extraordinary, and we believe Secretary Kerry is able to voice support previously planned to be brought by President Obama." Other regional commentators and officials expressed greater concern, however. On Oct. 3, a senior Singapore Foreign Ministry official stated that the US and Japan should step up their economic influence in Southeast Asia or risk ceding leadership to China. Rizal Sukma, the executive director of Jakarta's Center for Strategic and International Studies, averred that the huge cuts in the US defense budget as well as the president's trip cancellation called into question Washington's ability to sustain its rebalance to Southeast

Asia. At the Bali APEC Economic Leaders Meeting, Singapore Prime Minister Lee Hsien Loong expressed the dismay privately voiced by other leaders: “Obviously, we prefer a US government that is working to one that is not. And we prefer a US president who is able to travel and fulfill his international duties to one who is preoccupied with national domestic preoccupations.” At the ASEAN-US Summit in Brunei, Secretary Kerry reassured ASEAN leaders that “these events in Washington are a moment in politics and not more than that. The partnership we share with ASEAN remains a top priority for the Obama administration.”

The president’s absence may have particularly weakened momentum toward the negotiation of the Trans-Pacific Partnership (TPP) agreement. One of his major goals at the APEC and ASEAN meetings was to nudge those countries toward completing their negotiations by the end of the year, though few believed that timetable was realistic. Moreover, given Obama’s battle with Republicans in the House of Representatives, many Asian leaders have doubts about whether the president possesses the political capital to get the trade pact through Congress.

Adding substance to the rebalance

Secretary of Defense Hagel used his Southeast Asian stops in late August and early September to flesh out defense-related components of the rebalance. In Malaysia, he announced a funding increase of over 50 percent for military training and education for Southeast Asian states. In Jakarta, just prior to the ASEAN Defense Ministers Meeting Plus (ADMM+), he announced the sale of *Apache* helicopters to Indonesia. During his stop in Manila, Hagel discussed plans for a new framework agreement that would allow a larger rotation of US forces on Philippine military bases, authorize prepositioning of US equipment and supplies at several locations in the Philippines, and authorize additional US operations in Philippine waters. There was also a reconfirmation of the US commitment to the importance of ASEAN’s centrality for Southeast Asian security at the ADMM+ where Hagel warned against unilateral actions at sea that would advance territorial claims since they “increase the risk of confrontation, undermine regional stability, and dim the prospects for diplomacy.”

While filling in for President Obama at the APEC meeting in Bali, the EAS meeting in Brunei, and the Global Entrepreneurship Summit in Malaysia (a trip to the Philippines that was also on the schedule was cancelled at the last minute because of an approaching typhoon), Secretary Kerry stayed on message, noting that the rebalance also involved enhanced diplomatic and trade relations, even though an increased military presence was more visible. Kerry’s remarks at the APEC meeting on Oct. 5 reflect a message that was reiterated throughout his Southeast Asian visits: “Nothing will diminish our commitment to Asia, the rebalance that President Obama’s engaged in. We will continue to fulfill our responsibilities and our engagement around the world, and I think people are confident of that.... On our fundamental commitments ... to maritime security and freedom of navigation through the seas and so forth, our commitment is not going to change.”

Secretary Kerry also expressed the US commitment to a rule-based order in the region when he weighed in on the South China Sea Code of Conduct controversy. At the ASEAN-US Summit in Brunei on Oct. 10, He stated that “[a] finalized code of conduct, in which all abide by a common set of rules and standards, is something that will benefit the entire Asia-Pacific community of

nations – and beyond.” Kerry also indirectly endorsed the Philippine submission to the UN International Arbitral Tribunal on the Law of the Sea that has been asked to issue an opinion on the definitions of land features in the South China Sea pertaining to disputants’ territorial claims. At the EAS, he said all countries with claims in the South China Sea have a “responsibility to clarify and align those claims with international law.... They can engage in arbitration and other means of peaceful negotiation.” Although “consultations” on a future code of conduct were agreed to in September at an ASEAN-China meeting in Suzhou, no actual negotiations have begun, and everyone agrees that it is unlikely a code of conduct would in any case be able to resolve the conflicting South China Sea claims.

During his mid-December trip, which included stops in Vietnam and the Philippines, Secretary Kerry again sought to demonstrate that the US was delivering on its promise that the rebalance involved real commitments and substantial benefits. While in Hanoi, he promised \$32 million (with \$18 million allocated to Vietnam) for improving the capacity of countries in the region to patrol their territorial waters. He also reaffirmed the US commitment to concluding the TPP agreement and announced an initial package of \$4.2 million designed to help Vietnam implement the agreement once it is concluded. Similarly, while in Manila, Kerry announced that the US would provide an additional \$40 million in security assistance to the Philippines, some of which will be allocated to enhancing maritime patrol capacity in territorial waters.

The Philippines: resetting the relationship?

The Philippines has become the centerpiece of the US military rebalance in Southeast Asia as the US has ramped up military assistance and its presence in the islands. From only 50 ship visits in 2010, nearly 90 US Navy vessels made port calls in the Philippines from January through October 2013. Washington is also stationing surveillance aircraft and has appropriated up to \$30 million for building coastal radar stations to monitor Philippine maritime space in the South China Sea. Additionally, both countries are working on a new framework agreement that would provide for increased US forces rotating through the Philippines for joint exercise and would include prepositioning of US equipment at Philippine bases for use in these exercises.

While progress has been slow, the framework agreement, which was originally proposed in July, continued to receive attention in final months of 2013. Sensitive to concerns about whether the proposed agreement would violate Philippine sovereignty and a constitutional prohibition against permanent basing of foreign forces in the country, Manila’s negotiators at an Aug. 29-30 meeting in Washington stipulated that no US military bases would be established in the country and that US access to Philippine facilities would be at the specific invitation of the Philippine government. Philippine Secretary of Defense Voltaire Guzman stated, however, that the US would be given access to the former naval base at Subic Bay, which until the early 1990s was the most elaborate US naval facility in Asia. Some local concerns are being raised about an enhanced US military presence at the Subic facility. In September, the Subic Bay Metropolitan Authority (SBMA) worried that more US ships accessing the port would hinder the operation of Subic as a free port for commercial traffic and reduce the number of paying customers. As an alternative, SBMA proposed that the US Navy pay commercial rates for its use of Subic Bay. The details regarding the extent of US access to Subic remains unsettled pending the outcome of the broader framework agreement negotiations.

The third round of talks, which was held in Washington on Sept. 13-18, resulted in more progress as negotiators agreed that the framework agreement would address the scope of activities involved; the installations/AFP facilities that would be included; the prepositioning of US defense equipment, supplies, and materiel; ownership; and security. However, when negotiators met again in early October in Manila, they reached an impasse over the issue of access to US-built facilities by Philippine authorities. A fifth round of talks is anticipated for early 2014, but no date has been set and resolving the access issue will not be easy given the acrimonious experience over the past several years concerning access to US facilities located on Philippine military installations in Mindanao.

The attractiveness of the increased US presence for the Philippines centers on the fact that the Philippine armed forces have very limited funds and need outside assistance to develop capacity to patrol its territorial waters and develop a credible territorial defense capability. The overwhelming proportion of its military budget goes to salaries and allowances rather than the building of capabilities. What's more, the 1987 Constitution prohibits the government from allocating more funds to the military than for education. Thus, in the proposed 2014 budget, \$6.5 billion is pledged to education and only \$1.9 billion for defense. In the past, the armed forces has been almost exclusively focused on internal defense requirements driven by longstanding conflicts between the central government and strongly entrenched rebel groups in Mindanao as well as the New People's Army throughout the country.

In recognition of the need for enhanced external defense, the Philippine Department of National Defense plans up to 25 modernization projects in the next three years, including the acquisition of fighter jets, naval helicopters, patrol aircraft, frigates, and coastal patrol vessels. Among the most high-profile acquisitions are three decommissioned *Hamilton*-class cutters from the US Coast Guard, two of which are now in Philippine possession. There is considerable skepticism that the Philippine government will have the funds to implement these plans, however. The Philippines is also receiving assistance from other sources: it is about to receive 10 former Japanese patrol boats and is negotiating with South Korea for a dozen *FA-50* fighters/trainer aircraft. Also under consideration is the purchase of two *Maestrale*-class frigates from Italy.

The growing recognition of the need for increased US-Philippine cooperation to enhance external defense capabilities is also evident in recent bilateral military exercises. Earlier this year, the annual *Balikatan* exercise, which has traditionally focused on humanitarian assistance and disaster relief (HA/DR), added a naval component. It included a squadron of *F/A-18*s and three naval ships and incorporated mock combat maneuvers to retake an oil rig supposedly seized by terrorists near the South China Sea. In September, the annual joint US-Philippine *Amphibious Landing Exercise*, (*PHIBLEX*), shifted focus from counterterrorism to simulated amphibious assaults to capture small islands held by hostile forces. In both cases the exercises were held on the western coast of Luzon facing the South China Sea (Philippines: West Philippine Sea).

The Philippines: to the aid of an ally

When Typhoon *Haiyan* (Philippines: *Yolanda*) devastated a huge swath of central Philippines on Nov. 8, the US was quick to respond. Even before the storm hit, the US Agency for International

Development (USAID) deployed a Disaster Assistance Response Team (DART) to the area. Within 48 hours, 90 US Marines along with *C-130s* and *MV-22s* were deployed to the Philippines and began providing relief goods. Within a week, the *USS George Washington* Carrier Strike Group arrived in Philippine waters off the coast of Leyte, and helped expand search and rescue operations, provide medical care, and deliver supplies using its 21 helicopters. Subsequently, two US amphibious ships brought additional manpower and heavy engineering equipment needed to support the recovery operation. In addition, US Pacific Command established a Humanitarian Assistance and Disaster Relief-certified Joint Task Force to coordinate assistance provided by other US allies and security partners including Australia, UK, Japan, Thailand, Singapore, and Indonesia.

The US response operation, codename *Damayan* (sympathetic aid), was described by a *Reuters* newswire release as “breathtaking.” Implications for the US rebalance to Asia and the prospect for an increased rotational presence of US forces in the Philippines were readily apparent. Australian analyst Carl Thayer stated that the operation served as evidence that “rebalancing enabled the US to respond so decisively.” A Philippine official remarked that “in the future, we’ll be better prepared to deal with disasters if our two governments signed the framework agreement on enhanced defense cooperation and increased presence.” Philippine Foreign Secretary Albert Del Rosario agreed saying that the humanitarian deployment underlined the need for the “framework agreement that we are working on with the United States for increased rotational presence.”

The quick, decisive US response was especially poignant in comparison with China’s belated response and ASEAN’s lack of any coordinated response. As noted by Robert Sutter and Ching-hao Huang in their China-Southeast Asia article in this issue of *Comparative Connections*, China was seen as letting the ongoing dispute with the Philippines over territorial claims in the South China Sea override humanitarian concerns. Meanwhile, as Euan Graham noted in *PacNet* #82, ASEAN was slow at best and ineffective at worst despite years of emphasis on working to develop a regional HA/DR capability. In the end, this inability or unwillingness to respond at a time of crisis should serve to bolster the US argument that it remains the primary security guarantor in Southeast Asia.

Malaysia and TPP negotiations and Indonesian geopolitical ambivalence

Malaysia’s primary foreign policy focus with the United States in recent months has been its proposed membership in the TPP. Speaking at the Council on Foreign Relations in New York on Sept. 27, Prime Minister Najib Razak, who also serves as Malaysia’s finance minister, stated that TPP membership would increase the country’s trade and foreign direct investment. However, International Trade and Industry Minister Mustapa Mohamad said the Parliament would not compromise on the interests of native-born Malays (the Bumiputeras) who are primarily owners of small and medium enterprises (SMEs) and fear that imports from large US companies would undercut their businesses. Moreover, the TPP also requires a more even playing field for government procurement contracts, state-owned enterprises, intellectual property protection, and labor and environmental regulations. While Secretary of State Kerry on Oct. 12 stated that the US was willing to engage in “flexible negotiations” on the TPP agreement, it was unclear how far other signatories were prepared to exempt those parts of Malaysia’s

economy that the government hoped to protect. In any event, there is little surprise that a complete TPP agreement was not ready for final negotiation at the end of 2013.

Indonesia seems ambivalent about the US rebalance in Southeast Asia. Jakarta has warned that strengthening and deepening military alliances with Australia, the Philippines, and Vietnam as well as diversifying the US military presence in the region could trigger reactions that exacerbate tension and distrust. Foreign Minister Marty Natalegawa in a *Sydney Morning Herald* interview on March 16, 2012, referencing the deployment of US Marines to Darwin, stated that countries should not react to China's rise through traditional alliances and fault lines. Rather, President Susilo Bambang Yudhoyono has advocated the establishment of strategic partnerships with multiple countries. Last May, in a speech at CSIS in Washington, Natalegawa elaborated on how these strategic partnerships could be realized when he proposed an Indo-Pacific treaty of friendship and cooperation. This arrangement might build on the well-established India-Indonesia cooperative naval patrols around the Andaman Sea entrance to the Strait of Malacca.

Despite Indonesian reservations about the implications for regional stability of the US military buildup, bilateral defense ties with Washington are strengthening. In a detailed *Defense News* article on Sept. 30, 2013 several developments were highlighted: a US-Indonesian Joint Counterterrorism Exercise involving several ADMM+ countries; Secretary of Defense Hagel announced the sale of eight *AH-64E Apache* helicopters to the Indonesian Army for \$500 million, including a training package; Washington is also in the midst of a multiyear \$700 million sale of 24 used *F-16* fighter jets that are being upgraded to include air-to-ground missiles. These sales will mean that the Indonesian Air Force will consist of US, Russian, and South Korean combat jets – complicating logistic and training while avoiding over-reliance on a single source for defense equipment.

Myanmar: UN nuclear surveillance agreement signed

Washington welcomed Myanmar's mid-September signature of the Additional Protocol to the International Atomic Energy Agency (IAEA) Comprehensive Safeguards Agreement, which will permit inspections of the country's nuclear activities. The State Department praised Nay Pyi Daw's decision as moving it "increasingly in line with international nonproliferation norms and standards." Nevertheless, US officials remain concerned about Myanmar's purchase of missiles and other equipment from North Korea which is prohibited under UN Security Council sanctions, despite the government's pledge to halt these transactions.

On Oct. 11, at the EAS meeting in Brunei, President Thein Sein told Secretary Kerry that Myanmar would release its last political prisoners by the end of the year. The promise came as Myanmar accepted the next rotating chairmanship of ASEAN and stated that it now possessed the capabilities needed to run the hundreds of international meetings that post requires. To assist Myanmar – for generations an isolated country with a depressed economy – its leaders have asked diplomats from Singapore, Thailand, and South Korea for advice. At ASEAN's insistence, Myanmar passed on the last rotating chairmanship that came around several years ago. Now, all members agree that the country has made sufficient economic and political progress to accept the responsibility.

Vietnam: A Growing Partnership?

At the ADMM+ in late August, Vietnam Defense Minister Phung Quong Thanh told Secretary of Defense Hagel that he was “very happy to witness recently the defense and military cooperation between the two countries.” Nevertheless, the positive rhetoric is constrained by the fact that Hanoi is still not allowed to buy weapons from the US because of the country’s human rights record. Still, on the sidelines of the EAS, Secretary of State Kerry and Vietnamese Prime Minister Nguyen Tan Dung signed a Civilian Nuclear Cooperation Agreement providing for the transfer of US civilian nuclear technology to Vietnam.

Additionally, Hanoi is a party to the negotiations for the TPP agreement. According to an Oct. 31 CSIS report “Amending Vietnam’s Constitution: Why Washington Cares,” by Murray Hiebert and Kyle Spring, US officials have noted that Vietnam has been a very cooperative negotiating partner on the TPP even on such difficult issues as SOEs and market access.

Southeast Asian pushback on the Snowden NSA leaks

At the end of October, a document leaked by former NSA contractor Edward Snowden, Southeast Asian surveillance targets revealed for the first time. A signals intelligence program called *Stateroom* involved US and Australian embassies in Bangkok, Hanoi, Kuala Lumpur, Port Moresby, and Dili. Predictably, reactions from the governments in these capitals expressed outrage at the revelations initially published in the German magazine *Der Spiegel* and subsequently picked up on Oct. 31 by the *Sydney Morning Herald*. Indonesian Foreign Minister Marty Natalegawa said “...such action is not only a breach of security but also a serious violation of diplomatic norms and ethics, and certainly not in tune with the spirit of friendly relations between nations.” Similar statements were expressed by Malaysian and Thai officials, though any repercussions remain unclear. The Malaysian Home Minister Ahmand Zahid Mamidi stated his government “would investigate whether the US embassy ... was being used for spying.” The Thai head of his country’s National Security Council said that Thailand would not cooperate with US espionage, while Australian Prime Minister Tony Abbott said only that the government had not broken any laws.

Looking ahead

Security is likely to be high on the agenda in US relations with Southeast Asia in early 2014. With the ongoing angst over China’s intentions regarding maritime territorial claims and concerns over the sustainability of the US commitment to the rebalance, we should expect close scrutiny to any developments that would suggest a change in the status quo, especially in the South China Sea. Other developments will revolve around the resumption of US-Philippine talks on the framework agreement for increased US rotational presence, further improvement in US-Myanmar relations, election politics in Malaysia and Indonesia, and the political crisis in Thailand. US economic engagement in the region will likely be driven by TPP negotiations.

Chronology of US - Southeast Asian Relations

September - December 2013

Aug. 29, 2013: ADMM+ meets in Brunei with Secretary of Defense Chuck Hagel in attendance. Hagel invites all 10 ASEAN defense ministers to meet in Hawaii next year.

Aug. 29-30, 2013: Secretary Hagel visits Manila to discuss increasing US troop presence with Philippine counterpart Voltaire Guzman.

Sept. 2-12, 2013: Singapore, Indonesia, Malaysia, Brunei, Thailand, Philippines, and US conduct an annual *Southeast Asia Cooperation against Terrorism (SEACAT)* military exercise.

Sept. 5-14, 2013: In his first trip to Asia as US assistant secretary of state for East Asian and Pacific affairs, Danny Russel visits Brunei and Indonesia.

Sept. 9-13, 2013: US participates in an Indonesian-hosted counterterrorism exercise that is sponsored by the ADMM+.

Sept. 14-15, 2013: China and ASEAN meet in Suzhou for the Sixth Senior Officials Meeting on Implementation of the Declaration on the Conduct of Parties in the South China Sea. Discussion includes the possible establishment of a formal code of conduct.

Sept. 17, 2013: Leonard Glenn Francis, a Malaysian national residing in Singapore and CEO of Glen Defense Marine, is arrested on two counts of bribery. US Navy CMDR Michael Vannak Khem Misiewicz and NCIS Special Agent John Bertrand Beliveau II are also charged with giving Francis confidential scheduling information in return for luxury travel and prostitutes.

Sept. 18, 2013: US welcomes Burma's signing of a UN International Atomic Energy Agency Comprehensive Safeguards Agreement Additional Protocol that requires Nay Pyi Daw to declare any nuclear activities and to allow inspections.

Sept. 18-19, 2013: Philippines and US conduct joint military exercise *PHIBLEX 2014*, which focuses on natural disaster response as well as maritime security and territorial defense.

Sept. 22, 2013: US Ambassador to Cambodia William Todd attends the opening session of Parliament boycotted by the opposition following a bitterly contested election. He states that his attendance is "not an endorsement of any election outcome or any political party."

Sept. 22-29, 2013: Malaysian Prime Minister Najib Razak visits the US to address the UN General Assembly and attend meetings in San Francisco and New York. He also delivers an address to The Asia Society.

Sept. 27, 2013: Secretary of State John Kerry attends the ASEAN Ministerial Meeting in New York, affirming that "ASEAN has been at the center of the Asia Pacific's regional architecture" and the "center" of the US rebalance strategy to Asia.

Oct. 1-2, 2013: US and Philippines conduct fourth round of talks on increased rotational presence of the US military in the Philippines.

Oct. 2, 2013: President Barack Obama cancels the Malaysia and Philippine portions of his Asia trip because of the US government shutdown. Secretary of State Kerry will visit the countries instead. (Subsequently, Obama cancels his whole Asia trip.)

Oct. 2, 2013: US Navy Capt. Daniel Dusek of the Japan-based ship *Bonhomme Richard* is suspended due to implication in the Glen Defense Marine bribery scandal.

Oct. 4-12, 2013: Secretary Kerry travels to Bali for APEC Economic Leaders Meeting, Brunei for the ASEAN-US Summit and East Asia Summit, and Malaysia for the Global Entrepreneurship Summit. A stop in the Philippines is cancelled due to an approaching typhoon.

Oct. 10, 2013: At the APEC meeting in Bali, Secretary Kerry and his Vietnamese counterpart sign a civil nuclear cooperation agreement, permitting US companies to export nuclear equipment to Vietnam. The agreement requires approval by the US Congress.

Oct. 25, 2013: Assistant Secretary of State Russel at the 180th anniversary celebration of US-Thai relations held at the National Archives in Washington, notes that the two countries engage in over 40 joint military exercises annually and that hundreds of US companies in Thailand employ about 250,000 Thai workers.

Nov. 1, 2013: Edward Snowden's NSA leaks link Australian embassies to US electronic espionage in a number of Southeast Asian countries, including Indonesia, Thailand, Vietnam, and East Timor.

Nov. 1-3, 2013: Indonesia, Malaysia, and Myanmar ask the US and Australia to clarify media reports about embassy espionage allegations.

Nov. 6, 2013: US and Philippines negotiations over increased US rotational presence halt after disagreement about level of access Philippines troops will have to US facilities.

Nov. 6-8, 2013: US Navy CMDR Jose Sanchez is arrested for disclosing sensitive US Navy information to the CEO of Glen Defense Marine Asia and for accepting bribes for inflated and fraudulent services. US Vice Adm. Ted Branch and Rear Adm. Bruce Loveless are also implicated in scandal.

Nov. 8-11, 2013: Typhoon *Haiyan* moves through the Philippines, Vietnam, and Southern China.

Nov. 10, 2013: A 90-person US Marine task force from Okinawa arrives in the Philippines to provide disaster relief assistance in response to Typhoon *Haiyan*.

Nov. 13, 2013: *USS George Washington* accompanied by seven supply ships arrives in the Philippines to provide emergency response relief in aftermath of Typhoon *Haiyan*.

Nov. 14-15, 2013: Former US President Bill Clinton visits Myanmar and meets President Thein Sein, Parliamentary Speaker Shwe Mann, and Aung San Suu Kyi.

Nov. 15, 2013: US Navy Captain David Haas is suspended from duty for his role in the US Navy bribery scandal involving Glenn Defense Marine Asia, the sixth Navy officer to be implicated.

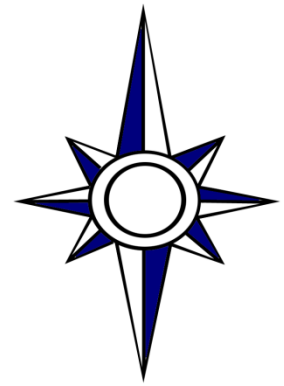
Nov. 20, 2013: Amphibious ships *USS Ashland* and the *USS Germantown*, equipped with helicopters, small boats, trucks, equipment to produce potable water and other supplies, take over US disaster relief operations in response to Typhoon Haiyan.

Nov. 21, 2013: Philip Goldberg is sworn in as the new US ambassador to the Philippines. He arrives in Manila on Nov. 26.

Nov. 22, 2013: Second former US *Hamilton-class* Coast Guard cutter is commissioned as *BRP Ramon Alcaraz* by the Philippine Navy.

Dec. 10-14, 2013: US Acting Assistant Secretary of State for Political-Military Affairs Tom Kelly visits Malaysia to discuss defense cooperation.

Dec. 14-18, 2013: Secretary Kerry visits Vietnam and the Philippines.



China-Southeast Asia Relations:

Beijing Shifts to the Positive, Downplays Disputes

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Chinese policy and behavior toward Southeast Asian countries shifted with positive initiatives announced in carefully orchestrated moves during meetings in China and visits to the region in September and October. Beijing muted its tough stance on disputes in the South China Sea seen since early 2012 and curbed recent publicity regarding Chinese resolve to advance control in disputed maritime territory. However, there has been little evidence of substantive change in Chinese positions or ambitions. China muffled polemics with the Philippines, but strained Sino-Philippines relations seemed to explain China's initially meager response to calls for assistance in response to the Typhoon *Haiyan* that tore through the Philippines in mid-November. After several days of strongly negative international media commentary, Beijing began to provide more assistance, eventually sending a large hospital ship. Meanwhile, Beijing's establishment of an ADIZ in the East China Sea raised angst about China taking similar action in Southeast Asia. The widely publicized deployment of China's aircraft carrier to the South China Sea in late November for several weeks prompted commentary suspicious of Chinese intentions.

Xi, Li stress the positive in relations with Southeast Asia

President Xi Jinping and Prime Minister Li Keqiang signaled strong Chinese interest in advancing relations and muting differences, notably over the South China Sea. Their speeches, interviews, and other interactions with Southeast Asian counterparts during September and October stressed new agreements of mutual benefit. They were reinforced by fulsome optimistic treatments of Chinese-Southeast Asian relations not seen in Chinese media coverage of the region for many years.

Chinese leaders and commentary during 2012 and up to September 2013 had duly affirmed Chinese interest in constructive relations, but they also had given high priority to publicly emphasizing China's determination to advance control of contested territory and related resources and rights in the South China Sea, despite international criticism. In this vein, strong official attention was devoted to demonstrations of the growing capabilities of military and paramilitary forces in the South China Sea, advances in Chinese exploitation of fishing and oil resource rights, strengthening administrative control around contested islands, and harsh public criticism of regional and other leaders whenever they questioned Chinese practices or contested Chinese claims. China also went to extraordinary lengths to lobby and exert influence to keep South China Sea and other maritime disputes off the agenda of ASEAN meetings and meetings like the East Asian Summit where ASEAN served as convener.

Beginning in September 2013, the Chinese muted emphasis on the divisive disputes and stressed new or strengthened frameworks for advancing economic, diplomatic, and security relations. China also reacted in more measured fashion than before to the raising of South China Sea issues by others during the 2013 ASEAN and East Asian Summit meetings. Xi Jinping also seemed to moderate Chinese reservations over the US-backed Trans-Pacific Partnership (TPP) regional trade agreement when he told APEC economic leaders in Bali that China is open to all trade arrangements so long as they are inclusive. Xi's moderation was echoed by Chinese officials and media. While there was no sign that China was prepared to compromise on South China Sea disputes, the positive Chinese initiatives were broadly welcomed by most Southeast Asian leaders amid reported doubts about US interest in the region following the cancellation of President Barack Obama's visit there in October. The careful orchestration of the Chinese initiatives obviously pre-dated Obama's decision not to attend the Asian meetings and Chinese officials made little reference to his absence.

It later became clear that China's turn in Southeast Asia was part of broader evaluation of China's policies toward the countries and organizations along its periphery. A secret two-day meeting on this subject in late October – the first such meeting known to specialists – was attended by all seven members of the Chinese Communist Party Standing Committee. After the meeting closed, *Xinhua* reported on a speech delivered by Xi Jinping, though the contents and deliberations of the meeting remained unavailable. Subsequent official media noted the problems China faced along its eastern periphery, suggesting that the new tack toward Southeast Asia is designed to ease the problems in that area without compromising Chinese territorial claims.

China's constructive agenda

Chinese leaders managed the roll out of their new agenda for advancing relations with Southeast Asia in distinct stages. Major benchmarks came with presentations by Premier Li and President Xi in regional multilateral forums that were supported by progress the leaders made in strengthening bilateral relations with regional leaders. The overall effect was to keep the media spotlight on China's constructive approach in the region throughout September and October. The substance of the agenda involved familiar themes of closer economic, social, diplomatic, and security ties.

Li Keqiang at China-ASEAN Expo

In his Sept. 3 keynote speech to the 10th China-ASEAN Expo meeting in Nanning China, Li characterized the past 10 years of relations as a “golden decade” and forecast a “diamond decade” for the period ahead. His proposals centered on: (1) an upgrade of the existing China-ASEAN Free Trade Agreement (CAFTA); (2) greater interconnectivity between China and Southeast Asian states through road, rail, water, air, telecommunication, and energy connections. He also stressed the need for more Chinese loans to assist in developing these connections and the standardization of information exchanges, customs clearance procedures, and other means to ease cross border interchange; (3) expansion of the Chiang Mai Initiative and various swap arrangements to shore up troubled currencies in emergencies; (4) enhanced China-Southeast Asian cooperation over such maritime issues as safety, search and rescue, and environmental

management; and (5) China's provision of government scholarships to as many as 15,000 Southeast Asian students in the next three to five years.

The next day, a Chinese minister announced a series of measures to advance Chinese-ASEAN science and technology cooperation. They involved establishing joint China-ASEAN research laboratories, providing Southeast Asian countries with access to data from China's emerging global satellite remote sensing system, establishing a China-ASEAN technology transfer center, and encouraging Southeast Asian scientists to work in Chinese universities or other high technology institutions.

China's low-keyed treatment of the South China Sea disputes during this period included reportage of the sixth Senior Officials meeting and the 9th Joint Working Group on the Implementation of the 2002 Declaration of Conduct (DoC) in mid-September in Suzhou, China. Consultations were held there on a proposed code of conduct (CoC) on the South China Sea within the framework of implementing the DoC. Chinese commentary took aim against countries that were seen to "hype" the urgency of reaching a code of conduct, arguing that China and ASEAN are determined to ignore such "distractions."

Xi Jinping in Indonesia, Malaysia, and Bali (for APEC)

Xi Jinping began his Southeast Asian trip with a visit to Indonesia where he was invited to speak to the Parliament on Oct. 3. He emphasized the creation of a "maritime silk road" to strengthen commercial and other ties between China and countries along the coast of Southeast Asia. Xi built on Li's emphasis regarding infrastructure to connect China and Southeast Asia by saying that China would contribute to a proposed Asian Investment Bank to support the construction of such infrastructure. Xi and Indonesian leaders announced a five-year forecast for growing trade relations. Business deals valued at \$28 billion were signed. Trade was valued at \$66 billion in 2012 and China is Indonesia's second largest trading partner. Investment was valued at \$2 billion, and 850,000 Chinese visited Indonesia in 2012. Chinese and Indonesia leaders characterized the overall relationship as a "comprehensive strategic partnership."

Visiting Malaysia Oct. 3-5, Xi signed another five-year trade forecast and similarly advanced Sino-Malaysian relations to the status of "comprehensive strategic partnership." Trade was valued at \$95.7 billion in 2012 and was projected to top \$160 billion in 2017. Malaysia has been China's largest trading partner in Southeast Asia for several years. In 2012, Malaysia invested \$6.3 billion in China while China invested less than \$1 billion in Malaysia.

At the APEC Leaders Meeting in Bali on Oct. 7, Xi took pains to reassure his colleagues of China's economic vitality while other Chinese commentary warned against the adverse effect of US quantitative easing and other monetary policies that were described as destabilizing and disadvantageous to developing countries. Perhaps looking to China's hosting APEC in 2014, Xi was at pains to stress the centrality of the organization in regional trade liberalization. Meanwhile, a Chinese Foreign Ministry spokeswoman reacted critically to a declaration by the foreign ministers of the US, Japan, and Australia on the sidelines of the APEC meeting opposing coercive or unilateral actions for the purpose of changing the status quo in the East China Sea and destabilizing relations in the South China Sea.

Li Keqiang in Brunei (ASEAN meetings and EAS), Thailand, and Vietnam

At the start of his mid-October trip to Southeast Asia, Li Keqiang gave a lengthy interview where he expanded on his Sept. 3 speech to advance new elements in China-ASEAN relations. This included strengthening security ties and cultural ties, which he had not emphasized in his September speech. While at the China-ASEAN meeting in Brunei on Oct. 9, Li proposed a China-ASEAN treaty on good neighborliness, friendship and cooperation. Supporting Chinese commentary characterized the proposal as a way to reduce regional concerns with China's rise and to legally commit all sides to peaceful coexistence. Some Chinese commentary also portrayed the treaty as a good way to counter the US rebalancing initiatives in the region. Li reacted with measured rhetoric to issues involving the South China Sea raised by a number of countries represented at the East Asian Summit in Brunei on Oct. 10, countering the arguments of Philippine, Japanese and, US leaders who were among those pushing for faster progress on a code of conduct.

In official meetings with Brunei leaders, Li highlighted a joint venture involving companies from each side to engage in oil exploration. He also reaffirmed the preference for dealing with South China Sea disputes through negotiations. In Thailand, Li spoke to the Thai Parliament, witnessed various trade deals, proposed a bank for carrying out transactions in Chinese currency in Thailand, and discussed visa waivers between the two countries. China is the largest source of foreign tourists visiting Thailand. Moving to Vietnam, Li's visit was portrayed positively in Chinese commentary, with little reference to South China Sea frictions. Bilateral trade was slated to grow to \$60 billion in 2015 and \$100 billion in 2017.

China-Philippines relations

Frictions between China and the Philippines were evident in early September as details emerged over President Benigno Aquino's aborted visit to the China-ASEAN Expo in Nanning, China. Philippine officials reported that since their country was this year's "country of honor" at the Expo, it was customary for the head of state to attend the Expo. Accordingly, President Aquino announced on Aug. 28 that he would make a 12-hour visit to the Expo on Sept. 3, but Philippines officials announced the next day that the visit was cancelled at Beijing's request. Subsequently, the Chinese Foreign Ministry told the media that Aquino had not been invited. On Sept. 2, Philippines officials said that China had demanded that the Philippines withdraw its arbitration case before a UN tribunal challenging China's South China Sea claims as a precondition for Aquino's visit to China. Manila refused.

Things got worse in November when China's initial donation of \$100,000 in financial assistance to the Philippines after Typhoon Haiyan met with scathing critiques in international media, questioning China's readiness for international leadership and responsibility. Against that background, though without reference to the foreign critiques, Beijing on Nov. 14 said it would donate \$1.6 million in relief supplies, and on Nov. 17 said it was ready to send rescue and medical teams; teams departed Nov. 20. Official media explained the belated uptick in assistance with the observation in a report Nov. 21 by an official who said "Originally the Chinese government had no idea that it would be such a catastrophe." That day, the modern hospital ship

Peace Ark left China for the Philippines, arriving in the disaster area Nov. 23; it began relief efforts that received full coverage in Chinese media as reflecting the friendship between the Chinese and Filipino people.

Air defense zone; *Liaoning* deployment

In early December, China's ambassador in Manila added to regional angst about China possibly establishing an air defense identification zone over the South China Sea similar to its zone over the East China Sea. She responded to local media querying about a possible zone in the South China Sea by saying that it was "within China's right as to where and when to set up a new air identification zone." The media queries followed the announcement by the Chinese defense spokesman in explaining the new zone on Nov. 23 that "China will establish other air defense zones at the right time after necessary preparations are completed." Australia joined the US, Japan, and South Korea in strongly protesting the Chinese move. The Australian government summoned the Chinese ambassador to complain. In response, China's Foreign Ministry spokesman publicly criticized Australia's action. Subsequently, the Foreign Ministry called in the Australian embassy representative to complain about public remarks by Australian Foreign Minister Julie Bishop on the issue. Among commentary viewing the deployment of the aircraft carrier *Liaoning* and its extended stay for exercises in the South China Sea with suspicion was an assessment in the *RSIS Commentaries* published by Singapore's Nanyang Technological University describing the deployment as a show of force emblematic of the "gun boat diplomacy" of Asia's past.

Pacific Islands Forum

During the second China-Pacific Islands Countries Economic and Cooperation Forum held on Nov. 8 in Guangzhou, Vice Premier Wang Yang announced a \$1 billion increase in low-interest Chinese loans to be provided over the next four years to eight Pacific Island nations having official relations with China. Also announced were elimination of Chinese tariffs on most Pacific Island exports to China and 2,000 scholarships for the training of technicians in China. Chinese media reviewed advances in relations with the countries since the first economic and cooperation forum that took place in Fiji in 2006. That meeting also saw a substantial commitment of concessional finance to Pacific Island countries valued at \$492 billion and promises of trade benefits and technical training. At present, 150 Chinese companies have invested about \$1 billion dollars in the countries. The value of Chinese projects in the countries is \$5.12 billion and 3,600 government officials and technicians have received training in China.

Chinese support is widely welcomed among the Pacific Island governments, but as in the case of other large-scale Chinese financing of infrastructure elsewhere among poor states with limited governance capacities, analysts see a variety of shortcomings. Australian analyst Matthew Dornan and colleagues posted in the *East Asian Forum* an assessment outlining the growing negative implications of the Chinese loans. The loans come mainly from the Export-Import Bank of China and tend to be used in ways that reflect the wishes of Pacific Island rulers. They are sometimes used for palaces and other vanity projects providing little support for economic development, and they do not consider ongoing costs related to operation and maintenance, resulting in rapid deterioration of some recently constructed infrastructure. Tonga has used

Chinese loans for infrastructure to expand the Royal Palace; it now finds that Chinese Ex-Im Bank loans account for 64 percent of its external debt, which is 39 percent of its GDP. Options for dealing with such growing debt burdens resulting from Chinese practices include Chinese debt relief, provisions for the costs of operation and maintenance, and more caution in governing how the Chinese financing will be spent – options that China has not adopted up to this point. Given the growing debt burdens and other constraints posed by the limited capacity of the Pacific Island governments to manage and use the \$1 billion in promised Chinese financing, the authors averred that much of the promised monies may not be lent.

Chronology of China-Southeast Asia Relations September – December 2013

Sept. 3, 2013: Philippines accuses China of constructing concrete structures within its territory in the Scarborough Shoal (Philippines: Panatag Shoal; Chinese: Huangyan Island).

Sept. 3-6, 2013: Tenth China-ASEAN Expo convenes in Nanning, China. The annual event features exhibitions from companies in the region to promote business, trade, and economic activities between China and ASEAN member states.

Sept. 14-15, 2013: China and ASEAN hold Sixth Senior Officials Meeting on Implementation of the Declaration on the Conduct of Parties in the South China Sea and discuss establishment of a formal code of conduct.

Sept. 26-30, 2013: Lao President Choummaly Sayasone visits China and meets President Xi Jinping. They agree to expand bilateral trade, infrastructure development, educational and cultural exchanges, and defense cooperation.

Sept. 26, 2013: China and Vietnam agree to conduct joint research on marine life near the Gulf of Tonkin. The agreement is part of the outcome of the fourth round of bilateral negotiations on maritime cooperation in the South China Sea.

Oct. 2-6 2013: President Xi Jinping visits Indonesia and Malaysia and takes part in the 21st APEC Economic Leaders Meeting in Bali. With his Indonesian and Malaysian counterparts, Xi agrees to advance the status of both sets of bilateral relations to a “comprehensive strategic partnership,” with emphasis on advancing trade, business, and economic relations.

Oct. 9-15, 2013: Chinese Premier Li Keqiang visits Brunei to attend the 16th China-ASEAN Summit, the ASEAN Plus Three Summit, and the 8th East Asia Summit. He also visits to Thailand and Vietnam.

Oct. 16, 2013: Fan Changlong, vice chair of China’s Central Military Commission, meets senior military officials from Myanmar. They agree to ensure security and stability along the Sino-Myanmar border.

Oct. 16-19, 2013: ASEAN Secretary General Le Luong Minh visits China and meets Foreign Minister Wang Yi.

Oct. 20, 2013: China National Petroleum Company announces the China-Myanmar gas pipeline is complete and in full operation. The pipeline will carry nearly 12 billion cubic meters of natural gas to southwest China.

Oct. 22, 2013: Tenth China-Singapore Joint Council for Bilateral Cooperation convenes in Singapore and agrees to increase cooperation in the financial sector, promote cultural and people-to-people exchanges, and expand bilateral trade and investment. The two sides also agree to launch direct foreign exchange trade between their currencies in the interbank market and to expand the channel for the flow of Renminbi capital between China and Singapore.

Oct. 29-30, 2013: Malaysian Defense Minister Hishammuddin Hussein visits China and meets Defense Minister Chang Wanquan. They vow to increase military ties.

Nov. 5-11, 2013: Chinese and Indonesian airborne troops carry out a joint counterterrorism exercise, *Sharp Knife Airborne 2013*, in Bandung, Indonesia. The exercise involves around 200 paratroopers and includes live-fire exercises, air landing, hand-to-hand combat, shooting, obstacle-crossing, and search and rescue operations.

Nov. 17, 2013: China and Myanmar's opposition party, the National League for Democracy (NLD), expand ties with the visit of a senior NLD delegation to Beijing, Shanghai, and Yunnan. The visit is the fourth official NLD visit to China to deepen party-to-party relations.

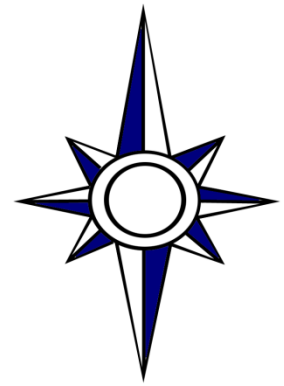
Nov. 26-Dec. 31, 2013: Chinese aircraft carrier *Liaoning* accompanied by several escort ships conducts sea trials in the South China Sea.

Nov. 23, 2013: China's naval hospital ship, *Peace Ark*, arrives in the Philippines to provide medical aid and relief to victims affected by the typhoon in the country.

Dec. 1, 2013: Chinese Ambassador to the Philippines Ma Keqing comments that Beijing has the right to decide "when and where to set up the new air identification zone," sparking regional concerns that China may set up a similar zone over the South China Sea, as it had done in the East China Sea.

Dec. 8-21, 2013: Chinese and Thai Special Forces carry out a joint counterterrorism training exercise. The exercise, code named *Strike 2013*, is the fourth time the two armed forces have carried out such joint training aimed to increase bilateral defense and security ties.

Dec. 10-11, 2013: Senior officials from China, Cambodia, Laos, Myanmar, Thailand and Vietnam attend the 19th Greater Mekong Subregion Ministerial Conference and agree on the Regional Investment Framework to help spur business, trade, and economic ties, increase infrastructural development, and greater regional connectivity via transportation linkages.



**China-Taiwan Relations:
Building Trust?**

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Beijing is increasingly exploring ways to address cross-strait political issues and is promoting agreement on a “one China framework” as the way to build mutual trust. However, differences remain very apparent, at least for the present. The first formal exchange of visits by officials is being planned, raising important policy implications. Taipei’s participation in the International Civil Aviation Organization Assembly as a guest was a positive step while Beijing’s unilateral announcement of an East China Sea ADIZ overlapping in part Taiwan’s ADIZ has set back efforts to build trust.

Beijing works on political issues

In recent months, the term “one China framework” (一中框架) has featured more prominently in Beijing’s policy statements on cross-strait relations. In October, Politburo Standing Committee Member Yu Zhengsheng said at the Chinese Communist Party-Kuomintang (CCP-KMT) forum that the one China framework provides the basis for building the mutual trust needed to move political issues forward, and Taiwan Affairs Office (TAO) Minister Zhang Zhijun made a similar point at the inaugural Cross-strait Peace Forum. In his yearend statement, Zhang said that recently the two sides have been seeking a common understanding on supporting the “one China framework.” Beijing believes that replacing the differing interpretations of the 1992 consensus by a common understanding of the meaning of one China would create the political trust needed to address core political issues. That will prove to be difficult.

Although Honorary KMT Chairman Wu Poh-hsiung mentioned the “one China framework” (using the term 架構, which Taipei sees as looser) when he met Xi Jinping in June, Taipei otherwise has avoided the term, noting repeatedly its view that cross-strait relations continue to be based on the 1992 consensus. This difference also appeared in the exchange of telegrams on the occasion of the KMT’s Congress in November, with the CCP mentioning the “one China framework” and the KMT referring to the 1992 consensus.

The 18th CCP Congress called for the two sides “to jointly explore political relations.” In his opening address to the Peace Forum held in Shanghai in October, TAO Minister Zhang referred to this statement in explaining the function of the forum, and told the gathering that avoidance of political issues in cross-strait relations is unsustainable. Scholars from both sides, including some from the opposition Democratic Progressive Party (DPP), debated the possible meanings of “one China,” the potential for a peace agreement, and other sensitive issues. The existence (or denial of the existence) of the Republic of China (ROC) was reportedly a major sticking point. Yet, this is a key issue in defining the future of the cross-strait relationship. While President Ma

Ying-jeou has supported such Track II meetings, he continues to state that the conditions are not ripe for direct political talks.

The Oct. 6 meeting between General Secretary Xi Jinping and former Taiwan Vice President Vincent Siew at the APEC Economic Leaders Meeting in Bali proved to be an important event. As Siew has no KMT title and Mainland Affairs Council (MAC) Chairman Wang Yu-chi was included in Taiwan's delegation for the first time, observers in Taipei foresaw a "government-to-government atmosphere" surrounding this bilateral exchange. Xi conveyed two new messages. First, ratcheting up the pressure for political talks, he said that longstanding political disagreements couldn't be passed from generation to generation. President Ma has in the past said that the core political issues should be left to future generations. Xi again said that Beijing would discuss political issues with Taiwan "within the one China framework." The second Xi message was that "responsible persons from offices on the two sides could meet to exchange views" (雙方主管部門負責人也可以見面交換意見). This suggestion implied that Beijing was ready for some direct government-to-government interaction between officials.

Wang-Zhang meeting

In a headline-grabbing example of such interaction, MAC Chairman Wang Yu-chi and TAO Minister Zhang Zhijun met briefly after the Xi-Siew meeting, and greeted each other using their official titles. The encounter led to a flood of commentary in Taipei focusing on the use of official titles with several commentators referring to this as a breakthrough. The MAC said the use of titles was an example of both sides facing reality and not denying each other's existence. In his national day address a few days later, President Ma said it was noteworthy that "the two ministers greeted each other by their official titles." However, reporting in the official Chinese media did not mention the use of titles. *Xinhua* described Wang Yu-chi as the "responsible person of the office handling mainland affairs," continuing Beijing's practice of not mentioning the official titles of Taiwan government agencies or officials. On Oct. 16, the TAO explained its view that the meeting was "contact between the supervisors responsible for cross-strait relations from the two sides, it was nothing else." While Zhang had used his counterpart's title orally, Beijing was not ready to acknowledge this in writing and sought to downplay its importance.

After the meeting, Wang Yu-chi announced that in the future there would be more direct and regular communication between the MAC and TAO. The Taipei media was full of speculation about an exchange of MAC/TAO visits. On Oct. 16, Wang told the Legislative Yuan (LY) that a plan for him to visit China was under evaluation. Notably, he expressed confidence that his official title would be used when a visit did take place. On Dec. 17, Wang told the LY plans were being made for him to visit China after Chinese New Year. The DPP LY caucus said Wang should brief the LY before any visit, a request reflecting DPP concerns about expanding official contacts. Two days later, a MAC source told the media that Chairman Wang would only visit if his official title was used. On Dec. 22, Zhang Zhijun confirmed planning was underway for Wang's visit. Again, the official media report of Zhang's confirmation avoided using Wang's title. The following day, Zhang said there was no need to "obsess about titles"; what is important is that the two organizations work together.

Although the agenda for the meeting has not been finalized, Wang said that he would raise two political issues: international space and the visitation rights of the future Straits Exchange Foundation (SEF) office. President Ma told a meeting of the KMT Central Committee on Dec. 25 that Taiwan would not exclude a discussion of China's East China Sea Air Defense Identification Zone (ADIZ) at that meeting. While speculation about a future Ma-Xi meeting has increased as a result of these developments, the MAC has said that the issue of a Ma-Xi meeting is not on the agenda. Nevertheless, when the visit occurs, it will involve officials discussing political issues, which is one aspect of the visit that worries the DPP.

Xi Jinping's call for the officials responsible for cross-strait relations to meet directly and publicly represents a significant shift in Beijing's position, which has heretofore consistently been that all contacts between officials must take place under the Association for Across Taiwan Straits Relations-Straits Exchange Foundation (ARATS-SEF) umbrella, to avoid implying recognition. The different interpretations of the first Wang-Zhang meeting and on the planning for Wang's first visit reflect the political sensitivities involved. As always in China, titles and names are important. How these sensitive political issues are handled in Chairman Wang's planned visit will indicate how each side sees the political implications of such official contacts.

Cross-strait developments

Domestic politics in Taipei continue to delay approval of the Services Trade Agreement (STA). In early September, President Ma moved to expel Wang Jinping from the KMT, thereby ousting him from his position as LY speaker. The immediate impetus for Ma's move against Wang was evidence that Wang had tried to intervene in a prosecutor's decision concerning a case against DPP LY caucus leader Ker Chien-min. However, in response to public criticism, Ma explained his frustration with Wang's repeated failure to move the administration's priorities, including the STA, though the LY. Wang won a court stay of his expulsion from the KMT, preserving his role as speaker pending what may be an extended court case and a series of appeals. During this internal KMT feud, little has been accomplished in the legislature. LY consideration of the STA awaits completion of an agreed series of hearings. Half of the hearings were to be arranged by the DPP, and those hearings will not be concluded until March 11. Therefore, Speaker Wang announced in December that the STA will not be considered at this LY session. DPP legislators have called for renegotiation of certain provisions of the STA, and the Taiwan Solidarity Union (TSU) continues to oppose the agreement.

Despite its evident frustration with Taipei's inability to win LY approval for the STA, Beijing has moved ahead with negotiations on a number of other cross-strait agreements. Negotiations on the exchange of ARATS and SEF offices have continued. The question of whether the offices will have the right to visit detained citizens is one issue yet to be resolved. There have also been negotiations on the merchandise trade and disputes settlement agreements under Economic Cooperation Framework Agreement (ECFA). In December, ARATS Chairman Chen Deming made his inaugural visit to Taiwan. After talks with SEF counterpart Lin Join-sane, it was revealed that the long moribund negotiations on a double taxation agreement had mysteriously been revived. In mid-December, MAC Chairman Wang indicated that at the 10th SEF-ARATS meeting, expected to be held in early 2014, the tax agreement as well as agreements on meteorological cooperation and seismological monitoring would be signed. The exchange of

offices and merchandise trade were not mentioned as being on the agenda. All negotiations have been held behind closed doors with, as usual, little information available to the public or the LY. Implicitly acknowledging that inadequate public consultation had contributed to misinformation about the STA, Wang Yu-chi said the MAC would be consulting about the tax agreement before it is signed. Finally in December, the vice-ministerial level Cross-Strait Economic Cooperation Committee (CSECC) held its fifth regular meeting to review the implementation of the 19 cross-strait agreements and related issues.

Through the fall, Beijing has appeared eager to move the agreed agenda of cross-strait cooperation ahead despite delays created by domestic politics in Taipei. When asked about delays on the STA, the TAO has at times said that failure to approve the agreement would have consequences, but it has not held up other negotiations. To the contrary, Beijing has been working hard to make progress wherever possible.

Regional economic integration

President Ma and other senior officials stated many times that Taiwan wants to join both the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP), in part to maintain Taiwan's economic competitiveness. Ma expressed this hope to Robert Wang, the US State Department's senior official for APEC. Vincent Siew noted Taiwan's desire to participate in both partnerships in his October meeting with Xi Jinping, as he had in their previous meeting in April.

While leading a delegation of senior business executives to the United States in November, Siew urged Washington to support Taiwan's participation in TPP because while Taiwan's economic ties with China are beneficial, "without access to other trade agreements, Taiwan's external trade and economic relations remain highly dependent and imbalanced toward integration with mainland China, while facing diminishing ties with the rest of the world."

Taiwan's recently concluded free trade agreements with New Zealand and Singapore set it on course to align its trade regime with TPP requirements. Both are high-quality agreements containing provisions similar to those being sought in the ongoing TPP negotiations. In December, President Ma instructed the Executive Yuan (EY) to establish working groups on membership in TPP and RCEP, and a US Trade Representative spokesperson reportedly told the *Taipei Times* in an email that the United States "welcome[s] Taiwan's interest to join the TPP."

ICAO Assembly

A letter from the president of the International Civil Aviation Organization (ICAO) Council to the director general of Taiwan's Civil Aeronautics Administration (CAA), dated Sept. 11, invited CAA "experts or officials" to attend the Sept. 24-Oct. 4 ICAO Assembly as the Council president's "guests." The ICAO Assembly is only the second United Nations organization, after the World Health Assembly, in which Taiwan has been able to participate since 1971.

While the Taiwan delegation's participation in the Assembly was uneventful, there was intense discussion of the process and optics surrounding the invitation. The Chinese Foreign Ministry

and TAO stated that Beijing agreed to the invitation following cross-strait consultations and that it “illustrates the mainland’s concern for Taiwan compatriots.” Taipei’s announcement focused on the invitation being the result of international efforts with the result conveyed by the ICAO Council president on behalf of its membership. The US government praised the flexibility and support of Council President Kobeh and all members. Taiwan Foreign Minister David Lin acknowledged before the LY that the invitation was the result of a proposal from China to which all sides agreed. Kobeh told the Taipei press that it was China that first approached him. It appears that the invitation was the result of a variety of consultations, including cross-strait, leading to agreement on Kobeh’s sending his invitation.

DPP legislators and others worried about the one-off nature of the invitation and that a precedent had been set by designating Taiwan’s delegates as “guests.” Minister Lin said that this invitation was a positive first step, and that Taiwan will continue to work to attend ICAO meetings as an observer. Taipei would like to become an observer at the regular meetings of the Council and to participate in other ICAO meetings, but thus far the invitation to attend the Assembly has not opened the door to such participation.

Taiwan loses a diplomatic ally

On Nov. 14, the ROC Embassy in Gambia received a letter from President Yahya Jammeh announcing the termination of its diplomatic relations with Taiwan in order to benefit its “strategic national interest.” Taiwan immediately sent a delegation of officials who had worked with Jammeh to meet the president, but he did not agree to see them. On Nov. 18, Taiwan’s Foreign Ministry declared the relationship terminated.

The relationship seems to have ended due to Jammeh’s personal corruption. A People’s Republic of China (PRC) Foreign Ministry spokesman said on Nov. 18 that China learned about Jammeh’s decision through news reports and that there was no contact between China and Gambia about it. Taiwan’s ambassador to Gambia told the LY that in January and again in April 2013 Jammeh himself had asked for \$10 million cash, but would not provide details for its use. Citing policies for foreign aid, Foreign Minister David Lin said that Taiwan had not agreed to the request.

Some in Taipei have speculated about Gambia’s move precipitating a domino effect among Taipei’s 22 remaining diplomatic allies. To date, China and Gambia have not established relations, and the Chinese Foreign Ministry has stated that Beijing will place priority on good cross-strait relations. This is an indication that Beijing will not seize the opportunity to establish relations with Gambia. As such, it is the clearest indication to date of Beijing’s tacit adherence to President Ma’s diplomatic truce. If Beijing’s forbearance is sustained, the incident will have contributed to a degree of mutual trust. Thus far the losers are President Jammeh and Gambia.

Cross-strait implications of Beijing’s ADIZ announcement

Beijing’s Nov. 23 announcement of its East China Sea Air Defense Identification Zone (ADIZ) caught Taipei by surprise. Ma administration officials said they had no advance notice, let alone consultation, about the zone even though it overlaps with a large part of the Taipei ADIZ north of Taiwan. That day, President Ma called a meeting of his National Security Council and

subsequently Taipei expressed its “high concern” and reaffirmed the ROC’s sovereignty over Diaoyutai. The ROC Civil Aviation Administration instructed airlines to file the requested flight information with PRC authorities.

The impact of the new ADIZ rippled through the government in Taipei over the next two weeks. On Nov. 24, the opposition DPP criticized the administration for its mild response and said the ADIZ was a provocative act designed to achieve China’s regional hegemony – or as an editorial in the *Taipei Times* put it – an example of Beijing’s “gangster mentality.” On Nov. 27, the DPP again criticized the government’s response and called for Taiwan to cooperate with Japan, the US, and the ROK in a coordinated response. In Beijing, the TAO gave assurances that cross-strait flights would not be affected by the new ADIZ. On Nov. 29, the EY issued a formal statement expressing “serious concern,” and the LY passed a rare bipartisan resolution calling for a “stern protest.” On Nov. 30, the MAC formally conveyed Taipei’s views to the TAO. In response, the TAO replied that the ADIZ was not aimed at Taipei. On Dec. 5, President Ma stated publicly that the ADIZ “was not helpful to the development of cross-strait relations.”

It appears that cross-strait implications received no consideration in Beijing’s announcement. Beijing gave Taipei no advance notice. Beijing chose not to design the ADIZ boundaries to avoid overlap with Taipei’s ADIZ, and it chose not to exempt Taiwan’s cross-strait flights from the reporting requirements. Taiwan was treated the same as Japan and other foreign countries, despite Beijing’s principled assertions that it is part of China. From the perspective of Chinese realists, the Diaoyu issue is a struggle between major powers China and Japan in which Taiwan is only a bit player deserving little consideration. More to the point of China’s reunification goal, Beijing’s announcement has undermined the mutual trust that the TAO has repeatedly stated recently is required for progress on the peaceful development of cross-strait relations.

DPP’s search for a revised “China” policy

The DPP has held up the LY consideration of the STA by delaying its share of the hearings on the agreement and taken every opportunity to criticize the administration’s handling of cross-strait issues. At the same time, party members have made trips to China and participated in the first Cross-strait Peace Forum to convey the party’s openness to increased contacts. The DPP’s Chain Affairs Committee (CAC) has also continued holding meetings aimed at updating its policy toward the mainland. A late September meeting chaired by Frank Hsieh reportedly reached agreement to expand participation in cross-strait exchanges and to seek a “constitutional consensus” within Taiwan as a basis for dialogue with Beijing.

Press reports in advance of a CAC meeting in November suggested that the committee would consider a final draft committee report that would address controversial aspects, including the independence clause in the party charter and the proposed constitutional consensus. However, the meeting, chaired by Su Tseng-chang, did not reach consensus. The official report on the meeting avoided such issues and said that the policy would not be finalized until a meeting scheduled for Jan. 9. After the meeting, the committee spokesperson said the DPP’s core values, including safeguarding Taiwan’s sovereignty, would remain unchanged. He also reported agreement that “constitutionalism” would be the basis of engagement with China. Party policy director Joseph Wu said that reports the party would abandon the goal of *de jure*

independence were inaccurate. Speaking at a meeting with the Taiwanese community in Washington a few days later, Wu laid out his “dream” that Taiwan would be treated as an equal sovereign state by the international community and eventually participate in the UN as other countries do.

Asked about the DPP’s November meeting, the TAO spokesman said that the DPP continued to adhere to its Taiwan independence ideology and the view that there is one country on each side of the strait. The TAO said that proposing to use “fuzzy concepts as the political basis for exchanges with the mainland is unacceptable.”

When the CAC met in December, LY Caucus leader Ker Chien-ming surprised participants by proposing the party’s “independence plank be frozen.” This proposal was not endorsed by the CAC. However, the TAO chose to tell the press that Ker’s proposal was a positive sign which if implemented would be an important step. At a time when it is urging Taipei to agree to a shared “one China framework” for future relations, Beijing is signaling that it wants a clear statement on one China from the DPP.

Deserts Chang’s concert

In November, popular Taipei indie singer-songwriter Deserts Chang appeared at a concert in the Manchester, England. When a fan in the audience handed Chang an ROC flag, she chose to hold it up and explain to the audience what it was. Video of the event went viral on social media prompting strong and divergent reactions. Her Taiwan fans approved of her Taiwan pride while some mainland fans criticized her for politicizing the concert. In an interview several weeks after the concert, Chang explained that she would continue to address social issues including the issue of Taiwanese identity. The MAC and TAO urged young people to show greater mutual understanding. However, the reactions on the mainland were so strong that her local sponsors recommended cancelling a Beijing concert planned for December, which Chang did. Some Chinese predicted that a concert at that time might provoke violence. This unfortunate incident illustrates that while many place hope on the future generation even the pragmatic young have differing perceptions and strong emotions on identity issues.

Looking ahead

The prospect of MAC Chairman Wang’s visit to the mainland, possibly in February, is potentially the most important event on the horizon in cross-strait relations. How it is handled will provide indications of the implications of such direct acknowledged official contacts. Winning LY approval of the STA at the next regular LY session remains a major challenge. Among the agreements being negotiated, the merchandise trade agreement is very important as Taiwan’s main competitor, South Korea, is negotiating an FTA with China. However, it is not yet on the agenda for the 10th SEF-ARATS meeting expected to be held in the first half of 2014. Finally, if the TPP negotiations are successful concluded in early 2014, Taipei will likely press to start its accession process.

Chronology of China-Taiwan Relations September – December 2013

Sept. 4, 2013: Taipei Trade Center opens in Guangzhou.

Sept. 5, 2013: President Ma Ying-jeou reiterates that Taipei seeks to attend International Civil Aviation Organization (ICAO) as an observer.

Sept. 9, 2013: Asia-Pacific Cities Summit opens in Kaohsiung with several mayors from Chinese cities attending.

Sept. 10, 2013: Vice Minister of Foreign Affairs Vanessa Shih says observer status is not the only Taiwan goal at ICAO.

Sept. 11, 2013: Kuomintang (KMT) Discipline Committee revokes Speaker Wang Jin-pyng's party membership, accusing him of influence peddling.

Sept. 12, 2013: Straits Exchange Foundation (SEF) Chairman Lin Join-sane meets Chinese Communist Party (CCP) Politburo Standing Committee Member Yu Zhengsheng.

Sept. 13, 2013: ICAO Council invites Chinese Taipei to participate in Assembly as a guest.

Sept. 13, 2013: Taipei court grants LY Speaker Wang a temporary injunction on KMT's revocation of party membership.

Sept. 17, 2013: Association for Relations Across the Taiwan Straits (ARATS) Chairman Chen Deming says ARATS/SEF offices will not be diplomatic or governmental.

Sept. 24, 2013: Republic of China (ROC) Civil Aviation Agency Director General Jean Shen participates in ICAO Assembly as guest.

Sept. 25, 2013: Taiwan takes delivery of first of 12 *P-3C* maritime surveillance aircraft.

Sept. 26, 2013: Democratic Progressive Party (DPP) Huashan Meeting agrees to seek domestic "constitutional consensus."

Oct. 1, 2013: US-Taiwan Defense Industry Conference is held in Annapolis, Maryland.

Oct. 2, 2013: ROC Central Bank Chairman Perng Fai-nan says Taiwan has added Chinese yuan to its foreign currency reserves.

Oct. 6, 2013: Xi Jinping meets Vincent Siew at APEC Economic Leaders Meeting in Bali.

Oct. 6, 2013: MAC Chairman Wang Yu-chi and TAO Minister Zhang Zhijun meet in Bali.

Oct. 8, 2013: Taipei releases its National Defense Report.

Oct. 11, 2013: First Cross-strait Peace Forum opens in Shanghai.

Oct. 16, 2013: MAC Chairman Wang says exchange of MAC-TAO visits needs study.

Oct. 18, 2013: ARATS Chairman Chen urges early passage of Service Trade Agreement (STA).

Oct. 26, 2013: Ninth KMT-CCP Forum is held in Nanning.

Oct. 29, 2013: ROC Legislative Yuan (LY) approves New Zealand-Taiwan Economic Cooperation Agreement.

Nov. 4, 2013: Vincent Siew leads 300 executives to Entrepreneurs Summit in Nanning.

Nov. 7, 2013: Singapore and Taiwan sign Agreement on Economic Partnership (ASTEP).

Nov. 10, 2013: KMT 19th Party Congress occasions an exchange of messages between the CCP and the KMT.

Nov. 12, 2013: CCP Third Plenum concludes; new State Security Committee is announced.

Nov. 14, 2013: DPP's China Affairs Committee meeting is held.

Nov. 14, 2013: The Gambia announces severance of diplomatic ties with Taipei.

Nov. 14, 2013: Deserts Chang's planned Beijing concert is cancelled.

Nov. 15, 2013: CCP Conference on Theory and Thought on Peaceful Development of Cross-strait Relations held in Beijing.

Nov. 18, 2013: President Ma terminates relations and projects with Gambia.

Nov. 18, 2013: PRC Ministry of Foreign Affairs indicates priority will be on cross-strait relations not relations with Gambia.

Nov. 22, 2013: President Ma reiterates the time is not ripe for cross-strait political talks.

Nov. 23, 2013: China's Ministry of National Defense announces the establishment of its East China Sea Air Defense Identification Zone (ADIZ).

Nov. 24, 2013: PRC Minister of Science and Technology Wan Gang arrives in Taiwan for a conference.

Nov. 25, 2013: DPP statement denounces China ADIZ announcement.

Nov. 25, 2013: ROC Finance Minister Chang Sheng-ford says consensus reached on tax agreement.

Nov. 26, 2013: ARATS Chairman Chen Deming arrives for a visit to Taiwan.

Nov. 27, 2013: SEF President Lin Join-sane says six agreements are being prepared for 10th SEF-ARATS meeting.

Nov. 27, 2013: Taiwan Fisheries Agency director calls for cross-strait fisheries agreement.

Nov. 28, 2013: People's Liberation Army Aircraft Carrier *Liaoning* transits Taiwan Strait.

Nov. 29, 2013: ROC Executive Yuan expresses "serious concern" over ADIZ.

Dec. 1, 2013: ARATS Chairman Chen says goods and disputes agreements being negotiated despite STA delay.

Dec. 2, 2013: MAC conveys ADIZ protest to TAO.

Dec. 5, 2013: President Ma says ADIZ announcement not helpful to cross-strait relations.

Dec. 12, 2013: President Ma calls for the creation of task forces on Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP) participation.

Dec. 13, 2013: SEF President Lin visits Hong Kong for a conference.

Dec. 20, 2013: Speaker Wang announces STA will not be approved at current LY session.

Dec. 22, 2013: TAO Minister Zhang confirms planning for MAC Chairman Wang's visit.

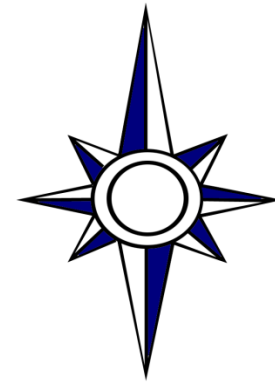
Dec. 26, 2013: DPP holds final discussion meeting of China Affairs Committee.

Dec. 27, 2013: LY approves Taipei-Singapore ASTEP.

Dec. 29, 2013: DPP Chairman Su Tseng-chang says STA renegotiation is a goal for 2014.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



South Korea-North Korea Relations: Will a “Good Season” Ever Come?

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With Jang Song Thaek’s blood still fresh on the snow, it hardly needs emphasizing that the main event in North Korea in the last four months of 2013 was internal rather than external. The sudden, public, and brutal purge and dispatch of the young leader Kim Jong Un’s uncle-by-marriage and erstwhile mentor sent shock waves around the world, and doubtless inside the DPRK too. Of course, major domestic events have wider repercussions. Jang was close to China, so others in this issue will discuss the implications of his ouster for DPRK-PRC ties.

By contrast, inter-Korean relations in recent months were mostly undramatic, if also not very satisfactory. In September the Kaesong Industrial Complex (KIC), the last remaining North-South joint venture, reopened after five months in limbo since the North withdrew its entire workforce in April. Uneven progress since then raises doubts as to the North’s sincerity and hence this project’s viability and long-term prospects, beyond the damage already done by its enforced closure for almost half a year. Hopes that the KIC’s reopening might usher in a wider thaw were dashed when the North, at the last minute and on a flimsy pretext, canceled reunions of separated families – they would have been the first for three years – scheduled for end-September. After that debacle, the old year played out with no fresh initiatives or significant developments on either side. For both, perhaps, policy priorities lay elsewhere. Meanwhile DPRK media subjected ROK President Park Geun-hye and her government to a barrage of often puerile, petty, and personal sniping.

With typical ambiguity, Kim Jong Un’s second New Year message mixed familiar criticism of Southern “war maniacs” with a seemingly contradictory olive branch. Seoul responded by making a concrete call for family reunions in January. Pyongyang dismissed this as untimely, yet held out hope that at some point “both sides can sit together in a good season.” Which indeed they may and probably will, once each of these still relatively new leaders has decided what to make of the other and how they want inter-Korean relations to go forward – if at all. Kim Jong Un remains hard to read, but if one reason for purging Jang was to reduce Chinese influence then his best bet would be greater warmth toward South Korea. On the other side, Park Geun-hye’s vaunted “trustpolitik” is more slogan than policy, and the general cautiousness she has shown since taking office hardly augurs well for bold imaginative steps.

While Park and/or Kim may yet surprise us, overall as 2014 opens the two Koreas seem to be pretty much back to first base and starting over – not for the first time. In the “sunshine” era of engagement (1998-2007) – which now seems a very distant memory, chronicled in detail as it unfolded from 2001 in *Comparative Connections* – an often-repeated mantra was the Korean proverb *Sijaki banida*: The first step is half the journey. As noted here before, the sad truth is the

opposite: Over time there has been almost no cumulative and lasting progress. As in the board game Snakes and Ladders, any temporary gain made can be undone – as most have been – by a swift reversal. Both sides share the blame for this, though not equally. There is alas no reason to suppose that two fresh leaders, one headstrong and the other timid, will be up to the task of breaking this crippling mold. But Korea often surprises us, so we can but hope.

Hopes raised, then dashed

In early September, when the [previous issue of this journal](#) appeared, there were grounds for cautious optimism about the direction of inter-Korean relations. After a false start in June and tortuous negotiations thereafter, two dates had been set. The Kaesong Industrial Complex (KIC) was to reopen on a trial basis on Sept. 16, and the first reunions of separated families since 2010 were to be held at the otherwise semi-mothballed Mount Kumgang resort over six days starting Sept. 25.

Hopes were also raised by a pan-Asian weightlifting competition in Pyongyang. South Korea allowed 22 athletes and 19 support staff to head North – the first Southern sportspersons to do so since 2003 – after the DPRK agreed that if they won, the ROK flag would be raised and its national anthem played. In the past Pyongyang had refused that, in breach of international sporting regulations; so inter-Korean soccer matches that it was supposed to host were moved to China. Seoul is a better sport: it follows the rules and allows the DPRK flag and anthem. In the event, all four ROK junior weightlifters won medals, including one gold; so North Korean spectators and (briefly) TV viewers got their first ever glimpse of the *Taegeukgi*.

Days later the KIC reopened – more on that below. But there were to be no family reunions as the North abruptly postponed these just four days before they were due to start. The two sides had failed to agree on accommodation; the North insisted that the hotels used in the past were full already. That seemed unlikely, as by all accounts Mount Kumgang has seen few visitors since the South suspended tourism in July 2008 after one of its tourists was shot dead there.

In canceling the reunions, Pyongyang's Committee for the Peaceful Reunification of Korea (CPRK) accused Seoul of abusing dialogue as a "tool for confrontation." That too is specious. What it really means is that Pyongyang is cross at Seoul's refusal to discuss resuming regular tourism to Mount Kumgang in tandem with family reunions. Even as it rightly denounced the cancellation as inhumane, the South's Unification Ministry (MOU) reiterated that it still had no plan to discuss resuming wider tourism after its five-year hiatus – far longer than the KIC's.

One might ask, why not? Kumgang tourism would have been on the agenda, if planned high-level talks in June had not been called off in a row over protocol – for which (in this writer's view, expressed in our last issue) the South was partly to blame. Perhaps President Park, who in office is proving ultra-cautious, wants to build trust one step at a time. But ROK presidents serve for only five years, and her first year is almost up already. A snail's pace will not cut it.

Kaesong reopens

That leaves Kaesong as the sole ray of sunshine, or perhaps a sputtering candle. The KIC did partially reopen on Sept. 16 as agreed. According to MOU, 90 of the 123 ROK firms invested

there began trial operations, and 33,000 of the 53,000 DPRK workers who had walked out in April showed up. Figures quoted by the semi-official ROK news agency *Yonhap* two months later, on Nov. 24, show that in October, the first full month of resumed operations at the KIC (which since May 2010 has been the sole inter-Korean commerce permitted by the South), North-South trade reached \$132.15 million; 81 percent of the figure in the same month of 2012.

Yet the harm has been done, and may not be quickly mended. Remarkably, considering that this venture now comprises the totality of North-South trade, as we reported a year ago the latter had hit a record high in 2012 of almost \$2 billion, with the North's imports worth \$902 million and its exports \$1.074 billion. Naturally, then, the closure had a devastating impact on 2013's figures. In the year to November both sides of the ledger plunged by more than half, with Northern imports of \$442 million and exports of \$521 million. The total should top \$1 billion once December's data are in, but clearly there is much ground to make up in 2014.

That applies to individual firms invested in Kaesong, too. In addition to the obvious disaster of several months with no output and hence no revenue stream – Seoul compensated them, but they claim inadequately – nor access to their property, several reported losing customers permanently since the shutdown, which undermined buyers' confidence. These SMEs are in an unenviable position. They are subject to political whims and winds in both Seoul and Pyongyang, but rarely daring to chafe. Given those constraints, it was interesting that in the early weeks of resumed operations some dared criticize MOU as boosterist for claiming that the KIC was back up to 90 percent of normal operations, when according to them it was more like 50 percent.

Worryingly too, despite reopening the KIC and accepting a new management structure where the South has more say, some signs suggest the North still has a bad or at least unpredictable attitude. As detailed in the chronology, several sub-committee meetings, which are supposed to convene monthly, were postponed for no clear reason. And as 2014 opens, Pyongyang has yet to give ground on two fundamental tools of 21st-century business – mobile phones and the Internet. A special economic zone which lacks these is a joke. How can it possibly compete?

In a further bad sign, as 2013 ended North Korea suddenly demanded taxes for that year from firms invested in the KIC, even though these were explicitly waived as part of the agreement to reopen the zone. But one area saw progress. The North seems not to mind the South using radio frequency identification (RFID) tagging, as an electronic means of tracking cross-border passage. All being well, during the next few months this will replace the present cumbersome system of faxing details of all goods and persons due to cross the DMZ into or out of the KIC.

Other Northern moves are more ambiguous. In November, Pyongyang gazetted no fewer than 13 new economic development zones (EDZs). Some are specifically designated as producing goods for export, and all offer preferential rates for foreign investors. This could cut either way. Creating further EDZs should suggest some grasp in Pyongyang of what is needed for such a policy to work – e.g., not to close such sites arbitrarily. A more pessimistic reading is that the new zones may be intended to replace Kaesong, or at least make it more marginal.

All this begs the question: who is going to invest in a state that not only treats investors so cavalierly, but is under UN Security Council (UNSC) sanctions for defying the world with its

nuclear and missile tests? That query also applies to the Park administration's bizarre idea of attracting non-Korean foreign direct investment (FDI) to Kaesong. As we discussed last time, this seems not only unrealistic, but also misconceived in its assumption that internationalizing the KIC would somehow make North Korea behave better. At all events, an investor relations (IR) meeting at the KIC planned for late October was canceled, and none has been scheduled since. In December, attendees at a G20 meeting in Seoul toured the KIC at the South's behest. Some expressed general pieties about opening up the North, but nothing concrete emerged.

A spiky New Year olive branch

As oft times before, a new year brought fresh hopes – or perhaps, clutching at straws. Not for the first time, [North Korea's annual New Year message](#) – it used to be a joint press editorial in the Kim Jong Il era, but Kim Jong Un has reverted to his grandfather Kim Il Sung's habit of making a special speech – included, among and after much else, what might be construed as a partial olive branch to South Korea. Call it, as they tend to in Seoul, a “peace offensive.” Excerpting a sentence or two could mislead. This needs to be read in its context. Here is the entirety of what Kim Jong Un had to say about inter-Korean relations:

This year marks the 20th anniversary of the date when President Kim Il Sung wrote his last signature on a historic document concerning the country's reunification.

True to the behests of President Kim Il Sung and General Kim Jong Il, we should make fresh headway in the national reunification movement for this year.

To resolve the reunification issue in keeping with the aspirations and desires of our fellow countrymen, we should reject foreign forces and hold fast to the standpoint of By Our Nation Itself.

The driving force for national reunification is all the members of the Korean nation in the north, in the south and abroad; only when we remain steadfast in this standpoint can we reunify the country independently in line with our nation's interests and demands. To go on a tour around foreign countries touting for “international cooperation” in resolving the inter-Korean relations issue, the one related with our nation, is a humiliating treachery of leaving its destiny in the hands of outside forces. The north and the south should uphold the principle of independence which is one of the three principles for national reunification and has been confirmed in the north-south joint declarations, hold fast to the standpoint of By Our Nation Itself, and respect and implement the declarations with sincerity.

We should make positive efforts to defend national security and peace.

The US and south Korean war maniacs have deployed legions of equipment for a nuclear war in and around the Korean peninsula and are going frantic in their military exercises for a nuclear war against the north; this precipitates a critical situation where any accidental military skirmish may lead to an all-out war. Should another war break out on this land, it will result in a deadly nuclear catastrophe and the United States will never be safe. All the Korean people must not tolerate the manoeuvres for war and confrontation by the bellicose forces at home and abroad but stoutly resist and frustrate them.

A favourable climate should be established for improved relations between the north and the south.

It is heartrending to see our nation partitioned by foreign forces, and it is more intolerable to see one side slinging mud at and showing hostility to the other. This will serve merely as an occasion for the forces who are undesirous of seeing one Korea to fish in troubled waters. It is high time to put an end to such slander and calumny that bring no good to both sides, and they should desist from doing anything detrimental to national unity and reconciliation. The south Korean authorities should discontinue the reckless confrontation with their compatriots and the racket against the "followers of the north," and choose to promote inter-Korean relations in response to the call of the nation for independence, democracy and national reunification. We will join hands with anyone who opts to give priority to the nation and wishes for its reunification, regardless of his or her past, and continue to strive for better inter-Korean relations.

All the Korean people in the north, in the south and abroad should achieve solid unity under the truly patriotic banner, the principle of By Our Nation Itself, and turn out in the nationwide struggle for the reunification of the country. By doing so, they should open up a new phase for independent reunification, peace and prosperity this year.

Last year, in the international arena, the imperialists persisted in interference and war moves threatening the independence of other sovereign states and the right of mankind to existence. Especially the Korean peninsula, the hottest spot in the world, was in a hair-trigger situation due to the hostile forces' manoeuvres for a nuclear war against the DPRK, which posed a serious threat to peace and security in the region and the rest of the world.

Nothing is more precious for our people than peace, but it is not something that can be achieved if we simply crave and beg for it. We can never just sit back with folded arms and see the dark clouds of a nuclear war against us hovering over the Korean peninsula. We will defend our country's sovereignty, peace and dignity by relying on our powerful self-defensive strength.

Who slung mud?

With apologies for making readers wade through all that – there is much more: 4,434 words in all – it is salutary to be *au fait* with the tenor of North Korean propaganda, in general and here in particular. Specifically, the ‘making nice passage’ which got all the attention – how heart-rending is mudslinging, we’ll join hands with anyone, etc. – is firmly sandwiched within a very familiar and altogether sterner discourse. The South Korean government is first and foremost accused of being “war maniacs” who commit “humiliating treachery.” Even in the hand-holding paragraph, the South is accused of “reckless confrontation.” Some olive branch.

It also reeks of hypocrisy. North Korea is furious at any supposed slight, disingenuously not distinguishing between South Korea’s government and its citizens. In a free society the latter include those hostile to the DPRK – not a few of them defector victims of this cruel regime – who demonstrate against the DPRK, burn or deface pictures of Kim Jong Un, and so on. By contrast the ROK government, though critical when necessary, is measured in its comments.

Not so Northern media, whose constant barrage of hostility regularly rises to shrill peaks of contumely. Readers will recall the vile cartooning in 2012 of the ROK’s then President Lee Myung-bak as a rat, which [this journal was alone in English in analyzing](#) in all its gory detail.

If not on that scale, the last few weeks of 2013 saw Park Geun-hye regularly and viciously insulted. On Nov. 12 a headline in the official *Korean Central News Agency (KCNA)* jeered that South Korea's mild reaction to revelations of eavesdropping by the US National Security Agency (NSA) was a "Servile Attitude of Political Waiting Maid." Warming to that image, it went on: "The puppet forces['] behavior reminds one of a political waiting maid defending a hooligan who stole a look at her petticoat." The peroration got personal and seriously nasty:

Political servants are fated to depart the world once they offend their masters ...This is proved by the miserable ends of successive south Korean rulers including traitor Park Chung-hee. It is Park Geun-hye's logic of existence that she has to play the coquette with the US and flatter it if she is not to follow in the footsteps of her father. It is exactly for this disposition of Park that GI criminals go on the rampage in south Korea with impunity and the upkeep for the US forces in south Korea snowballs every year. It is quite natural that the Park group is derided as a group of political prostitutes and traitors by the public. The world people are also snubbing the political waiting maids of south Korea.

What was that about slinging mud again? South Korea brushes this off, and did not dwell on it in response to Kim's New Year speech. If understandably cautious, Seoul decided to test the waters – or call the North's bluff. In her belated first-ever press conference since she became president last Feb. 25, on Jan. 6, Park Geun-hye urged the North to hold the postponed family reunions during the Lunar New Year holiday (*Seollal*), which this year falls on Jan. 31.

Three days later on Jan. 9 the North's CPRK rejected Park's proposal, citing several grounds:

The south side ... behaved from the outset of the New Year quite contrary to our sincere efforts; media, experts and even authorities were indiscreet in their speeches and behaviors. It staged war drills firing bullets and shells. What was worse, the south side at a New Year press conference argued even our internal matter pro and con, blaming us. As regards the principled questions raised by us, it gave incoherent answers to them under the pretext of the nuclear issue.

Three glosses on this. The main "war drills" are in fact yet to come, namely the usual annual US-ROK *Key Resolve* and *Foal Eagle* joint exercises that run from late February through April. "Our internal matter" means the purge of Jang Song Thaek. "Principled questions" refers to a CPRK "open questionnaire" issued on Christmas Day – unmarked in the DPRK, of course – which the South rightly dismissed as propaganda. The North cannot seriously have expected the South to be silent on Jang's sudden and brutal dispatch, with its potential implications for stability; still less to cancel exercises that check its preparedness against any provocation.

Yet the overall tone this time turned down the treble and attack dials. Feigning sorrow more than anger, the CPRK also spoke of "a good offer ... we are glad that the south side proposed it." While "querying can the separated families and relatives have reunions in peace amid gunfire" – in fact the joint maneuvers would not yet have started – the reply concludes: "[If] there is no other thing happening in the south side and if the south side has intent to discuss the proposals of our side, too, both sides can sit together in a good season." In other words: Come back in the spring, and be ready then to talk Mount Kumgang tourism, too.

Train in the distance?

Finally, one other possible straw in the wind should be flagged. A chaotic – he ran late throughout – one-day foray to Seoul in November by Russian President Vladimir Putin, included in its outcomes a rather odd memorandum of understanding. As reported, this would allow three ROK firms – Posco, Hyundai Merchant Marine (HMM), and state-owned Korail – to acquire nearly half of Russia’s 70 percent stake in RasonKonTrans – a \$340 million Russian Railways project that in September, five years late, finished upgrading 54 km of track from the border with the DPRK at Khasan southwest down to Rajin, east Asia’s most northerly ice-free port.

As I have noted [elsewhere](#), there are several questions here. For a start, the alleged investors seemed not to know much nor sound keen. Also, since May 2010 Seoul has banned its firms from investing in North Korea, except the KIC; so would this even be legal? MOU’s efforts to affirm so did not convince. Third, has anyone asked North Korea? – whose territory this is, after all, and whose government owns the other 30 percent of the venture. If Pyongyang was not consulted, does this mean South Korea and Russia have learned nothing from their once much-hyped plans to build a gas pipeline across the DPRK? There is no sign of that, and it remains to be seen whether North Korea will let the South invest in its railways.

In separate and much bigger railway news, a South Korean opposition lawmaker claimed on Dec. 11 that China and North Korea have agreed to build a new 380-km high speed railway, and also an eight-lane highway, the entire length of the DPRK from Sinuiju to Kaesong via Pyongyang, meaning from the Chinese to the South Korean border. Next day MOU said this has yet to be finalized, adding that the idea has been around since 2010. Both the ROK and PRC are extending their high-speed rail networks; the latter is scheduled to reach Dandong on the border in 2015, slashing the journey time to Shenyang from 3.5 hours to just an hour.

In transportation as much else, North Korea is thus the missing link – the final piece needed to complete the jigsaw. Given that South Korea still claims the North is its territory (and vice versa), and in view of geopolitical rivalries, it is strange how since 2008 Seoul has in effect stood back and watched while Beijing tightens its grip there by the day. A bolder leader than Park Geun-hye would exploit the at least temporary frisson in PRC-DPRK relations caused by Jang’s purge to step in and compete, offering, say, to help rebuild Northern infrastructure as an act of patriotism. That would be radical and risky, but absent some such grand gesture South Korea is well on the way to losing the North to China permanently.

What price reunification then? In her press conference Park Geun-hye gave listeners a rare surprise when, answering a question, she called unification a “jackpot.” She did not elaborate. One might query this on many grounds, but to even stand a chance of winning the “jackpot” entails buying a ticket. Waiting on the sidelines makes you a spectator, not a player.

Chronology of North Korea-South Korea Relations

September – December 2013

Sept. 2, 2013: 615 businessmen and technicians from South Korean companies invested in the Kaesong Industrial Complex (KIC) make a day trip across the Demilitarized Zone (DMZ) to check on their facilities and work with their Northern employees to prepare for the complex's reopening. Next day another of 560 does the same.

Sept. 2, 2013: Unification Ministry (MOU) says South Korea will give aid worth \$6.3 million to the North via the World Health Organization (WHO), to train healthcare workers, help repair medical facilities, and provide essential drugs. Seoul also permits 12 civic groups to send aid worth 2.35 billion won (\$2.13 million) for 13 different projects in the North.

Sept. 2, 2013: The new joint committee to manage the KIC holds first meeting, lasting 12 hours. No date to reopen the complex is set, but sub-committees will meet later this week and the full committee will reconvene Sept. 10. Its agenda will include compensation for Southern investors, who claim losses totaling 1.05 trillion won (\$954 million).

Sept. 3, 2013: South Korea's Ministry of National Defense (MND) reports to the National Assembly (NA) that the North's nuclear program "was at a developmental and experimental stage till 2010, but it has developed into a real threat in 2013 that can actually be weaponized and used at any time."

Sept. 3, 2013: 29 South Koreans, mostly Hyundai Asan staff, cross the DMZ into the Mount Kumgang resort. On Sept. 4, 19 others join them.

Sept. 3, 2013: *Voice of America* (VoA) quotes a DPRK member of the International Olympic Committee (IOC), Chang Ung, as suggesting that the Masik Pass ski resort, a flagship new project under construction near Wonsan, "could possibly hold Olympic events."

Sept. 4, 2013: Organizers of the 2018 Winter Olympics say it would be "impossible," legally and logistically, to divide skiing events between the host city, Pyeongchang in South Korea, and the planned Masik Pass ski resort in North Korea as suggested by the DPRK's Chung Ang. *Inter alia* the two sites are some 300 km apart, across (obviously) mountainous terrain.

Sept. 4, 2013: By 258 votes to 14, the ROK NA approves the arrest of Rep. Lee Seok-ki, who faces charges of conspiring to mount an insurrection.

Sept. 4, 2013: Two sub-committees of the new KIC management structure, on investment protection and global competitiveness, convene at the complex. Details are not published, but MOU says the former agreed to set up a panel to arbitrate disputes and damages, while the latter will discuss how to have KIC-made products included in free trade agreements.

Sept. 5, 2013: The other two new KIC sub-committees – on passage, communications and customs, and guaranteeing personal safety – meet at the zone. They agree to restore the military hotline used to liaise on traffic across the DMZ, which the North cut in March, at 0900 next day.

Sept. 5, 2013: MOU reports that the two Koreas are at odds over lodgings for the upcoming family reunions. The South suspects the North is cross at its refusal to discuss resumption of actual tourism until October, after the reunions.

Sept. 6, 2013: A test call at 10:15 local time confirms that the west coast military hotline is working again, as agreed the previous day.

Sept. 6, 2013: In its first comment on the Lee Seok-ki case, the North's Committee for the Peaceful Reunification of Korea (CPRK) denounces any attempt to link it to the arraigned far-left Southern lawmaker as an "unpardonable provocation."

Sept. 6, 2013: MOU says it will allow a 41-strong delegation of 22 weightlifters plus coaches and officials to head North on Sept. 10 for the 2013 Asian Cup and Interclub Weightlifting Championship on Sept. 11-17.

Sept. 10-11, 2013: After talks that run on overnight, the second meeting of the new Kaesong joint management committee agrees that the KIC will reopen the following week: initially on a "trial basis" on Sept. 16. Further meetings will be held to thrash out details.

Sept. 11, 2013: South Korea, or strictly the United Nations Command (UNC), returns to the North via Panmunjom in the DMZ the body of a Korean Peoples' Army (KPA) soldier recovered in the Bukhan River on July 31, having been swept downstream by floods. This is the 10th such return of a corpse since 2007.

Sept. 13-14, 2013: After all four junior South Korean weightlifters at an Asian competition held in Pyongyang win medals, the ROK flag is raised and its national anthem played for the first time ever in the DPRK. State TV identifies and shows the flag, briefly. (See Sept. 6).

Sept. 16, 2013: Kaesong complex partially reopens. MOU says 90 of the 123 ROK firms invested there began trial operations. 739 Southern managers and technicians workers enter the zone; 459 stay on overnight.

Sept. 16, 2013: The third meeting of the new KIC joint management committee agrees to hold an investor relations (IR) event for foreign companies on Oct. 31. This is later cancelled.

Sept. 18, 2013: Kim Kye Gwan, North Korea's first vice foreign minister and former nuclear negotiator, tells a multilateral forum in Beijing on the tenth anniversary of the start of nuclear Six Party Talks (6PT) that the DPRK is ready to resume the talks "without preconditions."

Sept. 21, 2013: Pyongyang abruptly postpones what would have been the first reunions of separated families, due to start four days later. The CPRK accuses Seoul of abusing bilateral dialogue as a "tool for confrontation." South Korea denounces the cancellation as inhumane.

Sept. 23, 2013: MOU says the South still has no plan to discuss resuming tourism to Mount Kumgang. Anger at this is thought to be one reason why the North canceled family reunions.

Sept. 25, 2013: Without giving any reason, the North postpones a meeting of the key KIC sub-panel on communications and travel scheduled for the next day.

Sept. 25, 2013: MOU publishes a five-year plan to foster inter-Korean trust-building and “a small form of unification.” The latter apparently means only various bilateral programs. Nuclear disarmament, human rights and other thorny issues are absent.

Sept. 30, 2013: KIC’s new 13-strong secretariat – 8 from the South, 5 from the North – begins work, providing support to the joint committee and four sub-panels under the zone’s revised management structure.

Oct. 5, 2013: South Korea’s Defense Ministry (MND) says the [remains of Sohn Dong-shik](#), an ROK army sergeant captured in the Korean War but who (like thousands of others) was never repatriated, have arrived in South Korea.

Oct. 10, 2013: *Yonhap* notes that since late September DPRK media [have begun a new campaign of verbal attacks on President Park Geun-hye](#).

Oct. 15, 2013: Chung Hee-soo, a lawmaker of the Saenuri Party, says that the military reckon [DPRK cyber-attacks since 2009 have caused damage worth \\$805 million](#).

Oct. 24, 2013: North Korea [agrees to let a group of South Korean lawmakers inspect the KIC](#). Separately, it says [it will return six unnamed South Koreans via Panmunjom next day](#).

Oct. 25, 2013: Six male South Koreans aged between 27 and 67, plus the body of the wife of one, [are returned by the North at Panmunjom](#) and are at once whisked off for questioning.

Oct. 26, 2013: Pyongyang tells Seoul that Cho Myung-chul, a defector from the North who is now a lawmaker of the South’s Saenuri Party, [may not join the group visit to the KIC](#).

Oct. 27, 2013: *Yonhap* quotes unidentified “public safety authorities” as saying the six South Koreans returned on Oct. 25 had all entered the North illegally via China between 2009 and 2012 in hopes of a welcome and a better life. [Instead they were kept in detention](#) for up to four years before being handed back.

Oct. 30, 2013: A cross-party group of 21 ROK lawmakers plus 26 support staff [spends the day at the KIC](#). Working-level DPRK officials escort them, but nobody senior is on hand.

Nov. 1, 2013: Unification Minister Ryoo Kihl-jae tells ROK lawmakers that the government is [“weighing various considerations” about lifting the ‘May 24 measures,’](#) the usual name for the ban on all non-KIC commerce with the North imposed on that date in 2010. However on Nov. 4 MOU says the administration is not reviewing the lifting of these sanctions right now.

Nov. 2, 2013: In an interview with the French daily *Figaro*, President Park Geun-hye, on a state visit to France, says [she can meet Kim Jong Un “at any time, if necessary,”](#) for the development of inter-Korean relations or peace.” MOU says that this is not a policy change.

Nov. 12, 2013: KCNA lambastes South Korea's mild reaction to the issue of potential eavesdropping by the US National Security Agency (NSA) under the headline "[Servile Attitude of Political Waiting Maid.](#)"

Nov. 13, 2013: Accords signed on a one-day visit to Seoul by Russia's President Vladimir Putin include [a Memorandum of Understanding allowing three ROK firms to buy almost half of Russia's 70 percent stake in RasonKonTrans.](#)

Nov. 13-14, 2013: Three sub-panels at the KIC meet for the first time since September. No date is yet set for the fourth sub-panel, covering travel and communications issues.

Nov. 15, 2013: MOU urges Pyongyang to stop insulting President Park Geun-hye: "If vulgar expressions used by the North [were] applied to the North's leader in the same manner, how [would] they respond to it? The North should think about this." Interestingly, [the Chinese newsagency Xinhua carries this report and quotation.](#)

Nov. 29, 2013: Fourth KIC sub-panel finally meets for first time in over two months. MOU says agenda includes use of mobile phones and the Internet, plus radio frequency identification (RFID) technology.

Dec. 3, 2013: South Korea's National Intelligence Service (NIS) tells an emergency briefing of an NA committee that Jang Song Thaek – the uncle-in-law of Kim Jong Un, who played a key role in his nephew's rise and succession – has been purged.

Dec. 6, 2013: Kaesong sub-panel on communications fails to agree on connecting the KIC to the Internet. MOU admits this is the first time the issue, which the South first tabled in Sept., has even been discussed; earlier meetings were confined to administrative issues.

Dec. 9, 2013: Reporting an "enlarged meeting" of the WPK Central Committee Politburo, in a lengthy indictment alleging a multitude of both major and petty sins, KCNA [confirms that Jang Song Thaek has been purged for "anti-party, counter-revolutionary factional acts"](#)

Dec. 13, 2013: Another long KCNA diatribe against Jang reports his trial by a military court and swift dispatch, under the terse headline "[Traitor Jang Song Thaek Executed.](#)"

Dec. 19, 2013: At the fourth meeting of the KIC joint committee, [the South suggests holding an "investment expo," postponed from October, at end-January.](#) A 30-strong delegation of attendees at a G20 meeting in Seoul, plus reporters, visits the zone the same day.

Dec. 23, 2013: The ROK's [Statistics Korea](#) publishes [comparative data for the two Koreas in 2012.](#) The South's Gross National Income (GNI) of \$1.21 trillion was 38.2 times the North's, or 18.7 times on a per capita basis as Southern population of 50 million is twice the North's. ROK trade volume of \$1.07 trillion was 157 times the DPRK's \$6.8 billion; its exports of \$548 billion are 189 times bigger (these figures exclude North-South trade). The South's power generating

capacity of 81.8 million kilowatts a year is 11.3 times larger than the North's, but the latter produced 10 times more coal (25.8 million tons.)

Dec. 25, 2013: The North's Committee for the Peaceful Reunification of Korea (CPRK) publishes what it calls an "[open questionnaire](#)," one year after "Park Geun-hye became 'president' through fraud-marred election." As that suggests, CPRK has its own answers: "Park's policy surpasses that of the Lee [Myung-bak] regime in its crafty and vicious nature."

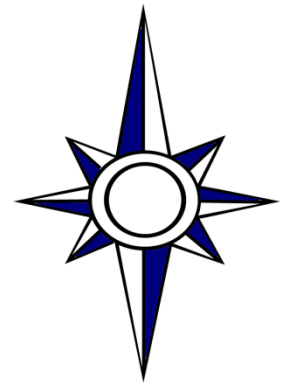
Dec. 26, 2013: [MOU retorts](#) that CPRK's questionnaire "lacks even the basics of mutual respect for its counterpart and is not worthy of our government response.... [We] suspect the reason North Korea is asking such disrespectful questions is to cover up its internal state of confusion." MOU further accuses the North of "inhumane and unreasonable behavior."

Dec. 30, 2013: MOU says North Korea sent a notice last week to Southern firms invested in the KIC, [demanding that they pay tax for the period Jan.1-April 8](#) this year (i.e., before the North pulled its workers out).

Jan. 1, 2014: Kim Jong Un's New Year speech attacks the South for internationalizing inter-Korean issues, yet also calls for an end to mud-slinging and offers to "[join hands with anyone who opts to give priority to the nation and \[wants\] reunification regardless of his or her past](#)."

Jan. 2, 2014: South Korean Foreign Minister Yun Byung-se urges "extra caution" in dealing with the North, in view of "[growing uncertainty and vicissitudes in North Korean politics](#)."

Jan. 6, 2014: In her first press conference since taking office last Feb. 25 President Park calls on North Korea to hold the family reunions it postponed in September at end-January. [In questions she calls Korean reunification "a jackpot."](#) Though some fear its costs, she believes this "would be a chance for the economy to make a huge leap."



China-Korea Relations:

Crying Uncle No More: Stark Choices for Relations

**Scott Snyder, Council on Foreign Relations/Pacific Forum CSIS
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New strategic challenges have emerged in recent months that will influence China's relations with both Koreas into the New Year. China's declaration of an air defense identification zone (ADIZ) that overlaps South Korean jurisdictional claims and developments inside North Korea emerged in November as two priority concerns in Sino-South Korean relations, obscuring more mundane areas of progress in implementing the June 2013 Park-Xi summit statement. The ADIZ issue dominated the third China-ROK vice defense ministerial-level strategic talks in Seoul and became the centerpiece for diplomatic discussions during US Vice President Biden's visit to China, South Korea, and Japan in early December.

Sino-DPRK relations appeared to suffer a setback following the Dec. 13 execution of Jang Song Thaek, who was vice chairman of the National Defense Commission and secretary of the Workers' Party of Korea (WPK) Administration Department. The execution has raised concern about policy changes that might result. Pyongyang's unpredictability and seeming internal instability have frustrated months of Chinese diplomatic efforts on resuming multilateral denuclearization talks. Kim Jong Un's strategy of simultaneous nuclear and economic development remains in conflict with Beijing's priorities, reinforcing widespread pessimism over prospects for the renewal of talks on Korean denuclearization.

Chinese nuclear diplomacy, DPRK resistance, and ROK pessimism

China convened an international workshop on the 10th anniversary of the Six-Party Talks in mid-September that featured presentations by DPRK nuclear envoy Kim Kye Gwan and PRC Foreign Minister Wang Yi. Beijing stepped up calls for the resumption of Six-Party Talks through a series of exchanges between Wu Dawei and US counterpart Glyn Davies in Beijing and Washington from September through November, noting North Korea's activities at its Yongbyon nuclear facility. Following three months of intensive diplomatic consultations between Wu and US, DPRK, and ROK counterparts, DPRK envoy to the United Nations Sin Son Ho in an interview with *Yonhap* on Nov. 12 suggested that prospects were good for multilateral denuclearization talks. Conversely, at an Asan Institute forum in Beijing on Nov. 14, South Korea's former national security advisor and nuclear envoy Chun Yung-woo argued that the possibility of DPRK denuclearization is "close to zero even under the best of circumstances," illustrating a sizable difference in perception regarding the likelihood and potential outcome of multilateral diplomacy with North Korea. The Obama administration has also shown skepticism over the potential for such talks in the absence of actions by North Korea regarded as necessary to provide evidence that it is prepared to change course and pursue "credible" and "authentic" denuclearization negotiations.

Without a more forthcoming attitude from North Korea, South Korea and the US have renewed their calls for decisive action by Beijing. According to ROK Ambassador to China Kwon Young-se, “China’s constructive role is more important than ever” as “the only country that can exert its influence on North Korea.” At a conference hosted by the Korea National Diplomatic Academy in Seoul on Nov. 14, former US Secretary of State Madeline Albright similarly stated that “the Chinese in many ways have more leverage against North Koreans.... Powers that have influence should use them in a particular time.” Chair of China’s National People’s Congress Foreign Affairs Committee Fu Ying challenged such claims, arguing that “when parties have a particular demand, there is no use disagreeing or rejecting it.” On the sidelines of the UN General Assembly in New York on Sept. 27, PRC Foreign Minister Wang Yi told ROK counterpart Yun Byung-se that managing the nuclear issue also requires addressing Pyongyang’s security concerns, a position that was also stated by Chairman of China’s Atomic Energy Authority Ma Xingrui at the IAEA General Conference in Vienna on Sept. 16.

China and South Korea mark air defense identification zones

Concerns over North Korea have mounted alongside new tensions in China-ROK security relations over air defense identification zones. China’s unilateral Nov. 23 declaration occurred days after State Councilor Yang Jiechi’s Nov. 17-19 visit to South Korea, partially obscuring the establishment of a new high-level strategic dialogue channel between Beijing and Seoul. Following up on the Xi-Park summit in June, Yang drew attention to enhanced prospects for bilateral cooperation given Beijing’s new national reform plans, an outcome of the Third Plenary Session of the 18th Chinese Communist Party Central Committee on Nov. 9-12. President Park Geun-hye thanked Yang for China’s cooperation to build a memorial in honor of Ahn Jung-geun, a Korean patriot who assassinated then Japanese Governor-general Ito Hirobumi in 1909 in Harbin. Although China has sought a much wider and more public joint stance with South Korea opposing Japanese Prime Minister Abe Shinzo’s approach to history or pursuit of collective self-defense, South Korea has thus far limited policy coordination against Japan to this single project. At the same time, following ROK Air Force Chief of Staff Gen. Sung Il-hwan’s visit to Beijing on Nov. 19-21 to meet counterpart Ma Xiaotian, Defense Minister Chang Wanquan, and other military officials, both sides expressed hopes for improving the bilateral military relationship.

The Nov. 23 ADIZ declaration covering much of the East China Sea ignited strong reactions from South Korea, Japan, and the US. South Korea’s Foreign Ministry expressed its immediate disappointment to Beijing, and South Korea immediately prepared to announce the southward expansion of its ADIZ (KADIZ). This announcement was delayed to consult closely with the US and Japan given Vice President Joe Biden’s visit to Tokyo, Beijing, and Seoul. When it was finally announced, the KADIZ expansion drew criticism from Chinese counterparts but was not criticized by Japan. The expansion, the first such change since the Korean War, includes the disputed submerged rock Jeodo/Suyan located in China’s and South Korea’s overlapping exclusive economic zones (EEZs). The Chinese ADIZ announcement muted a strong South Korean response to Japan’s pursuit of collective self-defense, which South Korea and China jointly oppose.

The ADIZ issue dominated the third China-ROK strategic dialogue in Seoul on Nov. 28, led by ROK Vice Defense Minister Baek Seung-joo and Deputy Chief of the PLA General Staff Wang Guanzhong, who also held talks with Defense Minister Kim Kwan-jin during his five-day visit to South Korea. During these consultations, South Korea reportedly requested that China revise the scope of its declared zone so as not to infringe on South Korean interests, but that request was summarily rejected. At a defense forum in Seoul on Nov. 27, ROK Foreign Minister Yun cautioned that the ADIZ controversy would heighten nationalism among Northeast Asian neighbors and exacerbate regional territorial and historical disputes. In response to the southward expansion of KADIZ, a Dec. 10 *Xinhua* editorial called the decision “grounded more on emotional impulse than on strategic thinking.” However, the Chinese commentator also called for closer China-ROK coordination given South Korea’s role as both “a strategic cooperative partner of China and a traditional ally of the United States,” highlighting instead Japan’s “rapid slide to the right” and the “so-called rebalancing” by the US as the primary sources of Chinese concern.

Jang Song Thaek’s execution fuels concern over DPRK direction

Beijing responded to Jang Song Thaek’s ouster by calling for North Korea’s “national stability and economic development,” while referring to the incident as an “internal affair” of the DPRK. ROK Defense Minister Kim Kwan-jin, on the other hand, drew attention to Kim Jong Un’s leadership restructuring based on National Intelligence Service (NIS) reports, issuing public warnings on a potential new round of military provocations from the North. On Dec. 13, the Unification Ministry expressed “deep concerns” over the North’s internal political developments after emergency meetings between chief national security advisor Kim Jang-soo, defense and unification ministers, and the NIS.

In response to new threats from Pyongyang, Beijing has reasserted its firm position on denuclearization while sending clear messages opposing provocation. A Dec. 17 *Rodong Sinmun* editorial on North Korea’s rise as a “full-fledged nuclear weapons state” led China’s Foreign Ministry to reaffirm its policy of denuclearization, stability, and dialogue. Pyongyang’s threats to attack the South two days later prompted the PRC Foreign Ministry to reassert its opposition to any acts undermining peninsular stability. Beijing has called for inter-Korean reconciliation since September, when Pyongyang withdrew its agreement on the resumption of family reunions. Following US Assistant Secretary of State Daniel Russel’s visit to China on Sept. 13-14, the Chinese Foreign Ministry also pledged that denuclearization and stability of the Korean Peninsula serve US and Chinese common interests. Chinese leaders extended their calls for resolving the DPRK nuclear issue at international venues in September, including the IAEA General Conference in Vienna and UN General Assembly in New York.

Recent actions from Pyongyang, however, pose a direct challenge to China’s core objectives of denuclearization, stability, and reconvening multilateral dialogue. At an international conference in Tianjin hosted by the China Foundation for International Studies and China International Institute for Strategic Studies on Nov. 12, a senior DPRK official from the Disarmament and Peace Institute threatened a “nuclear catastrophe” against the United States, South Korea, and Japan, reiterating that “the DPRK insists on resuming the Six-Party Talks without any preconditions.”

China-DPRK economic engagement under Xi Jinping and Kim Jong Un

The Dec. 13 execution of Jang Song Thaek has created grave doubts among Chinese analysts about North Korea's willingness to adopt the Chinese model since he had been the main face of reform and a primary interlocutor in the DPRK's economic relationship with China. Cheng Xiaohe of Renmin University said that "Jang has been one of China's best friends ... I perceive his downfall as a loss to the [China-DPRK] relationship." China's state media on Dec. 16 conveyed hopes for continued economic engagement, quoting affirmations by a senior DPRK official of the State Economic Development Committee, Yun Yong Sok, on Pyongyang's commitment to reform and opening "in accordance with our national conditions." The PRC Foreign Ministry in the immediate aftermath of Jang's execution similarly reaffirmed China's policy of pragmatic cooperation with the North.

Trade statistics indicate improved trade ties between China and North Korea this year despite tensions since the February nuclear test. According to the Korea Institute for National Unification (KINU), China-DPRK trade reached \$4.69 billion in January-September 2013, reflecting a 4.4 percent increase year-on-year and a notable 9.4 percent increase in DPRK exports to China, mainly in raw minerals. In mid-October, Dandong Mayor Shi Guang announced that a new bridge and border trade facility costing 2 billion RMB (\$325.8 million) will begin operations by 2014. Launched under a bilateral agreement in early 2010, the new trade complex is projected to account for 60 percent of China-DPRK trade according to Dandong officials. The border city also hosted the second China-DPRK Economic, Trade, Culture, and Tourism Expo on Oct. 10-14, reportedly bringing in a 500-member DPRK delegation representing more than 90 percent of the North's foreign trade companies, and generating cooperation agreements worth \$1.6 billion.

Another focal point for China-DPRK economic cooperation is the Rajin-Sonbong (Rason) free trade zone. It was included as part of Kim Jong Un's national development strategy of creating 14 special economic zones nationwide, which was announced in October. At a conference in Tianjin on Nov. 13, Hwang Ik Hwan of the DPRK Institute for Disarmament and Peace reported on significant progress in the joint development of Rason, where China has reportedly agreed to invest \$3 billion. Pyongyang introduced several measures this year to promote foreign investment in the zones, including a revamping of its National Economic Development Committee, creation of the independent Chosun Economic Development Federation, legal and regulatory reforms, and investment protection safeguards. Despite the expansion in Sino-DPRK economic ties from 2009, however, Chinese analysts recognize that differences over the nuclear issue, approaches to bilateral trade and investment, and North Korea's lack of understanding of the market economy impeded progress in 2013. Fudan University's Shen Dingli has argued that China refuses to respond to most of North Korea's economic demands until it shows greater restraint in its nuclear development. Piao Dongxun of Yanbian University notes a divergence in goals for economic cooperation – North Korea is seeking investment in primarily infrastructure and industrial zones and Chinese companies are focused more on natural resources and immediate, high returns.

Prospects for China-ROK economic cooperation on North Korea

Kim Jong Un's pursuit of both nuclear and economic development raises questions about prospects for Sino-South Korean cooperation on North Korea's reform and opening. First, South Korean experts point to Kim Jong Un's SEZ initiatives and related reform measures as a major departure from policy under Kim Jong Il, whose priority on political stability in his later years cast much doubt on North Korea's willingness to open the economy. According to Unification Ministry officials, the solidification of Kim Jong Un's internal power base remained a priority in 2013, but his second year in power saw an increase in economic outreach to not just traditional partners China and Russia but also ASEAN members. Some Chinese observers have drawn parallels with China in not just Pyongyang's opening of SEZs but also the recent strengthening of sports and cultural exchanges suggestive of China's "ping-pong diplomacy" with the United States in the early 1970s.

North Korea's SEZ efforts may rekindle longstanding visions of a new economic bloc that would integrate the Korean Peninsula and parts of China and Russia while easing security tensions on the peninsula. South Korea's Nov. 13 agreement with Russia to join a \$340 million Rajin-Khasan rail and port development project under President Park's "Eurasian Initiative" was one of the major announcements at Park's summit with President Putin that gained some traction in light of the reopening of the Rajin-Khasan rail link in September. Jin Jingyi of Peking University argues that North Korea's economic development through cross-border cooperation is a key to the success of Park's policy of trust-building and peaceful unification. The possible opening of Kaesong to foreign investment was also included in the inter-Korean agreement to reopen the zone on Sept. 16, raising debate on the prospects for cooperation with China based on common goals of reform and opening.

Others emphasize the nuclear issue, international sanctions, North Korea's inconsistent approach to market liberalization, and past record of failed foreign investment as hurdles to economic engagement. Most importantly, as Unification Minister Ryoo Kihl-jae stated at a Seoul forum on Nov. 20, South Korean support for North Korea's international economic integration remains premised on Pyongyang's "right choice" toward denuclearization. According to KINU, there are no clear indications of Pyongyang's channeling public resources into economic development despite its rhetoric, which has also emphasized self-reliance and the consolidation of North Korea's status as a nuclear power. Piao Dongxun of Yanbian University further asserts that the joint economic engagement of the North will first require Sino-South Korean agreement on common goals, principles, and approaches given the risk that Pyongyang will exploit competition between Chinese and South Korean investors.

China-ROK FTA negotiations and the regional economic order

China-ROK free trade agreement (FTA) talks have reportedly advanced to a new stage with the holding of the eighth round of negotiations in Incheon on Nov. 18-22. The first phase of talks was completed in early September, with a tentative agreement to remove tariffs on 90 percent of items or 85 percent of the value of imports. Although trade officials in Seoul acknowledged substantial challenges since the onset of the talks, Assistant ROK Trade Minister and lead negotiator Woo Tae-hee refers to the China-ROK FTA as the highest-level among China's

existing free trade deals, if realized. China and South Korea also held their third round of trilateral FTA talks with Japan on Nov. 26-29 in Tokyo, marking a year since the formal launch of talks. Despite heightened political tensions, the three sides have maintained other exchanges between foreign ministry, culture, and environment officials, although the higher-level trilateral summit has yet to resume.

China's economic restructuring plans under Xi Jinping have forced attention on the long-term implications for the China-ROK FTA. The *Global Times* on Nov. 20 warned of "fierce competition" in major export markets as China moves closer to high-end manufacturing, urging South Korea to further open its market to Chinese agricultural and textile products. During a November visit to Seoul, China's Vice Commerce Minister Gao Yan identified service outsourcing as a new driver of Chinese growth and key potential area for expanding Sino-South Korean trade. On the South Korean side, the Fair Trade Commission (FTC) is pushing for Chinese reforms to prevent discrimination against Korean firms, which have complained about regulatory uncertainty as the primary challenge to foreign businesses in China. According to a Korea Chamber of Commerce and Industry (KCCI) survey on Nov. 19, increasing labor costs have further undermined the competitiveness of South Korean companies. The slowing growth of Chinese GDP – 7.7 percent in 2012, the lowest in 13 years – is also a source of concern over a potential stagnation in ROK exports. South Korea's central bank policymaker Chung Soon-won projects a dampening of ROK export growth following Xi Jinping's reforms, which emphasize domestic demand and balanced development among provinces rather than state investment and export-led growth. Advisor to the Chinese central bank Song Guoqing, however, maintains that China's economic growth is likely to remain dependent on investment despite Beijing's recent plans for restructuring. On Dec. 30, in their first meeting since Xi and Park took office, ROK Finance Minister Hyun Oh-seok and PRC counterpart Xu Shaoshi, head of the National Development and Reform Commission, agreed to broaden bilateral cooperation on macro-economic issues and the service sector in particular.

China and South Korea reaffirmed their commitment to realization of an FTA in high-level talks on the sidelines of regional meetings in October, including between Presidents Xi and Park ahead of the 21st APEC Economic Leaders Meeting in Bali on Oct. 7, and between Park and Premier Li Keqiang during the 16th ASEAN+3 Summit and 8th East Asia Summit in Brunei on Oct. 10. Both sides' participation in the ASEAN-centered Regional Comprehensive Economic Partnership talks has continued amid rising speculation over the possibility that South Korea will join the US-led Trans-Pacific Partnership (TPP), especially since ROK Finance Minister Hyun's Nov. 29 *Wall Street Journal* interview expressing Seoul's interest in joining. A significant factor enabling South Korea to move forward has been a shift in China's attitude toward the TPP from skepticism to possible interest in joining the multilateral trade regime. A Ministry of Trade, Industry and Energy report on Nov. 15 projected that South Korea's TPP entry would raise economic growth by up to 2.6 percent within 10 years after implementation.

China-ROK strategic cooperative partnership under the June 2013 Xi-Park agreement

China and South Korea are moving forward in implementing the June 2013 Xi-Park joint statement, in particular the expansion of dialogue mechanisms to enhance political trust and coordination. To this end, the two foreign and defense ministries launched a working-level

bilateral dialogue on regional and international security issues in Beijing on Dec. 24. ROK National Assembly Speaker Kang Chang-hee visited China on Dec. 4-7, holding talks with President Xi and top Chinese legislator Zhang Dejiang. Vice Foreign Ministers Liu Zhenmin and Kim Kyou-hyun on Nov. 19 established a new joint committee on academic, youth, sports, and media exchanges tasked with promoting non-governmental and people-to-people exchanges, after which the ROK Foreign Ministry on Dec. 24 released Seoul's proposal on new academic and youth programs with China for 2014. PRC and ROK culture ministries also signed a memorandum of understanding on Nov. 15 on strengthening cooperation on marketing cultural products abroad, and launched a new forum between cultural content industry experts. Beijing and Seoul celebrated their 20th anniversary of sister city ties in October, for which Beijing Vice Mayor Yang Xiaochao led a 300-member delegation to Seoul.

On the other hand, South Korea's Justice Ministry from Nov. 11 tightened its screening of Chinese cruise ship tourists amid concerns over the rising number of illegal immigrants entering South Korea through Seoul's visa-free system introduced in May. The number of Chinese cruise tourists visiting South Korea has almost tripled since 2012, while the total number of Chinese visitors to South Korea reached 3 million in January-September this year. Two ongoing areas of political friction are EEZ-related fishing disputes and the handling of North Korean refugees. A clash between two Chinese fishing boats suspected of illegal fishing and the ROK Coast Guard on Oct. 7 led to a series of consultations by the PRC Foreign Ministry and Consulate General in Kwangju. On Nov. 18, a DPRK human rights group reported that Chinese authorities in Kunming, Yunnan, had arrested a dozen North Korean refugees, another incident requiring Seoul's diplomatic intervention according to Unification Ministry officials. China (as well as Russia, Cuba, Iran, and Venezuela) did not endorse the UN's 9th annual resolution on DPRK human rights violations adopted on Nov. 19. South Korea's Foreign Ministry has referred to the EU and Japanese-led resolution as an indication of growing international consensus on the North Korean human rights issue.

Conclusion: prospects for 2014

The domestic and foreign policy priorities of Xi Jinping, Park Geun-hye, and Kim Jong Un present a mix of challenges and opportunities. Kim's current strategy of simultaneous nuclear and economic development directly undermines Sino-South Korean goals of denuclearization and stability on the peninsula, and reinforces the current deadlock in multilateral talks. Underlying Kim's recent pledges to build a "prosperous socialist country" is a continued commitment to the DPRK's military-first policy rather than to market-oriented reforms. Kim's first public appearance since Jang Song Thaek's execution according to the state media was a visit to a military institute, where he reasserted the WPK's goal of building "Songun Korea." His pursuit of nuclear and economic development has raised doubts even in China, where Cao Shigong of the Chinese Association of Asia-Pacific Studies appears to represent a growing consensus that "North Korea must give up its nuclear ambition in order to enhance economic development." Meanwhile, South Korean figures such as former Foreign Minister Han Sung-joo continue to push China further to "make a decision as to whether it wishes to tolerate North Korea" regarding its nuclear ambitions.

The logical consequence of North Korean nuclear recalcitrance and open evidence of internal divisions may be a deepening convergence of aims among the US, South Korea, and China, but there remains a stark difference over preferred outcomes. Moreover, to the extent that Kim's decision to execute his own uncle further diminishes perceptions of North Korea's legitimacy, China's support for North Korea will have higher international political costs in at least two areas. First, China's policy justification that North Korean refugees are economic migrants can no longer stand: if Kim Jong Un's uncle can be executed for political crimes, what North Korean traveling in China does not risk political retribution upon return to his homeland? Second, as North Korea's internal political divisions become more apparent, the ability of the PRC to legitimize economic or political intervention into North Korea's internal affairs becomes more remote. As a result, China's policy toward the North is increasingly paralyzed and its remaining strategic options will play out in the context of the China-South Korea relationship.

While the CPC seeks to loosen the state's grip over the economy, the creation of a new National Security Commission was another outcome of the November Plenary Session that is expected to strengthen President Xi's power over international security affairs. Foreign Minister Wang Yi identified Korean Peninsula denuclearization and territorial issues as the two most important regional concerns among Beijing's diplomatic priorities for 2014, which included three areas: major power relations, regional relations, and trade. Although the recent ADIZ controversy exposed Sino-South Korean strategic differences, it also revealed that China's regional concerns remain heavily focused on Japanese policy and the US response; on this issue, China continues to seek convergence with South Korea. While Park Geun-hye's trust-building initiative has drawn Chinese support, domestic criticism has emerged in South Korea over the extent to which Park's policy has reverted to a hardline policy consistent with the previous Lee Myung-bak administration. Finally, on the economic front, tensions appear to have been reduced, as progress in Sino-ROK FTA negotiations and South Korea's membership in the TPP are no longer perceived as diametrically opposed strategic and economic choices.

Chronology of China-Korea Relations

September – December 2013

Sept. 3-5, 2013: China and South Korea hold the seventh round of free trade agreement (FTA) talks in Beijing, completing the first phase of talks.

Sept. 12, 2013: PRC Foreign Ministry spokesperson calls for resumption of Six-Party Talks after talks between PRC Special Representative for Korean Peninsula Affairs Wu Dawei and US counterpart Glyn Davies.

Sept. 13, 2013: Jeju court detains a Chinese cruise ship with over 2,000 passengers based on legal claims against the Beijing-based operator by a Chinese subsidiary of Jiangsu Shagang Group.

Sept. 15-16, 2013: Chinese cruise ship passengers return to China after Jeju court releases the ship with a deposit of 3 billion won (\$2.8 million) from Beijing-based operator HNA Tourism.

Sept. 16, 2013: Ma Xingrui, head of the Chinese delegation to the IAEA General Conference in Vienna, calls for peaceful settlement of the Korean and Iranian nuclear issues.

Sept. 16, 2013: PRC Foreign Ministry affirms that DPRK denuclearization serves Chinese and US interests after Assistant Secretary of State Daniel Russel's visit to China on Sept. 13-14.

Sept. 17, 2013: DPRK First Vice Foreign Minister and nuclear envoy Kim Kye Gwan meets PRC State Councilor Yang Jiechi in Beijing.

Sept. 23, 2013: PRC Foreign Ministry spokesperson calls for improved ROK-DPRK relations in response to North Korea's Sept. 21 decision to postpone inter-Korean family reunions and working-level talks on the resumption of Mt. Kumgang tours.

Sept. 24, 2013: China and South Korea launch a joint forum on public diplomacy in Seoul.

Sept. 27, 2013: PRC and ROK Foreign Ministers Wang Yi and Yun Byung-se meet on the sidelines of the UN General Assembly in New York.

Sep. 27, 2013: PRC Foreign Minister Wang Yi at the general debate of the UN General Assembly calls for peaceful solutions to the Korean and Iranian nuclear issues.

Sept. 27-28, 2013: The 5th China-ROK-Japan ministerial meeting on culture is held in Gwangju.

Oct. 7, 2013: Presidents Xi Jinping and Park Geun-hye hold talks on the sidelines of the 21st APEC Economic Leaders Meeting in Bali.

Oct. 7, 2013: ROK authorities in Mokpo detain two Chinese fishing boats suspected of illegal fishing in ROK waters after violent clashes with ROK Coast Guard.

Oct. 10, 2013: President Park and PRC Premier Li Keqiang hold talks on the sidelines of regional meetings in Brunei.

Oct. 10-15, 2013: Second China-DPRK economic, trade, culture, and tourism expo is held in Dandong, Liaoning.

Oct. 11, 2013: PRC Foreign Ministry and PRC Consulate General in Kwangju call on ROK counterparts for a fair investigation of the Oct. 7 fishing dispute.

Oct. 14, 2013: Dandong Mayor Shi Guang announces that a new China-DPRK border trade complex will begin operations by 2014.

Oct. 17-18, 2013: China, US, Japan, South Korea, and Russia hold cyber security talks in Seoul.

Oct. 18, 2013: PRC Vice President Li Yuanchao meets Jon Yong Nam, chairman of the Kim Il Sung Socialist Youth League Central Committee, who leads a DPRK youth delegation to China.

Oct. 23, 2013: PRC Foreign Ministry spokesperson states that reasonable DPRK concerns should be addressed after Pyongyang releases a statement on conditions for denuclearization.

Oct. 27, 2013: PRC delegation led by Wu Dawei, special representative for Korean Peninsula affairs, arrives in the US for working-level talks with US counterparts.

Oct. 30, 2013: Beijing Vice Mayor Yang Xiaochao leads a 300-member delegation to Seoul for 20th anniversary celebrations of sister city ties.

Nov. 1, 2013: Liu Qibao, head of the CPC Publicity Department and member of the CPC Central Committee Political Bureau, meets a *Rodong Sinmun* delegation in Beijing led by Deputy Editor-in-Chief Kim Won Sok.

Nov. 2, 2013: Seoul Mayor Park Won-soon and PRC Ambassador to South Korea Zhang Xinsen open “China Day” in Seoul marking the 20th anniversary of sister city ties.

Nov. 5, 2013: PRC Special Representative for Korean Peninsula Affairs Wu Dawei arrives in North Korea for talks on the resumption of Six Party Talks.

Nov. 7, 2013: PRC-ROK-Japan vice foreign ministerial trilateral talks are held in Seoul.

Nov. 11, 2013: ROK Justice Ministry tightens its no-visa regulations on Chinese cruise tourists in an effort to curb recent increases in illegal Chinese immigrants.

Nov. 13, 2013: ROK nuclear envoy Cho Tae-yong arrives in Beijing for talks with PRC counterpart Wu Dawei and other Chinese officials.

Nov. 14, 2013: President Park at a conference marking the 50th anniversary of the Korea National Diplomatic Academy proposes the creation of a joint history textbook between China, Japan, and South Korea.

Nov. 15, 2013: Chinese authorities detain 11 DPRK defectors and 2 ethnic Korean guides in Kunming, Yunnan.

Nov. 15, 2013: PRC and ROK culture ministries sign a memorandum of understanding on cooperation on cultural goods marketing abroad and launch a joint forum between cultural content industry experts.

Nov. 17-19, 2013: PRC State Councilor Yang Jiechi visits South Korea and meets President Park, Chief National Security Advisor Kim Jang-soo, and Foreign Minister Yun.

Nov. 18-21, 2013: South Korea’s Air Force Chief of Staff Gen. Sung Il-hwan visits China and meets PRC counterpart Gen. Ma Xiaotian and Defense Minister Chang Wanquan.

Nov. 18-22, 2013: Eighth round of China-ROK FTA talks are held in Incheon.

Nov. 19, 2013: PRC Vice Foreign Affairs Minister Liu Zhenmin and ROK counterpart Kim Kyou-hyun attend a ceremony in Seoul launching a joint committee on academic, youth, sports, and media exchanges.

Nov. 19, 2013: PRC Foreign Ministry hails ROK independence fighter Ahn Jung-geun, who assassinated Japanese governor-general Hirobumi Ito in Harbin in 1909.

Nov. 19-25, 2013: US Special Representative for North Korea Policy Glyn Davies leads a delegation to China, South Korea, and Japan.

Nov. 20, 2013: PRC Foreign Ministry renews call for the early resumption of Six Party Talks.

Nov. 20, 2013: South Korea's Lotte Tour Development Co. and China's Greenland Holding Group announce a \$1 billion joint skyscraper project on Jeju Island.

Nov. 23, 2013: China announces the establishment of its East China Sea Air Defense Identification Zone (ADIZ).

Nov. 26-29, 2013: Third round of China-ROK-Japan FTA talks is held in Tokyo.

Nov. 27, 2013: Foreign Minister Yun at a defense forum in Seoul warns that China's ADIZ may worsen regional tensions.

Nov. 28, 2013: Deputy Chief of the PLA General Staff Wang Guanzhong holds the third China-ROK strategic dialogue in Seoul with ROK Vice Defense Minister Baek Seung-joo, and meets Defense Minister Kim Kwan-jin.

Dec. 4-7, 2013: ROK National Assembly Speaker Kang Chang-hee leads a delegation to China, meeting Chairman of the National People's Congress Standing Committee Zhang Dejiang on Dec. 4, and President Xi Jinping on Dec. 6.

Dec. 8, 2013: South Korea announces the southward expansion of its ADIZ.

Dec. 9, 2013: PRC Foreign Ministry spokesperson expresses regret over South Korea's decision to expand its ADIZ.

Dec. 9, 2013: PRC Foreign Ministry spokesperson calls the removal of Jang Song Thaek from all posts an "internal affair" of the DPRK.

Dec. 13, 2013: PRC Foreign Ministry spokesperson expresses hopes for national stability in North Korea after the execution of Jang Song Thaek.

Dec. 16, 2013: Senior DPRK official in the State Economic Development Committee tells *Xinhua* that DPRK economic policy remains unchanged since the execution of Jang Song Thaek

Dec. 17, 2013: PRC ambassador to the DPRK attends activities commemorating the second anniversary of Kim Jong Il's death.

Dec. 18, 2013: PRC Foreign Ministry spokesperson reiterates China's position on Korean Peninsula denuclearization in response to a *Rodong Sinmun* editorial praising North Korea's status as a "full-fledged nuclear weapons state."

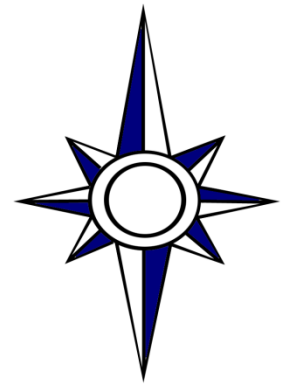
Dec. 19, 2013: ROK Defense Ministry and PRC Ministry of Civil Affairs announce return of the remains of Chinese People's Volunteers soldiers killed in the Korean War to China.

Dec. 30, 2013: Head of China's National Development and Reform Commission Xu Shaoshi and ROK Finance Minister Hyun Oh-seok, hold bilateral talks in Seoul.

Dec. 31, 2013: PRC Foreign Ministry spokesperson expresses Chinese agreement with South Korea's position on Japanese Prime Minister Abe's Yasukuni Shrine visit.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Japan-China Relations: Can We Talk?

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China marked the first anniversary of Japan's nationalization of the Senkaku Islands on Sept. 11 by reasserting its sovereignty claims to the islands and conducting Coast Guard patrols in the area, which continued on a regular basis through December. Tokyo called for dialogue with China without preconditions, while Beijing insisted that dialogue required Japan to admit the existence of a dispute over the islands. Meanwhile, business leaders continued to develop economic ties and Japanese companies in China began to recover from the profit doldrums that followed initial Chinese reaction to the nationalization. In late November, Beijing announced the establishment of its East China Sea Air Defense Identification Zone, which Tokyo found to be unacceptable and refused to recognize. On Dec. 26, Prime Minister Abe added more tension to the relationship when he visited Yasukuni Shrine.

Senkaku nationalization plus one

There was significant activity in the East China Sea in early September surrounding Sept. 11, the first anniversary of Japan's decision to nationalize three of the Senkaku Islands that had previously been held by a private owner. On Sept. 8-9, People's Liberation Army Navy (PLAN) warships and two *H6J2* bombers transited international waters and airspace between Okinawa and Miyako-jima toward the Pacific Ocean. Japan's Ministry of Defense noted this was the first transit by *H6J2* bombers. Also, on Sept. 9, a Chinese drone aircraft entered Japan's Air Defense Identification Zone near Okinawa and the Senkakus; the Japan Air Self-Defense Force (JASDF) scrambled in response. Later, eight Chinese ships entered Japan's territorial waters near the Senkakus on Sept. 10; four withdrew later that day and four entered Japan's contiguous zone on Sept. 11. A full accounting of incursions that occurred during this reporting period is provided in the chronology.

In response to the activity in early September, Vice Foreign Minister Saiki Akitaka called in China's Ambassador to Japan Cheng Yonghua to protest. According to Japanese government figures, as of Sept. 9, a total of 208 Chinese government ships had entered Japan's territorial waters on 62 separate days in the year since nationalization. Japanese Coast Guard figures put days spent in Japan's sovereign waters and contiguous zone at 260 since nationalization. Chinese Coast Guard figures set the number at 59 days spent in the area of the Senkakus/Diaoyus. China's State Oceanic Administration, commenting on the patrols, issued a

* 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.

statement that said “China is building a strong maritime nation. All actions undermining China’s interests in sovereignty, security and development will face strong opposition and firm resistance....”

On Sept. 11, Chief Cabinet Secretary Suga Yoshihide, speaking in Sapporo, reiterated the government’s position that “a territorial problem that requires resolution does not exist.” At the same time, noting the importance of the bilateral relationship, he announced that the window for a strategic dialogue is always open for Japan. The previous day Suga had raised the possibility of deploying government personnel to the Senkakus but went on to say that the matter had to be studied from a strategic perspective. In Beijing, Foreign Ministry spokesperson Hong Lei expressed his government’s “serious concern” about Suga’s remarks, adding that “if the Japanese side recklessly makes provocative moves, it will have to accept the consequences.” Meanwhile, Deputy Chief Cabinet Secretary Kato Katsunobu told a press conference that Japan would resolutely but calmly resist China’s efforts to use force to change the status quo with respect to Japan’s sovereign land, air, and sea space. Japan had no intention to escalate, would tenaciously pursue dialogue, and wanted to work to calm matters. An *Asahi Shimbun* public opinion poll on the issue of nationalization put support for the decision at 56 percent, with opposition at 24 percent. The figures tracked closely with a 2012 poll conducted after nationalization in which 57 percent supported the decision and 23 percent opposed.

Abe: the door is always open

Throughout the final months of 2013, both sides spent time staking out positions on the breakdown in relations. Speaking in New York on Sept. 24, Abe emphasized the importance of the Japan-China relationship and reiterated that “my door is always open for dialogue, and I hope for the same stance from China.” This point served as leitmotif for Tokyo policy statements – it was repeated on Oct. 9 at the East Asian Summit in Brunei. Earlier, on Sept. 21, China’s Foreign Minister Wang Yi told a Brookings Institution audience in Washington that China is “ready to sit down and have a dialogue ... to work out jointly a way to manage the current situation.” But, as a first step, “Japan needs to recognize that there is such a dispute. The whole world knows that there is a dispute.” Wang was confident that ultimately Japan would return to dialogue.

Meanwhile, Prime Minister Abe repeatedly called attention to China’s ongoing military modernization that included 10 percent increases in the defense budget for over 22 years, its intrusions into Japan’s air and sea space, and its attempts to change the status quo by force in the Senkakus as well as the South China Sea. On Oct. 23, during a meeting of the Upper House Budget Committee when asked about “proactive pacifism,” Abe cited challenges involving the use of force to change the status quo in the East China Sea and South China Sea and said that “the Sea must be open. Freedom of navigation must be defended.” In an Oct. 25 *Wall Street Journal* interview, he returned to his concerns over China’s attempts to use force, rather than the rule of law, to change the status quo in Asia and reiterated that Japan’s door to dialogue with China remained open. Speaking at a Ground Self-Defense Force ceremony on Oct. 27, Abe said that Japan will “demonstrate our intention not to allow a change in the status quo.”

Asked to comment Abe's remarks, Chinese Foreign Ministry spokesperson Hua Chunying charged the prime minister with repeatedly making "provocative" remarks, showing "once again that the Japanese politicians are deceiving themselves with arrogance and a guilty conscience." On the Diaoyu Islands, she added "everyone can tell that it is Japan that has changed the status quo..." From the start its unilateral action has been "illegal and void. China will never accept it and will firmly oppose it." Japan should "desist from all provocative words and deeds, show sincerity and take concrete steps to properly manage and solve problems and safeguard regional peace and stability." In mid-November, spokesperson Qin Gang noted Japan's continuing references to international law as a dispute settlement mechanism and asked "we wonder whether the outcomes of the victory of the world anti-fascist war and the post-war international order should be observed" and "whether the Cairo Declaration and the Potsdam Declaration still count or not." As for Abe's charge that China is engaged in a military build-up, Qin expressed "dissatisfaction with Japanese leaders' flagrant hype of the so-called China threat theory," observing that "Japan's move in the military and security sector calls for our close attention."

Business and economics

At the end of August, four of Japan's major travel agencies, including the Japan Travel Bureau released figures noting a 75.2 percent plunge in package tours to China booked by Japanese travelers in April-September 2013 over the same period in 2012. Figures released by China's General Administration of Customs indicated a 13 percent year-on-year drop in Japan's exports to China from September 2012-August 2013. China's total trade volume with Japan in January-August 2013 was off 8.5 percent over the same period in 2012.

Meanwhile, Japanese companies were finding it hard going in China in the year after the Senkaku nationalization. Japanese auto makers reported sales were down 10 percent from January-September over 2012. In August, while China's automobile market expanded at a 10.3 percent clip, Nissan's sales increased only 1 percent, while Toyota and Honda experienced 4.2 percent and 2.5 percent declines, respectively. However, sales skyrocketed in September: Honda was up 50 percent, Nissan was up 83.4 percent, and Toyota was up 63.5 percent. The upward trend continued in October with Toyota, Nissan, and Honda all reporting sales increases, with Toyota leading the way with an 80 percent increase.

Meanwhile, Uniqlo, Takashimaya, Daimaru Matsuzakaya, and Mitsui Real Estate Development were targeting the Shanghai market. In a July-August survey conducted by *Nikkei Shimbun* of Japanese companies operating in China, 80 percent of the respondents placed emphasis on the China market. The results stood in contrast to an August survey conducted by the Japan External Trade Organization in which 8 percent of the 50 companies surveyed were considering reducing presence or pulling out of China. In early December, a Japan Bank for International Cooperation survey revealed that China, after over two decades as the top destination for Japanese foreign investment, had fallen to fourth place; the drop was attributed to rising labor costs and bilateral tensions.

Commercial diplomacy continued to expand even as political differences over the Senkakus continued. On Sept. 4, Keidanren Chairman Yonekura Hiromasa arrived in Beijing and met Tang Jiaxuan, chairman of the China-Japan Friendship Association. Yonekura also spoke in Jilin

at the opening of the China-Northeast Asia Exposition. From Sept. 16-19, a Chinese business delegation, including CTTIC Group Board Chairman Chang Zhenming, China Investment Corporation President Gao Xiqing, and Sany Heavy Industry Chairman Liang Wengen visited Tokyo and met high-level political and business executives from Mizuho Financial Group, Nomura Securities, and Toyota Motor.

In mid-November, a Japanese delegation from the Japan-China Economic Association visited Beijing. The delegation, chaired by Toyota's Honorary Chairman Cho Fujio, met Vice Premier Wang Yang on Nov. 19. Keidanren Chairman Yonekura told Wang that "we would like to establish a future-oriented new cooperative relationship" and spoke to the importance of promoting exchanges "including among political leaders...." Yang, however, replied that China wanted "the Japanese government to face historical issues squarely."

High-level contacts

On Sept. 5, Prime Minister Abe and President Xi Jinping shook hands and exchanged greetings at the G20 Summit in St. Petersburg. Commenting on the "unscheduled" meeting, China's Foreign Ministry acknowledged that the bilateral relationship is experiencing difficult times but emphasized that China is not responsible and that tensions should be resolved through dialogue. *Xinhua* reported that Xi had urged Japan to correctly view history, devote itself to the future, and correctly deal with sensitive problems, such as the Daiyus and history. In reply, Abe said that he sincerely wished for an improvement in bilateral relations.

On Sept. 11, Japan's Minister of State for Science and Technology Policy Yamamoto Ichita and Minister of Education, Sports, Science and Technology Shimomura Hakubun visited China to attend a privately sponsored forum in Dalian. Their visit was the first by Cabinet-level officials under the Abe government. On Sept. 12, Ozawa Einin, chairman of Japan's New Party Diet Policy Committee, met Tang Jiaxuan in Beijing. Ozawa suggested that China and Japan take the islands issue to the International Court of Justice. Tang, however, maintained that the issue is a bilateral one and should be resolved between the two countries.

On Oct. 22, the Japan-China and China-Japan Friendship Associations held a symposium in Beijing to mark the 35th anniversary of the Friendship Treaty. The Chinese contingent was led by Tang Jiaxuan and the Japanese delegation by Kato Koichi, chairmen of the respective associations. Chinese representatives were reported to have called for increasing private-level exchanges, while the Japanese delegation emphasized the importance of a leadership meeting. The following day, Wang Zhen, vice chairman of the National People's Congress met the Japanese delegation in the Great Hall of the People. Wang underscored China's determination to safeguard its territory.

On Oct. 26, a symposium on China-Japan relations, jointly sponsored by Japan's Genron NPO and *China Daily*, convened in Beijing. Addressing the islands issue, Tang Jiaxuan called on Japan to recognize the existence of a dispute and remove the impediment in the bilateral relationship. The idea that China was trying to change the status quo by force was at odds with reality. Miyamoto Yuji, a former Japanese ambassador to China, replied that Asia should be

marked, not by forceful opinions, but by proper and impartial attitudes. Former Prime Minister Fukuda Yasuo spoke at the symposium and also met Foreign Minister Wang.

Security

Japan took several steps to increase defense funding and strengthen defense planning. On Aug. 30, the Ministry of Defense announced a budget request for FY 2014 of ¥4.819 billion, a 3 percent increase over 2013. The budget request placed particular emphasis on capabilities to strengthen defense of Japan's remote islands. In late November, the Foreign Ministry in its budget requested ¥1 billion to support public relations efforts to strengthen Japan's claim to the Senkakus, Takeshima, and the Northern Territories. These funding increases suggest a growing interest in addressing the issue of Japan's right to collective self-defense. Interestingly, an *Asahi Shimbun* poll conducted in August showed only 27 percent of respondents favored the exercise of the right of collective self-defense, while 59 percent were opposed. However, in an opinion poll published in the Nov. 3 *Nikkei Shimbun* 49 percent favored a constitutional amendment to allow Japan to exercise the right of collective self-defense, 33 percent favored reinterpretation of the constitution, while 18 percent opposed exercise of the right.

There were also several steps taken to rationalize Japan's right to collective self-defense. On Sept. 17, the Prime Minister's Advisory Panel on the Reconstruction of the Legal Basis for Security held its first meeting. Addressing the panel on the right of collective self-defense, Abe asserted that "the constitutional interpretation must not sacrifice the people's survival and the nation's existence." On Sept. 22, Abe told the Lower House Budget Committee that there is a large gap between having the right of collective self-defense, being able to exercise it, and exercising it. To secure the exercise, legislation is necessary. Speaking at the Hudson Institute on Sept. 25, Abe announced that Japan would become "a more proactive contributor to world peace and stability" but acknowledged that his efforts with regard to collective self-defense might "widen the gap with China and the ROK." Earlier in New York, he told reporters that he did not "intend to set a deadline" for a decision on the exercise of the right of collective self-defense. New Komeito leader Yamaguchi Natsuo welcomed Abe's remarks, noting the importance of developing public understanding of the issue and the time needed to achieve this.

On Dec. 11, the Abe government completed work on Japan's new National Defense Program Guidelines and five-year Mid-Term Defense Plan. The documents focused on enhancing Japan's capabilities to deal with growing threats in Japan's air and sea space, in particular in Japan's southwest region. The Guidelines and Mid-Term Defense Plan along with Japan's new National Security Strategy received Cabinet approval on Dec. 17.

The Chinese response to Japan's actions was predictably critical. On Sept. 18, the anniversary of the 1931 Manchurian Incident, Foreign Ministry spokesperson Hong Lei told a press conference that "Japan is creating and exaggerating conflicts deliberately as an excuse to arms expansion and modification of its military strategy." Commenting on Japan's defense plans, Hong noted that China and Japan's Asian neighbors are "following closely" developments in Japan's security policy. He accused Japan of hyping the "China threat"... to find an excuse to amend its constitution, build up its military strength and adjust its military policies." Hong urged Japan "to stop making irresponsible accusations against China." Following Cabinet approval of the

defense plans, Hong observed that “given all the negative moves taken by Japan on historical issues, Asian countries and the international community, including China, cannot but pay high attention and stay on high alert.”

China’s Air Defense Identification Zone

On Nov. 23, China announced the creation of its East China Sea Air Defense Identification Zone (ADIZ), extending over much of the East China Sea including the Senkaku/Diaoyu Islands. Japan’s response was immediate. Director General for Asian and Oceanic Affairs Ihara Junichi called in Han Zhigang, minister of the Chinese embassy, to protest. Ihara underscored that the Senkakus, including the airspace above are Japan’s sovereign territory and that China’s actions “were completely unacceptable ... and extremely dangerous, inviting unforeseen incidents in Japan’s airspace that could escalate.” Minister of Defense Onodera told reporters that China’s unilateral action represented “extremely dangerous conduct.” Foreign Minister Kishida Fumio criticized China’s declaration as “unilateral conduct which Japan cannot recognize.” Former Foreign Minister Komura Masahiko told a television audience that China’s action must be rigorously protested. The government urged Japan’s airlines not to comply with China’s ADIZ regulations.

China’s Foreign Ministry spokesperson Qin Gang responded to Japan’s criticism at a Nov. 25 press conference saying that the measures to create the ADIZ were “totally in line with the UN Charter and other international laws and practices and thus are fully justified” and that “it is unreasonable and completely wrong for Japan to make irresponsible accusation against China’s establishment of the Air Defense Identification Zone in the East China Sea.”

During a Nov. 25 meeting of the Upper House Budget Committee, Prime Minister Abe said that any action that treated Japan’s airspace over Senkakus as if it were China’s airspace was “completely unacceptable” and would have “no effect.” Japan would resolutely defend its sovereign territory in the Senkakus. Vice Foreign Minister Saiki called in Ambassador Cheng to protest and requested that China retract the ADIZ. Cheng replied that Japan’s request did not accord with reason, rejected Japan’s request, and went on to say that China’s ADIZ was not directed at any country and did not impair freedom of air travel.

On Dec. 6, Japan’s Lower House adopted a resolution requesting China to retract the ADIZ. In reply, spokesperson Hong said that Japan had no right to make “irresponsible remarks on this issue ... and should stop erroneous practices, stop pestering and provoking, and make real efforts to develop the China-Japan relationship and maintain order and security in the related airspace.”

Meanwhile, Japan continued its call for dialogue. Foreign Minister Kishida reiterated that “the door to dialogue is always open remains unchanged” and that it was “all the more important to have a dialogue under these circumstances.” On Dec. 9, Abe proposed the development of a crisis management mechanism to avoid unanticipated incidents in the East China Sea airspace, and, noting the lack of any meeting at the leadership level in the year since his government came to power, again said his door to dialogue remained open. In Beijing, spokesperson Hong noted that the two countries are in communication but “the point is that Japan does not face up to history and reality and fails to adopt correct approaches on relevant issues.”

The back-and-forth continued through the month of December. On Dec. 14, the joint statement, issued at the conclusion of the Japan-ASEAN meeting in Tokyo announced agreement to “enhance cooperation in ensuring the freedom of overflight and civil aviation safety, in accordance with the universally recognized principles of international law.” China was not referenced in the joint statement, but reacting to it when spokesperson Hong charged Prime Minister Abe with taking advantage of the meeting “to slander China.” China was “strongly dissatisfied with that.” On Dec. 20, after meeting Foreign Minister Kishida, Ambassador Cheng told reporters that “while problems do exist, he wanted to make every effort through dialogue to return to the path of the Mutually Beneficial Strategic Relationship.” Meanwhile editorials in all of Japan’s major dailies expressed support for the government’s position on China’s ADIZ. In Dec. 14-15 *Sankei Shimbun* public opinion poll, 87 percent of the respondents said they viewed China’s ADIZ as “very” or “somewhat” threatening to Japan.

Yasukuni

On Dec. 26, which marked the first anniversary of his government coming to power, Prime Minister Abe visited the Yasukuni Shrine – the first visit to the shrine by a prime minister since the 2006 visit of Koizumi Junichiro. Afterward, Abe released a statement that read, “Some people criticize the visit to Yasukuni as paying homage to war criminals, but the purpose of my visit today ... is to report before the souls of the war dead how my administration has worked ... to renew the pledge that Japan must never wage war again.” Abe’s statement went on to say “It is not my intention to hurt the feelings of the Chinese and Korean people.”

Ambassador Cheng went to the Foreign Ministry to protest the visit. In Beijing, the Foreign Ministry issued a statement which read “we strongly protest and seriously condemn the Japanese leader’s acts.”

Public opinion

Public opinion in Japan grew increasingly pessimistic about relations with China. On Nov. 24, the Abe government released the results of the annual Cabinet survey of public opinion. Asked if they felt friendly toward China, 80.7 percent of respondents answered “no,” an increase of 0.1 over 2012 and the highest negative ranking since the poll began in 1978. As for the state of Japan-China relations, those who saw relations as “bad” totaled 91.0 percent. In a *Yomiuri Shimbun*-Gallup poll released on Dec. 16 before China’s declaration of its ADIZ, respondents were asked for the views on the Japan-China relationship. The percentage of Japanese who considered relations “bad” hit an all-time high of 87 percent. On the question of trusting China, 88 percent responded “no.” The negative trust figure has been in the 80-89 percent negative range since the September 2010 fishing boat incident.

Outlook

The door to dialogue may be open, but after China’s declaration of an ADIZ in November and Abe’s visit to the Yasukuni Shrine in December, the prospects for either Chinese or Japanese leaders walking through it in the January-April period are dim at best.

Chronology of Japan – China Relations September – December 2013

Sept. 2, 2013: Hong Kong authorities deny permission to activists to travel to Diaoyu Islands.

Sept. 4-9, 2013: Keidanren Chairman Yonekura Hiromasa visits China and meets with Tang Jiaxuan in Beijing. He also speaks at opening of China Northeast Asia Exposition in Jilin.

Sept. 5, 2013: Prime Minister (PM) Abe Shinzo and President Xi Jinping exchange greetings at G20 Summit in St. Petersburg.

Sept. 5, 2013: Ocean Policy Advisory Council, chaired by PM Abe, holds first meeting; Liberal Democratic Party (LDP) East China Sea Resource Development Project Team meets.

Sept. 8-9, 2013: People's Liberation Army Navy (PLAN) warships and aircraft transit in international waters/airspace between Okinawa and Miyako-jima toward western Pacific.

Sept. 9, 2013: Chinese drone aircraft enters Japan's ADIZ near Okinawa.

Sept. 10, 2013: Chinese ships enter Japan's territorial waters near the Senkaku/Diaoyu Islands. Vice Foreign Minister Saiki Akitaka calls in Chinese Ambassador Cheng Yonghua to protest.

Sept. 11, 2013: First anniversary of Senkaku nationalization; Chief Cabinet Secretary Suga Yoshihide tells Sapporo audience that a territorial problem does not exist.

Sept. 11, 2013: Japanese Cabinet Ministers Yamamoto Ichita and Shimomura Hakubun visit China to attend private symposium in Dalian, marking first visit of Abe government Cabinet-level officials to China.

Sept. 13, 2013: Four Chinese Coast Guard ships enter Japan's contiguous zone in Senkakus, stopping short of Japan's territorial waters after being warned by the Japanese Coast Guard.

Sept. 16-19, 2013: Chinese business leaders visit Tokyo.

Sept. 17, 2013: Japan's Advisory Panel on the Reconstruction of the Legal Basis for Security holds its first meeting.

Sept. 18, 2013: Anniversary of 1931 Manchurian Incident. China's Foreign Ministry warns against Japan's exaggerating conflicts to justify military expansion.

Sept. 21, 2013: Foreign Minister Wang Yang tells Brookings Institution audience that China is ready for dialogue with Japan but Japan must recognize existence of a dispute.

Sept. 24, 2013: PM Abe tells New York audience that the door to talks with China is open.

Sept. 25, 2013: PM Abe tells Hudson Institute audience that Japan will be a proactive contributor to world peace and stability.

Sept. 28, 2013: Japan, China, ROK Cultural Affairs Minister meet in Gwangju, South Korea.

Oct. 7, 2013: PM Abe, while visiting Indonesia, warns against China's efforts to change South China Sea status quo by use of force.

Oct. 16, 2013: PM Abe tells Lower House that government is considering various options to deal with drone aircraft in Japan's airspace.

Oct. 17, 2013: PM Abe, at autumn festival sends "*masakaki*" offering to Yasukuni Shrine but does not visit shrine. China criticizes the offering.

Oct. 18, 2013: Internal Affairs and Communications Minister Shindo Yoshitaka and a supra-party delegation of 157 Diet members visit Yasukuni Shrine.

Oct. 19-21, 2013: Three Chinese Coast Guard ships enter Japan's contiguous zone near Senkaku Islands.

Oct. 21, 2013: *Japan Times* reports government is considering allowing Japan Air Self-Defense Forces (JASDF) to shoot down drone aircraft intruding into Japan's airspace.

Oct. 22, 2013: China-Japan and Japan-China Friendship Associations hold symposium in Beijing marking 35th anniversary of Friendship Treaty. China warns against provocative actions.

Oct. 23, 2013: Wang Zhen, vice chairman of National People's Congress, meets members of Japan-China Friendship Association and underscores China's determination to defend territory.

Oct. 25, 2013: PM Abe, in *Wall Street Journal* interview, expresses concern over China's attempts to use force rather than rule of law to change status quo in Asia.

Oct. 26, 2013: *China Daily* and Genron NPO cosponsor symposium in Beijing on China-Japan relations; former Prime Minister Fukuda Yasuo attends and meets Foreign Minister Wang.

Oct. 27, 2013: PM Abe tells SDF audience that Japan will not allow change in the status quo.

Oct. 28, 2013: Chinese Coast Guard ships enter Japan's territorial waters in Senkakus.

Oct. 29, 2013: Ministry of Defense-sponsored Tokyo Defense Forum opens; China does not participate.

Nov. 1-2, 2013: Japanese Coast Guard finds Chinese research ship operating in Japan's EEZ without prior notification.

Nov. 1-18, 2013: Japan Self-Defense Force conducts joint war games focused on remote island defense; surface-to ship-missiles are deployed on Miyako-jima.

Nov. 3-10, 2013: Chinese Coast Guard ships enter Japan's contiguous zone near the Senkakus. When warned by Japan's Coast Guard against entering Japan's territorial waters, Chinese reply that the ships are exercising jurisdiction in Chinese waters on a regularly scheduled patrol.

Nov. 7, 2013: Chinese, Japanese, and ROK deputy foreign ministers meet in Seoul.

Nov. 13, 2013: Former PM Hatoyama Yukio, speaking at Hong Kong University, tells audience that China and Japan clearly agreed to shelve the Senkaku issues at time of normalization and that the current Japanese government is denying this agreement.

Nov. 14, 2013: Chief Cabinet Secretary Suga tells reporters that Hatoyama's remarks are not worthy of comment.

Nov. 13, 2013: Chinese Coast Guard ships enter Japan's contiguous zone near the Senkakus.

Nov. 16, 2013: Chinese Coast Guard ships enter Japan's territorial waters near the Senkakus.

Nov. 16-17, 2013: PLA Air Force (PLAAF) reconnaissance aircraft enter Japan's Air Defense Identification Zone (ADIZ) in East China Sea; JASDF scrambles in response.

Nov. 19, 2013: Delegation from Japan-China Economic Association visits Beijing. Keidanren Chairman Yonekura meets Vice President Wang Yang.

Nov. 22, 2013: Four Chinese Coast Guard ships enter Japan's territorial waters near the Senkakus. Warned against entering Japan's territorial water, Chinese respond in Japanese that the Diaoyu Islands have been "Chinese territory since ancient times."

Nov. 22, 2013: Japan protests boarding by Chinese Coast Guard personnel of a Chinese fishing boat in Japan's EEZ.

Nov. 23, 2013: China announces the establishment of an ADIZ that covers much of the East China Sea. Japan protests actions as unacceptable.

Nov. 23, 2013: PLAAF aircraft enter Japan's ADIZ; JASDF scrambles in response.

Nov. 24, 2013: All Nippon Airlines/Japan Airlines announce that they will comply with China's ADIZ regulations; at government urging, airlines reverse decision on Nov. 26.

Nov. 25, 2013: PM Abe tells Upper House Budget Committee that any action that treats Japan's airspace over Senkakus as it were China's airspace would be unacceptable and have no effect.

Nov. 25, 2013: Vice Foreign Minister Saiki calls in Ambassador Cheng to protest China's ADIZ; Cheng rejects Japan's protest.

Nov. 26-29, 2013: Third round of negotiations on a trilateral Free Trade Agreement (FTA) involving China, South Korea, and Japan is held in Tokyo, Japan. The agenda includes items such as trade in goods, services, investment, competition policies, and intellectual property.

Nov. 26-Dec. 31, 2013: Chinese aircraft carrier *Liaoning* accompanied by several escort ships conducts sea trials in the South China Sea.

Dec. 1, 2013: Chinese media highlight anniversary of Cairo Declaration, which stripped Japan of all territories seized or occupied since 1914.

Dec. 1-3, 2013: Chinese Coast Guard ships enter Japan's contiguous zone near the Senkakus.

Dec. 6, 2013: Japan's Lower House adopts resolution calling on China to rescind its ADIZ; China criticizes resolution as irresponsible.

Dec. 8-13, 2013: Three Chinese Coast Guard ships enter Japan's contiguous zone near the Senkakus after spending nearly three hours in Japan's territorial waters. The incursion is the 72nd into Japan's territorial waters since nationalization.

Dec. 9, 2013: PM Abe proposes development of crisis management to deal with incidents in East China Sea airspace.

Dec. 11, 2013: Abe government completes work on Japan's National Defense Program Guidelines and Mid-Term Defense Plan.

Dec. 12, 2013: China's Foreign Ministry criticizes Japanese Ministry of Foreign Affairs' use of its website to post videos to assert Japanese claims to Senkakus.

Dec. 14, 2013: Joint statement at conclusion of Japan-ASEAN meeting calls for international cooperation to ensure freedom of overflight and civil aviation safety in accordance with international law. China is not mentioned, but expresses strong dissatisfaction with resolution.

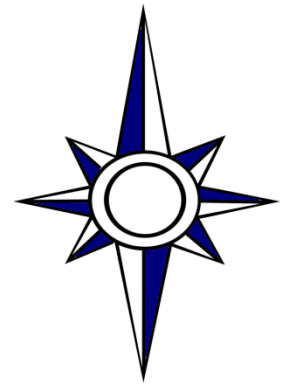
Dec. 17, 2013: Japan's Cabinet approves National Security Strategy, National Defense Program Guidelines, and Mid-Term Defense Plan.

Dec. 20, 2013: Foreign Minister Kishida and Ambassador Cheng meet at Foreign Ministry; Cheng expresses intent to make every effort to improve relations.

Dec. 26, 2013: PM Abe visits Yasukuni Shrine. Ambassador Cheng protests at Foreign Ministry.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Japan-Korea Relations: More Naughty than Nice

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The last four months of 2013 were uneventful for Korea-Japan relations. That is, simmering disputes continued to simmer and both sides made moves that annoyed the other, but there was almost no substantive action. Significantly, South Korean President Park Geun-hye continued to refuse to meet Japanese Prime Minister Abe Shinzo, and even some meetings between lower-level officials were called off. The biggest events were domestic issues that had implications for relations among the countries: the execution of Jang Song Thaek in North Korea and the release of the new National Security Strategy in Japan being the most notable. In all, relations remained frozen, with little evidence that 2014 would see any major changes in either attitudes or relations among Japan, South Korea, and North Korea.

Business as usual?

When South Korean President Park Geun-hye told leaders at the Association of Southeast Asian Nations (ASEAN)+3 (China, Japan, South Korea) meeting in Brunei in October of the festering “Asian paradox” (the disconnect between growing economic interdependence and decreasing politico-security cooperation), she may have taken for granted the impermeability of the two areas and the possibility of negative spill-over effects. After all, one can only row with one ore for so long without seeing that one is starting to spin in a circle. Unfortunately, the months of September to December demonstrated exactly this dynamic between economics and politics with several issues complicating Seoul-Tokyo economic relations.

On Sept. 6, Seoul announced its decision to widen its ban on Japanese fish imports to cover eight prefectures amid concerns about radiation contamination – even as Prime Minister Abe Shinzo was pitching Tokyo’s bid for the 2020 Olympic Games (which it won) and reassuring the international community that the post-Fukushima situation was very much under control. Meanwhile, the Tokyo Electric Power Co. (TEPCO) had recently admitted that since the Fukushima Daiichi nuclear disaster in March 2011, hundreds of metric tons of radioactive water were leaking into the Pacific Ocean on a daily basis. This did not go unnoticed by its neighbor: South Korean Minister of Oceans and Fisheries Yoon Jin-sook accused Tokyo of being “immoral” by trying to downplay the water leaks. Although it is uncertain if any of the political venom poisoned the general consumer mentality, according to a report on the impact of the Fukushima incident on the meat market released in November by the *Korea Rural Economic Institute*, an online poll found that eight out of 10 South Koreans have reduced fish consumption due to safety concerns associated with the revelations in Japan.

Subsequently, Japan's challenge to Korea's fish ban became an agenda item for the meeting of the World Trade Organization's (WTO) Sanitary Phytosanitary (SPS) Measures Committee on Oct. 16-18, in Geneva. Incidentally, the SPS Committee heard a record number of specific trade concerns – 11 “new,” 12 “old,” and one listed under “other business” – of which the Korean ban fell into the first category. Essentially, Japan claimed that South Korea had not provided the scientific evidence justifying such restrictions, while Seoul argued that it could resort to [Article 5.7. of the SPS agreement](#), which outlines provisional actions available to countries as precautionary measures. Despite the flare up, there have only been two official disputes lodged in the WTO with both Seoul and Tokyo as disputants – one concerning duties imposed by Japan on Dynamic Random Access Memories (DRAMs) from Korea ([DS336](#)), and another regarding Japan's import quotas on dried laver and seasoned laver from Korea ([DS323](#)).

A domestic court ruling in Korea, however, had deeper implications for Japanese business interests. On Nov. 1, the Gwangju Local Court ruled in favor of four Korean women who were forcibly recruited as laborers during Japanese occupation of Korea, ordering Japan's Mitsubishi Heavy Industries to pay compensation. This ruling was the third of its kind since the landmark ruling in May 2012 by the South Korean Supreme Court that allowed forced laborers and their families to seek withheld wages from Japanese companies. In response, Keidanren (Japanese Business Federation), the Japan Chamber of Commerce and Industry, the Japan Association of Corporate Executives, and the Japan-Korea Economic Association issued a statement on Nov. 6, expressing their concern that the ruling could become an impediment to future investment and business transactions between Japan and Korea. The statement added that the right to individual redress had been settled under the 1965 agreement when the two countries normalized relations. According to *The Nikkei Shimbun*, the chairperson of Nippon Steel & Sumitomo Metal Corp – another company ordered by South Korean courts to compensate Korean victims of forced labor – stated that “we [Nippon Steel] could find ourselves the target of shareholder lawsuit if we make payments that have no basis in law.” Moreover, the article suggests that Japan may look to the International Court of Justice (ICJ) for potential dispute settlement, adding yet another layer of international mediation to bilateral relations.

News also broke at the end of September that two major South Korean conglomerates – Samsung and LG Electronics – decided to drop pending lawsuits and agree to a partial patent cross-license involving organic light-emitting diode (OLED) material and mobile phone-related patents, which would be the first of its kind between the two rivals in 21 years. Analysts said the motivating factor in the settlement was the need to offset Japanese display manufacturers such as Panasonic and Japan Display, which are catching up in sales. In fact, the two Korean competitors found themselves on the same side when Rockstar, a consortium composed of Apple, Microsoft, BlackBerry, Ericsson, and Sony, launched new lawsuits on patent infringement against a group of companies that run the rival Android operating system, including Google, Samsung Electronics, LG Electronics, HTC, and Huawei.

There were other more direct references to the economic rivalry between Japan and Korea in news reports that South Korea's current account surplus would surpass Japan's by the end of the year for the first time since data was collected by the Bank of Korea (BOK) in 1980. Other reports from Korean media outlets offered reminders that Seoul had outperformed Tokyo in economic growth for the 15th straight year. Meanwhile, Japan's Ministry of Economy, Trade, and

Industry (METI) launched a '[Cool Japan Initiative/Cool Japan Fund](#)' in November 2013 as part of its effort to raise overall competitiveness of Japanese companies in the global market. These all became fodder for the big news in late November that South Korea might join the 12-party Trans-Pacific Partnership (TPP) negotiations – of which Japan is a participant – despite speculations that it may be difficult for Seoul to join given that negotiations have been underway since 2010. According to South Korean Minister of Trade Yoon Sang-jick, the seemingly inopportune timing was very much intended as a “negotiation strategy,” hinting at the need to delay the announcement in order to keep pursuing talks on a Free Trade Agreement (FTA) with China, which is not a part of the TPP framework. Some scholars also cited the Japan factor as driving Seoul's interest in the TPP.

Looking at the larger economic relationship between Japan and Korea, it does seem that economic relations were affected by “Abenomics,” as fluctuations in the exchange rate for the yen squeezed profit margins for Korean exporters. Between January and November 2013, Korean exports to Japan were down around 10 percent compared to 2012. Abe's fiscal and monetary policy packages designed to ease Japanese deflation also affected the value of the yen relative to other currencies as the yen dropped below 10 won in December for the first time in five years, making Korean exports to Japan more expensive. Japan-Korea economic relations were affected in other ways as well: Japanese tourism to Korea is expected to drop 24 percent in 2013 compared to the previous year, while Chinese tourism to Korea has increased almost 50 percent to become the largest source of tourists for Korea. Meanwhile, Korea still sends more tourists to Japan than any other country.

In short, although political relations between the two countries have economic effects, the overall dynamics between the two economies appears to continue to be stable and interactions increasing. Most of the fluctuation in economic relations appears to be driven by economic issues, not political issues.

Territorial renaissance

An under-reported news item affecting Japan-Korea relations was the plan by Japan's Liberal Democratic Party (LDP) special committee on security and land legislation to look into the acquisition by a South Korean company for resort development near the Maritime Self-Defense Force (MSDF) base on Tsushima Island in Nagasaki Prefecture. At a Nov. 16 Ministry of Defense (MoD) press conference, Japan's Defense Minister Onodera Isunori expressed concerns that foreigners were buying land adjacent to the MSDF facility. Specifically, he stated that “a source of concern ... is that it seems rather difficult for the Government to find out how the lands concerned are used and what becomes of the lands,” advocating a whole-of-government approach to the issue that involves not only the Diet, but also the Ministry of Justice – especially if a law intended to limit land purchase by foreigners results in conflict with the WTO. Back in 2005, the Seoul government was put in an awkward (and very much unwanted) position when the Masan City Council (now the Changwon City Council) passed an ordinance for the commemorating “Daemado Day,” with Daemado being the Korean name for Tsushima Island. Although the Korean government does not officially claim Tsushima or Daemado as its sovereign territory, the fascination with land is not lost on the Tokyo government to potentially restrict land acquisitions by foreigners.

Territory was at the heart of the dispute surrounding competing air defense identification zones (ADIZs) in Northeast Asia. On Nov 23, Beijing announced its East China Sea ADIZ requiring all aircraft to file a flight plan with Chinese authorities upon transit through the zone. China's new ADIZ includes not only the Senkaku/Daiyou Islands, but also Ieodo/Suyan Rocks, which sparked immediate protests from Japan and South Korea. When Seoul announced the expansion of its own ADIZ on Dec. 8 to include the contested territory of Ieodo/Suyan Rocks, Japan publicly acknowledged Korea's claims despite the partial overlap with Japan's ADIZ. Japanese officials seemed to interpret Seoul's move as a direct counter to that of Beijing, with Japan's "blessing," in essence creating a united Japan-Korea front against China. It is also important to note, however, that Japan's ADIZ does not extend to the airspace over the contested islets of Dokdo/Takeshima, which may have facilitated the bilateral cooperation.

Dokdo/Takeshima did generate some friction between the two countries, however. Seoul protested a video clip posted on Japan's Ministry of Foreign Affairs (MOFA) website claiming sovereignty over Takeshima, and then posted its own video claiming sovereignty of the islets on its website. Subsequently, there were reports that the month of November had seen more applications to serve as police on Dokdo than any other single month since recruitment began in September 2011 – apparently, a total of 198 people applied for just seven openings. Additionally, the South Korean National Assembly increased the 2014 budget allocated to promoting sovereignty over Dokdo by roughly 60 percent, from 4.24 billion won to 6.84 billion won (\$6.5 million).

Turning lemons into lemonade

A news article in the Oct. 8 *Japan Times*, titled, "Gone in 60 Seconds: Abe-Park Talks" captured the political sentiment between Japan and South Korea. The headline refers to the brief exchange between Japan's Abe Shinzo and South Korea's Park Geun-hye as they sat next to each other at the Asia-Pacific Economic Cooperation (APEC) Economic Leaders Meeting in Bali, Indonesia. The two countries did not agree to formal bilateral talks on the sidelines of the meeting, hence the limited encounter. This mood, according to an article by Daniel Snyder in the *Washington Post*, was symptomatic of a "dysfunctional relationship," a relationship in which the "United States must abandon its position of neutrality," particularly concerning wartime history issues. Meanwhile, Martin Fackler and Choe Sang-hun writing in the Nov. 23 *New York Times* described the meeting between US Defense Secretary Chuck Hagel and South Korea's Park Geun-hye in November as "something of a shock" as Hagel's efforts to persuade Seoul to get along better with Tokyo had been thwarted by "the steely Ms. Park [who] instead delivered a lecture about Japan's "total absence of sincerity" over the suffering that imperial Japan caused Korea in the last century and finished with a request of her own: that Washington force Tokyo to behave.

While it is true that there has yet to be a summit between the two heads of state since they took office, there were a couple noble attempts involving senior officials. For instance, Japan's Deputy Minister for Foreign Affairs Sugiyama Shinsuke visited Seoul in September to meet South Korea's First Vice Foreign Minister Kim Kyoo-hyun and talk about ways to break the stalemate in bilateral relations. Later that month, South Korea's Foreign Minister Yun Byung-se met Japanese counterpart Kishida Fumio on the sidelines of the 68th Session of the UN General Assembly in New York. The most notable consultation was between Japan's Vice Minister of

Defense Nishi Masanori and Korean counterpart Baek Seung-joo: they met in mid-November on the fringes of the Seoul Security Dialogue. This was the first bilateral meeting of vice defense ministers since November 2011. Although there were discussions about stepping up bilateral cooperation in dealing with North Korea's nuclear and missile threats, Japan's push for the right to collective self-defense was a point of concern for the South Korean side. The results suggested a lack of progress in reducing the political friction between the two countries.

Bilateral relations were further tested by South Korea's joint plans with China to erect a monument in Harbin honoring Ahn Jung-geun – a Korean independence fighter who assassinated Japan's first governor-general, Ito Hirobumi, in Harbin, China in 1909. Japan's Chief Cabinet Secretary Suga Yoshihide expressed dismay at the plans and remarked that Ahn was a "criminal," which generated backlash from Korean lawmakers and the public. China also weighed in with the Foreign Ministry spokesperson stating that "Ahn Jung Geun is a famous anti-Japanese martyr in the history, who is also respected by the Chinese. Another statue that became a point of contention between Seoul and Tokyo was the 1,100-pound statue in Glendale, California, honoring the "comfort women/sex slaves" that served the Japanese Army during World War II. Three members of the Japan Restoration Party, Sugita Mio (Hyogo Prefecture), Nishida Yuzuru (Chiba), and Nakamaru Hiromu (Hiroshima), visited Los Angeles in December on a two-day study mission of the controversial memorial. A *Los Angeles Times* article quoted Nishida as saying "the news that the statue was installed made a big noise in Japan," and that the reference to 'sex slaves' "hurts Japan's honor."

There were mixed results from people-to-people interaction between Japan and South Korea. More than 1,000 Japanese and Korean citizens set sail on the *Peace & Green Boat* Asia Regional Voyage on Oct. 18 from the port of Hakata, Japan – other ports on the itinerary include Busan (Korea), Keelung (Taiwan), Naha (Okinawa), and Shanghai (China). These voyages aim at building greater understanding in the region with this year's endeavor based around such themes as Article 9 of Japan's constitution and its impact on peace and security in East Asia, historical reconciliation, and the "comfort women/sex slaves" issue. Mutual hostility – particularly anti-Japanese sentiments – became the subject of a three-part installment on chilly Japan-Korea relations by *The Japan News* by *Yomiuri Shimbun*: the [first installment](#) on Dec. 21, introduced the Voluntary Agency Network of Korea (VANK), a South Korean civic organization that has proposed to "cast Japan out of Asia" through programs that aim to train "cyberdiplomats" whose mission is to spread "correct knowledge" and send protest letters to those that "misunderstand" South Korea; the [second installment](#) on Dec. 22 covered Korean Americans and their "anti-Japanese campaign" in the United States; the [third installment](#) on Dec. 23, described the popularity of novels in South Korea that deal with the subject of military clashes with Japan. Given these two extreme sentiments, the "truth" was probably somewhere in the middle: relations between the respective publics were not explosive, but not warm either.

Singling out North Korea?

Tokyo adopted a new National Security Strategy on Dec. 17, which singled out North Korea and Iran for their nuclear and missile developments. Regarding Pyongyang, the document says that "As Kim Jung-un, First Chairman of the National Defense Commission, has been making efforts to consolidate his regime, the domestic situation in North Korea needs to be closely monitored,"

and that “North Korea’s abduction is a grave issue affecting Japan’s sovereignty as well as the lives and safety of Japanese nationals.” The first portion perhaps refers to the execution of Jang Song Thaek – the uncle of Kim Jung Un and former vice chairman of the National Defense Commission – on Dec. 12, while the latter reinforces Tokyo’s longstanding position that normalization with Pyongyang would be extremely difficult without a resolution of the abduction issue. Previously, in September, Japan had stated that it was not interested in unconditional talks with North Korea, responding to remarks by Kim Kye Gwan, North Korea’s first vice foreign minister, who said his government wanted to revive the stalled Six-Party Talks without preconditions at a conference in Beijing.

Attempts to revitalize the Six-Party Talks gained little traction during the trilateral meeting in November involving US Special Envoy for North Korea Policy Glyn Davies, South Korea’s Special Representative for Korean Peninsula Peace and Security Affairs Cho Tae-yong, and Japan’s Director General of the Asian and Oceanian Affairs Bureau Ihara Junichi. A *Chosun Ilbo* article suggested that the three agreed that North Korea must show good faith by way of actions toward dismantlement of its nuclear program prior to any resumption of talks. This meant that the parties rejected a proposed compromise by China to restart negotiations while North Korea acts on its pledges.

The stalemate on the nuclear negotiations reflected a relatively quiet period in Tokyo-Pyongyang relations. Apart from the typical lambasting of Japan by North Korea on issues ranging from its militarization to its “crimes against humanity,” there were no major provocations between the two countries.

The coming year: all eyes on Abe

Japan’s new National Security Strategy and Abe’s visit to Yasukuni Shrine grabbed all the attention in December 2013. Headlines such as “Japan’s hawks unveil sweeping defense upgrades” and “Japan boosts military forces to counter China,” gave the impression that Japan had embarked on a sweeping remilitarization. However, the actual budget request associated with the new strategy is only a 3.0 percent increase in defense spending in 2014. The *BBC* reported that total spending over five years was expected to increase 2.6 percent. This increase reverses a decade of gradual declines in Japanese defense spending, and as de Koning and Lipsky note in a *Foreign Policy* article, “In U.S. dollar terms, Japan’s defense budget was 63 percent larger than China’s in 2000, but barely one-third the size of China’s in 2012.” So the increases, while significant, are not nearly as sweeping as they are often reported to be. The full extent of Japan’s defense spending over the next few years will depend on the success of Abe’s economic reform efforts and domestic politics of Japan. In fact, depending on how the overall economy performs a slight increase in Japanese defense spending may not even exceed the self-imposed ceiling of 1 percent of the GDP. Whether Abe is simply incrementally adjusting Japan’s foreign policy or attempting a wholesale reorientation of Japan’s foreign policy and posture – and more importantly, whether he can succeed at either – also remains to be seen.

In the coming year, relations between President Park and Prime Minister Abe will remain the most important story. On the one hand, Abe may decide to simply stop trying to repair relations with Korea, and Park may conclude that Abe simply cannot be trusted. If so, relations between

these two important democracies may remain tense, if not downright ugly. If the two leaders are able to find a way to satisfy their domestic audiences as well as find some common ground, relations may improve.

Chronology of Japan-Korea Relations September- December 2013

Sept. 6, 2013: South Korea announces the decision to ban imports of all fish products from eight Japanese prefectures (Fukushima, Aomori, Ibaraki, Gunma, Miyagi, Iwate, Tochigi, and Chiba), after deeming them to be vulnerable to radiation from the Fukushima nuclear disaster.

Sept. 10, 2013: Japan's Deputy Minister for Foreign Affairs Sugiyama Shinsuke visits Seoul and meets First Vice Foreign Minister Kim Kyou-hyun to talk about ways to break the stalemate in bilateral relations.

Sept. 18, 2013: *Kyodo News* reports that Japan is not interested in unconditional talks with North Korea in response to North Korea's First Vice Foreign Minister Kim Kye Gwan's proposal to revive the stalled Six-Party Talks without preconditions.

Sept. 26, 2013: South Korea's Foreign Minister Yun Byung-se meets Japanese counterpart Kishida Fumio on the sidelines of the 68th Session of the UN General Assembly in New York.

Sept. 28, 2013: Culture ministers of China, Japan, and South Korea meet in Gwangju, South Korea, to discuss greater mutual understanding among the three countries.

Sept. 30, 2013: Seoul criticizes Japan for attempting to downplay the radiation leak at the Fukushima nuclear facility after revelations of toxic water leakage by TEPCO.

Oct. 7, 2013: Prime Minister Abe Shinzo holds a brief conversation with South Korea's President Park Geun-hye at the APEC Economic Leaders Meeting in Bali.

Oct. 8, 2013: *Japan Times* quotes a Japanese fisheries agency official as stating that Tokyo will request the Sanitary and Phytosanitary Committee under the World Trade Organization (WTO) discuss South Korea's restriction of imports of Japanese marine produce.

Oct. 9-10, 2013: US, Japan, and South Korea conduct a two-day drill off the southern coast of Korea aimed at joint maritime search and rescue operations and disaster response, prompting the *Korean Central News Agency (KCNA)* to react that the drills are "nuclear war exercises."

Oct. 10, 2013: Leaders of Japan and South Korea meet at the ASEAN+3 Summit in Brunei. PM Abe asks governments to relax or eliminate import restrictions on Japanese produce.

Oct. 17, 2013: Seoul expresses displeasure with PM Abe's ritual offering to Yasukuni Shrine, as the Japan begins its annual Autumn Festival.

Oct. 18, 2013: Shindo Yoshitaka, Japan's internal affairs and communications minister, visits Yasukuni Shrine. He is part of a 157-member bipartisan delegation of Japanese lawmakers, which, according to *Kyodo News*, is close to the recent record of 168 (or roughly a quarter of Japan's parliamentarians) that paid homage at the Spring Festival in April.

Oct. 20, 2013: Furuya Keiji, Japan's state minister for the North Korea abductees issue, visits Yasukuni Shrine, prompting a protest from Seoul.

Oct. 23, 2013: South Korean Foreign Ministry releases a statement protesting a recent video clip on Japan's MOFA website claiming sovereignty over Dokdo/Takeshima.

Oct. 25, 2013: South Korea conducts military exercises to defend Dokdo, prompting objections by Japan. According to the *JoongAng Daily*, the South Korean military initially planned to not disclose the drills to the media, but decided to do so after Japan repeated its claims to Takeshima through the video clip on its MOFA website.

Oct. 25, 2013: *Mainichi Shimbun* reports that Japan's Liberal Democratic Party special committee on security and land legislation will examine land acquisition by a South Korean company near a Maritime Self-Defense Force base on Tsushima Island, Nagasaki Prefecture.

Nov. 1, 2013: Gwangju Local Court rules in favor of four Korean women who were forcibly recruited as laborers during Japanese colonialism, ordering Japan's Mitsubishi Heavy Industries to pay compensation.

Nov. 1, 2013: South Korean Foreign Ministry summons Takashi Kurai, deputy chief of mission at the Japanese Embassy, over Japan's video clip claiming sovereignty over Dokdo/Takeshima.

Nov. 3, 2013: Bank of Korea (BOK) releases data suggesting that South Korea's cumulative current account surplus may surpass that of Japan's for the first time, with South Korea's at \$42.22 billion and Japan's at \$41.53 billion during the period of January to August.

Nov. 5, 2013: Japan's Foreign Minister Kishida Fumio, states that the Abe administration stands by the 1995 statement (also known as the 'Murayama Statement') on Japan's wartime conduct.

Nov. 5-8, 2013: Trilateral meeting addressing environmental problems is held in Nanjing, with participation of Korea's National Institute of Environmental Research, Japan's National Institute for Environmental Studies, and the Chinese Research Academy of Environmental Sciences.

Nov. 6, 2013: *Asahi Shimbun* reports that Keidanren (Japan Business Federation), the Japan Chamber of Commerce and Industry, the Japan Association of Corporate Executives and the Japan-Korea Economic Association issued a statement that expresses deep concern at the South Korean court ruling on compensation for forced labor during World War II.

Nov. 6, 2013: US Special Envoy for North Korea Policy Glyn Davies, South Korea's Special Representative for Korean Peninsula Peace and Security Affairs Cho Tae-yong, and Japan's

Director General of the Asian and Oceanian Affairs Bureau Ihara meet in Washington to discuss denuclearization of North Korea.

Nov. 7, 2013: Eighth Trilateral Senior Foreign Officials Consultation takes place in Seoul. South Korean Deputy Foreign Minister Lee Kyung-soo, Chinese Vice Foreign Minister Liu Zhenmin, and Japanese Deputy Foreign Minister Sugiyama Shinsuke participate.

Nov. 11, 2013: An online poll released by the Korea Rural Economic Institute finds that eight out of 10 South Koreans have reduced fish consumption due to safety concerns associated with Japan's Fukushima plant disaster.

Nov. 11-13, 2013: Japan's Vice Minister of Defense Nishi Masanori and Korean counterpart Baek Seung-joo meet on the sidelines of the Seoul Security Dialogue.

Nov. 19, 2013: Japan's Chief Cabinet Secretary Suga Yoshihide expresses dismay over plans by China and South Korea to erect a monument in Harbin China honoring Ahn Jung-geun, a Korea independence fighter who assassinated Japan's first governor-general, Ito Hirobumi.

Nov. 21, 2013: South Korea's Foreign Ministry spokesperson Cho Tai-young clarifies that Japan has expressed its intention to not unilaterally exercise its right to collective self-defense on the Korean Peninsula without prior consent from Seoul.

Nov. 26-29, 2013: Third round of negotiations on a trilateral Free Trade Agreement (FTA) involving China, South Korea, and Japan is held in Tokyo, Japan. The agenda includes items such as trade in goods, services, investment, competition policies, and intellectual property.

Nov. 28, 2013: North Gyeongsang Provincial Policy Agency in South Korea announces that the month of November has seen more applications to serve as police on Dokdo/Takeshima than any other single month since recruitment began in September 2011.

Dec. 2, 2013: According to *Yonhap*, South Korean politicians and scholars have expressed their intent to gain United Nations Educational Scientific and Cultural Organization (UNESCO) Memory of the World status for the hundreds of thousands of Koreans who were conscripted into labor and military service by Japanese forces during its colonial rule.

Dec. 4, 2013: China, Japan, and South Korea sign an agreement at a meeting held in Taishan, China to form a network to enable swift exchange of information in a nuclear emergency. Officials from China's National Nuclear Security Administration, Japan's Nuclear Regulation Authority (NRA), and South Korea's Nuclear Safety and Security Commission attend.

Dec. 7, 2013: *Asahi Shimbun* reports concerns expressed by both South Korea and China of Tokyo's Dec. 6 enactment of a state secrets protection law, which is perceived by many as evidence of further remilitarization of the country.

Dec. 9, 2013: *Mainichi Shimbun* reports that Tokyo has accepted South Korea's expanded Air Defense Identification Zone (ADIZ), despite the fact that there now exist some overlap with Japan's ADIZ in the East China Sea.

Dec. 12, 2013: Japan and South Korea conduct a joint search and rescue exercise (SAREX) near the South Korea-controlled reef of Ieodo/Socotra/Suyan rock in the East China Sea.

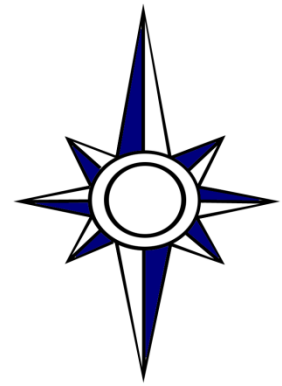
Dec. 12, 2013: South Korean Foreign Ministry announces the budget to promote South Korea's sovereignty claims over Dokdo will increase by roughly 60 percent, from 4.24 billion won to 6.84 billion won (\$ 6.5 million).

Dec. 17, 2013: Japan adopts its new National Security Strategy, which contains references to North Korea's provocations and the need to resolve the abduction issue.

Dec. 23, 2013: Japanese government announces that it will provide 10,000 rounds of ammunition to the South Korean military involved in the United Nations (UN) Peacekeeping Operations (PKO) in South Sudan. South Korean Defense Ministry announces four days later that the ammunition will be sent back as soon as additional military supplies arrive.

Dec. 26, 2013: Prime Minister Abe visits Yasukuni Shrine, triggering strong criticism from Beijing and Seoul as well as a statement of "disappointment" from Washington over Japan's actions in exacerbating overall tensions in the region.

Dec. 28, 2013: *Yonhap* reports that the South Korean government has called off a series of proposed defense meetings and military exchange programs with Japan, in response to Prime Minister Abe's visit to Yasukuni Shrine.



**China-Russia Relations:
Putin's Glory and Xi's Dream**

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There was a dramatic turn in the Syria crisis and a potential light at the end of the “Iranian tunnel,” thanks to the persistent efforts of Russia, or more precisely, President Putin. Meanwhile, President Xi Jinping and Premier Li Keqiang devoted themselves to economics by kicking off a new “Silk Road Economic Belt” strategy through the heartland of Asia. This does not mean Russian and Chinese leaders were on divergent paths. In fact, they met frequently in multilateral and bilateral settings: three times for Putin and Xi (G20 in St. Petersburg, SCO summit in Bishkek, and APEC forum in Bali) and twice for the prime ministers (Medvedev’s visit to Beijing and the SCO Prime Ministers Meeting in Tashkent). Despite their largely convergent outlook on many global issues, Russia seemed more guarded about China’s new westward drive through Central Asia, which it still considered special, if not exclusively, for Russia even two decades after the Soviet breakup.

Syria and Russia’s moment

On the eve of the St. Petersburg G20 Summit on Sept. 5, the Syria crisis was poised to hijack the meeting’s agenda. The escalation came as a result of the alleged use of chemical weapons in Syria, which was the “red line” drawn by President Barack Obama in August 2012. Although the British Parliament rejected military actions in Syria on Aug. 29, the US was moving toward the use of force against Syria and tensions remained high with the launch of two ballistic missiles in the Mediterranean during a joint Israel-US test. On the same day, Secretary of State John Kerry chose his words carefully at a congressional hearing with Defense Secretary Chuck Hagel and Chief of the Joint Staff General Martin Dempsey: “I don’t want to take off the table an option that might or might not be available to a president of the United States to secure our country.” For all of these winds and words of war, the *Moscow Times* used the headline “Calm before the Syrian Storm” to warn its readers about the coming military strike.

Russia counted on support from China and the BRICS countries during the G20. In the previous two years, Moscow and Beijing had closely coordinated Syrian policies at the UN. On several occasions they vetoed Western/US draft resolutions against Syria. Still, Russia wanted to make sure that China would be on its side during a “showdown” at the G20. “Russia and China are the main guarantors of international laws and norms,” Russian Foreign Minister Sergei Lavrov said on Sept. 2 at the Moscow State Institute of International Relations. He went further, saying that “our relations of strategic interaction and comprehensive partnership are going through the longest and best period in their history.”

In a mini-summit after President Xi arrived in St. Petersburg, President Putin spoke highly of the strategic partnership with China. “It goes without saying that China and Russia are coordinating and cooperating closely in politics and their common position in many issues is certainly one of the most important factors in international affairs of today.” In response, Xi pointed out that nearly 50 cooperation projects in 16 fields were being implemented over the previous six months. Both sides hoped to speed up projects in energy, aviation, and other fields. They also vowed to deepen cooperation in military affairs and military technology in order to jointly respond to new threats and challenges. “We are currently studying the possibility and we are actually making the very first steps in the cooperation of aviation industry, I mean, helicopters and wide-bodied passenger aircrafts,” added Putin.

Moscow’s efforts to court China seemed effective. A day before his departure for the G20 meeting, President Xi expressed “serious concern” over the pending US military strike against Syria and in their meeting on the sideline of the G20, Xi tried to dissuade President Obama from military action, telling him that Beijing expected countries to think twice before acting. Still, Obama managed to persuade 10 fellow leaders at the G20 to call for a “strong” response to Syria’s use of chemical weapons. This was the case even after his 20-minute “constructive” talk with Putin on Sept. 6. The crisis took a sharp turn on Sept. 9 with Secretary Kerry’s “casual” remark that a military response could be averted if Syria turned over all of its chemical weapons within a week. President Putin seized the “offer” a few hours later with a proposal to place Syrian chemical weapons under international control, thus forcing the West to choose prohibition of chemical weapons as its immediate goal. Meanwhile, Russian Deputy Foreign Minister and presidential envoy for the Middle East Mikhail Bogdanov and Chinese Ambassador to Russia Li Hui met in Moscow to discuss the situation in Syria “in detail.” Five days later, the US and Russia worked out the “Framework for Elimination of Syrian Chemical Weapons,” which called for the elimination of Syria’s chemical weapon stockpiles by mid-2014.

China quickly praised Russia’s proposal. While at the Shanghai Cooperation Organization (SCO) summit in Bishkek, President Xi was quoted as saying on Sept. 13 that China backed Russia’s proposal to place Syria’s chemical weapons under international control. In an editorial a few days later, the *Global Times* described Putin’s handling of Syria as an “outstanding performance” [表现出色]; Putin’s criticism of US exceptionalism in his *New York Times* piece deserved China’s applause, and that the West underestimated Putin. “What the Syrian chemical crisis shows is that Russia is an important balancer for the world today,” continued the editorial. Putin’s Russia did not exercise its power but simply reacted to a grave situation with its geostrategic instinct when facing a brief window of opportunity, something that the Chinese political and intellectual elites have always admired.

Another *Global Times* editorial claimed that Chinese public opinion genuinely endorsed *Forbes*’ ranking Putin as the most influential leader in the world. As for Sino-Russian cooperation, the editorial believed that “the strategic partnership relations between China and Russia have now taken deep roots in the social psychology of the two nations for at least one reason: Russia’s willingness to take leadership and China’s genuine support without any jealousy.”

Putin’s Syrian glory carried him all the way to Indonesia’s resort island of Bali on Oct. 7 for the annual APEC Economic Leaders Meeting. To his surprise, Indonesian President Susilo Bambang

Yudhoyono strummed a guitar while singing “Happy Birthday” to the Russian president, who turned 61 years old. Putin’s “birthday diplomacy” continued late into the night when the Chinese and Russian presidents were meeting. Putin pulled out a bottle of vodka for a toast after Xi presented him with a cake. The two sides “wolfed down” the cake with vodka, which made the meeting “very warm and friendly,” according to Russian state news agency *ITAR-TASS*. The two presidents discussed several issues including cooperation in military affairs, exercises and arms sales, and working together to guarantee security and stability in the Asia-Pacific region. The Chinese president called 2013 “a year of a rich harvest in our relations.” Xi reiterated his support for Putin’s proposal for joint celebrations of the 70th anniversary of the end of World War II in 2015, crediting Russia with helping China during the war. “We will never forget this,” he was quoted as saying.

Two weeks later, Russia and China would have another chance to iron out more specific projects when Prime Minister Dmitry Medvedev visited Beijing on Oct. 22-23 for the 18th annual prime minister meeting. Among the 21 agreements signed were an \$85 billion deal for an additional 10 million tons of crude oil deliveries to China each year over the next 10 years, a joint-venture oil refinery in Tianjin capable of processing 16 million tons of crude oil each year, a price-setting formula for an annual export of 38 billion cubic meters (cm) of Russian gas to China by 2018-20, and \$1.9 billion in Chinese loans for several large projects. During the meeting, Medvedev expressed Russia’s desire for more Chinese investment, particularly in Russia’s Far East. Medvedev also met President Xi before he traveled to Hefei, Anhui Province where he received an honorary degree from the Chinese University of Science and Technology.

Xi: leaving no Central Asian country behind?

When the APEC “party” was over in early October, President Putin offered a more sober and perhaps more realistic assessment of relations with China, saying that “Competition is the engine of all sectors, both the economy and politics. So, in my opinion, there are neither contradictions nor tragedies. We have competition in some [sectors] and cooperation in others. At present we have more points of contact in cooperation with China.” Putin’s “competition-cooperation” dichotomy might refer to what happened a month before when President Xi unveiled an ambitious “Silk Road Economic Belt” strategy for Central Asia.

In early September, President Xi kicked off his first official tour of Central Asia as head of state with a visit to Turkmenistan (Sept. 3). From there, he briefly skipped out to St. Petersburg for the G20 on Sept. 5-6, then returned for visits to Kazakhstan (Sept. 7-8), Uzbekistan (Sept. 9-10), and Kyrgyzstan (Sept. 11-12) before joining the annual SCO summit on Sept. 13 in Bishkek. The highlight of the 10-day tour was in Kazakhstan when Xi announced China’s “Silk Road Economic Belt” strategy to broaden and deepen China’s engagement with the region.

Despite the fact that it is not a member of the SCO, Turkmenistan offered Xi the warmest welcome as his motorcade was greeted by 100,000 people along the highway from the airport to the Galkynysh (Renaissance) gas field. Behind this unprecedented gesture is the fact that Turkmenistan is China’s largest foreign supplier of natural gas: over 21.3 billion cm in 2012, or 51.4 percent of China’s imports, which is about three times more than Qatar, China’s second largest supplier of natural gas. Total volume of Turkmen gas to China will increase to 65 billion

cm by 2020. In his two-day stay, Xi and Turkmen counterpart Gurbanguly Berdymukhamedov jointly announced the completion of the first-phase construction of the Galkynysh gas field with proved reserves of 4-6 trillion cm of natural gas, making it the world's second largest gas field. A total of 13 bilateral agreements were signed. The two sides also issued a "Joint Declaration on Establishing a Strategic Partnership" between Turkmenistan and China, expanding cooperation in infrastructure, telecommunications, chemical industry, textile industry, agriculture, healthcare, high technologies, and implementation of large joint projects. China has now formed strategic partnerships with all five Central Asian "stans."

President Xi's Central Asian "gaspolitik" may have several goals. The short- and medium-term goals were to place China in a more advantageous position in negotiating gas deals with Russia's Gazprom as China was about to embrace the Russia-initiated SCO energy club at the upcoming SCO summit. As the largest energy consumer, China needed to strengthen its position in this producer-consumer club. In the longer term, China wants to fully tap the gas potential of Central Asia, which has more than 50 percent of the world's proven reserves, if Iran is included (in contrast, oil resources of the same group are less than 20 percent of the world total). Between 2009 and 2016 (Table 1), four natural gas pipelines from Central Asian countries to China will be operational, providing energy-hungry China with up to 65 billion cm per year.

Table 1: Turkmenistan-China Natural Gas Lines

Gas Lines*	Capacity/year	Construction Begins	Commissioned
Line A (T,U,K)	20 billion cm	2007	2009
Line B (T,U,K)	10 billion cm	2009	2010
Line C (T,U,K)	25 billion cm	2012	2014
Line D (T,U,T,Ky)	25 billion cm	2013	2016 (projected)

* T=Turkmenistan, U=Uzbekistan, K-Kazakhstan, T=Tajikistan, Ky=Kyrgyzstan

President Xi's visit to Kazakhstan has "very important political significance for Kazakhstan, which is implementing its state development strategy towards 2050 with a goal of becoming one of the 30 most developed countries in the world," according to Kazakh President Nursultan Nazarbayev. To meet that goal, Kazakhstan has prioritized deeper cooperation with China. Two-way trade reached \$25 billion in 2012; this is forecast to grow to \$40 billion by 2015, which will be half the current Sino-Russian trade volume. Xi also chose Kazakhstan as the setting to unveil China's "Silk Road economic belt" strategy. In a speech delivered at Nazarbayev University in Astana, Xi urged countries along the Silk Road to work together for regional development. For this goal, Xi made a five-point proposal:

- to coordinate policy planning and implementation;
- to improve traffic connectivity to link Eastern, Western and Southern Asia;
- to facilitate trade and investment for this "unprecedented market" of 3 billion people;
- to promote local-currency settlement to improve their immunity to financial risks; and
- to strengthen people-to-people exchanges.

Mindful of Central Asians' sensitivity about China's preponderance, the Chinese president spelled out "Three Nos" in China's Central Asia affairs: no interference with Central Asian countries' internal affairs; no attempt to seek a dominant role in regional affairs; and no desire to

create a sphere of influence. The *Global Times* claimed in an editorial that China “is rejecting imperialist mentality” regarding its Central Asia policy and “seeking normal, win-win exchange” with others. To further humanize the strategy, Xi also reiterated China’s offer, made a year before at the SCO summit in Beijing, to give 30,000 government scholarships over the next 10 years for SCO students, as well as free study tours for an additional 10,000 students and teachers at Chinese-government-funded Confucius Institutes throughout Central Asia. For his audience at the Nazarbayev University (English is used in teaching), its 200 faculty and students were invited to visit China in the summer of 2014.

Xi’s two-day stay in Kazakhstan also focused on energy cooperation. Indeed, Kazakhstan led other Central Asian countries by commissioning the Kazak-China oil pipeline in July 2006, which was China’s first direct oil import link. With the construction of two new pipeline compressors in December 2013, its initial annual capacity of 10 million tons will eventually increase to 20 million tons. During Xi’s visit, a deal was reached for Chinese National Petroleum Company to purchase an 8.33 percent share of the Kashagan oil field for \$5 billion. Kashagan is considered the second largest oil field in the world after the Prudhoe Bay Oil Field in Alaska with recoverable resources at 11 billion barrels and overall geological deposits of 35 billion barrels. In the end, 22 contracts valued at \$30 billion were inked during Xi’s stay.

In both Uzbekistan and Kyrgyzstan, Xi articulated the same ideas of economic development, political cooperation, and strategic trust on the basis of equality and mutual benefit. His words were buttressed by huge trade and investment packages. Xi and his Uzbek host agreed to build a fourth strand of its Central Asia Gas Pipeline through the country while hailing a 59 percent increase in trade for the first half of 2013. In Kyrgyzstan, Xi signed a \$3 billion accord, including a new gas route from Turkmenistan to Xinjiang. By the time Xi joined other leaders for the SCO summit on Sept. 13 in Bishkek, the Chinese leader had spent more than a week in the four Central Asian countries. “It is quite unprecedented for the head of state of a major power to spend so much time traveling through the four Central Asian countries,” commented Beijing’s *Global Times*, adding that “it really shows that China attaches great importance to Central Asia.”

China’s Silk Road strategy will take time to unfold, particularly for large-scale projects involving energy and infrastructure. Xi’s Astana speech apparently triggered a Russian foreign minister briefing a few hours later. “Russia and China are not competing for influence in Central Asia,” Deputy Foreign Minister Igor Morgulov said to the press. He went on to remind his audience that “Our Chinese friends recognize the traditional role our country continues to play in this region, so we do not see any regional rivalry problems,” and that “... China possesses sizable financial resources. Russia possesses experience, technologies, industrial skills and historical relations with the region.”

Morgulov’s remarks were made when Moscow was redoubling its effort to reintegrate the former Soviet states into its fold with various instruments including the Commonwealth of Independent States (CIS), Collective Security Treaty Organization (CSTO), and the Eurasian Economic Space. Indeed, Moscow is counting on Central Asian countries to constitute the main forces in those multilateral organizations, as most of the post-Soviet space in Europe is considered “lost” to the West or drifting away from Russia. Xi’s “Silk Road Economic Belt,” therefore, is seen as competing with Moscow’s own integration effort, even if Xi explicitly said in his speech that

China and the SCO “should further cooperate with Russia’s Eurasian Economic Community for greater operating space.”

For Russia, perhaps the real concern with Xi’s Central Asia trip was China’s business-is-business approach with others, which differs from both the West’s political strings for economic intercourse and Russia’s heavy doses of geopolitics. To some extent, Xi’s “Silk Road Economic Belt” simply revealed a fact in China’s Central Asian economic relations: China and Central Asian countries have become interdependent over the past 20 years. Trade volume between China and the Central Asian countries increased from \$460 million in the early 1990s to \$46 billion in 2012. In the past decade, China has witnessed an average annual increase of 30.8 percent in trade with Central, Western, and Southern Asian countries. In Kazakhstan alone, more than 3,000 Chinese companies have invested over \$20 billion, making it the third largest destination of China’s foreign direct investment. Meanwhile, China has provided Kazakhstan with over \$30 billion of various loans.

China is already the largest trade partner with both Russia and Kazakhstan, and the second largest with Uzbekistan and Kyrgyzstan. A glimpse of Central Asian countries’ trade share with China in 2012 (Table 2) shows that all Central Asian countries have a larger share of their two-way trade with China than with Russia except for China’s exports to Uzbekistan and imports from Kyrgyzstan. This includes Tajikistan, which was not part of Xi’s Central Asia tour.

Table 2: China and Central Asian Trade (2012)

Countries	Trade Volume with China	Export % to & Import % from China ¹
Turkmenistan	\$10.3 billion	69.6% / 19.5%
Kazakhstan	\$25.68 billion	19.3% / 28%
Uzbekistan	\$3.23 billion	21.0% / 16.6% ²
Kyrgyzstan	\$5 billion	7% ³ / 55.2%
Tajikistan	\$2.59 billion	9.5% / 41.2%
Russia	\$88.16 billion	6.4% ⁴ / 15.5%

1. 2012 Export/Import figures are cited from the *CIA World Factbook*.

2. Russia’s share of Uzbekistan’s import is 20.7 percent.

3. China is Kyrgyzstan’s 4th largest market after Kazakhstan, Uzbekistan, and Russia.

4. China is Russia’s 2nd largest market after the Netherlands.

It is also important to note that almost all of the major economic projects between China and Central Asian countries have been done bilaterally, or outside the SCO framework. President Xi’s Central Asian tour may reflect China’s inability to work through, if not frustration with, the SCO in economic development. It has been a decade since China proposed an SCO free trade zone. It remains on paper only because of a lack of support among member countries, especially Russia, which is more interested in setting up a separate Eurasian Economic zone with Moscow at the center. Similarly, the SCO member states have not been able to reach a consensus about how to finance the 30 or so proposed joint SCO projects. While China favors an SCO development bank, Russia wants to create an SCO Development Fund (Special Account). The summit failed to reach a consensus on how to move forward.

Several other factors may have contributed to President Xi’s seemingly bold moves in Central Asia. One may be that it is a reflection of the natural economic sequence in that some major

projects between China and Central Asian countries had reached the point for further development. Another factor was that Central Asia was prioritized for Xi's next round of state visits after his earlier visits to Russia and Africa in March 2013 and to Central/Latin America and the US in June. This converged with yet another priority for China's diplomacy: to break the emerging encirclement by the US as Beijing and Washington were increasingly facing off in East, Southeast, and South Asia. Aside from Russia, Central Asia was perhaps the only place where China was free from direct confrontation with the US. Still another factor was the need to construct, articulate, and pursue a more distinctively Chinese strategy toward Central Asia. Such a strategy can be used to reinforce China's economic posture within the SCO, or to transcend it if the SCO remains hesitant in economic integration. Finally, the "Silk Road Economic Belt" concept will enhance China's effort to engage the Russia-led economic integration for the former Soviet states. Already, the Customs Union of Belarus, Kazakhstan, and Russia was upgraded and institutionalized to the Common Economic Space in January 2012 with the creation of the Eurasian Economic Commission as its regulatory agency. By 2015, a Eurasian Union economic alliance of former Soviet states will be established. Aside from Kazakhstan (which is already in), all other Central Asian states have expressed their desire to join the Moscow-led economic union. Russian Trade Minister Andrei Slepnev claimed on Sept. 13 that more than 30 countries were interested in joining the Customs Union. With the slow progress of the SCO in the economic area, Beijing has been searching for alternative mechanisms to engage Central Asia before the finalization of the Eurasian Union in 2015.

SCO summit in Bishkek

The 13th meeting of the SCO Council of Heads of State was held on Sept. 13 in Bishkek, just one week after the G20 meeting in St. Petersburg. The summit focused on SCO economic development and Afghanistan, according to the Kyrgyz news media.

"The real threat has emerged close to the Shanghai Cooperation Organization's borders that a military operation will be carried out against a sovereign state without the United Nations Security Council's sanction," warned President Putin in his speech, who spoke after the presidents of Kazakhstan and China. Both of them focused on economic issues. "We have a clear priority to consolidate the Shanghai Cooperation Organization with member states' cooperation efforts to uphold the norms and principles of international law and the United Nations' leading role in international affairs," continued Putin. Russia's effort to steer the conversation toward the Syrian issue apparently worked, as the Bishkek declaration devoted far more space to Syria and Iran than economic issues.

The Iranian nuclear issue, which was also in a critical stage with the 5+1 talks with Tehran, was also prominently featured in the joint declaration. "...[T]hreat to use force and unilateral sanctions against Iran as unacceptable. Continued development of the confrontational situation will have immeasurable serious consequences to peace and security in the whole region and the world at large. Member states believe that the issue can be resolved only with peaceful means."

In contrast, the declaration makes only passing references to Afghanistan. This may reflect the uncertain future of the country and the Afghan-US Bilateral Security Agreement (BSA). It may also reflect a rather uncomfortable fact that the SCO can do relatively little as a group in post-

NATO Afghanistan for at least three reasons: 1) the SCO is not a military alliance, nor does it have rapid deployment forces to replace the NATO-led International Security Assistance Force (ISAF); 2) as a security group, the goal of the SCO is to maintain internal security, not to project its forces to other countries; and 3) the SCO is based on the principle of non-interference in the internal affairs of others. That said, these restraints do not prevent individual SCO members from developing security ties with Afghanistan, the US, and ISAF. Already, most of the SCO's Central Asian members have assisted the ISAF in transporting supplies and personnel through the Northern Distribution Network (NDN) arrangement. Russia, too, significantly expanded its NDN operation through Russian airspace (via Russia's Ulyanovsk Airport).

The SCO leaders did seem to enhance its internal security mechanism in anticipation of the ISAF withdrawal from Afghanistan in 2014. One emerging consensus, particularly between Russia and China, was to expand and empower the SCO's Regional Anti-Terrorist Structure (RATS) with additional responsibilities for monitoring and disseminating information regarding drug trafficking activities. Eventually, RATS would become "a universal center to respond to security threats and challenges, which was proposed by Russian President Putin a year before." In his speech, President Xi echoed Putin's suggestion to upgrade and empower RATS as "a center with comprehensive ability to cope with various threats and challenges." The security function of the SCO would be significantly upgraded should RATS morph into such an intelligence gathering and information-disseminating center for regional security. It remains to be seen how Moscow and Beijing would be able to work on specifics to institutionalize a more capable RATS. This also requires reciprocity from RATS' host country (Uzbekistan), which is known for its independence from, if not indifference to, any regional security arrangements such as CSTO and to a lesser extent, the SCO.

Russia's "red line" for Central Asian railroads with China

The Bishkek Declaration only offers 188 words (Part III) on SCO-related economic issues (212 words for Syria, 154 words for Iran, 143 words for Afghanistan, and 64 words for Korea). The issue of how to finance the SCO-approved projects – establishing a Russia-supported SCO Development Fund (Special Account) or a China-backed SCO Development Bank – remained unresolved. Part III ends with general remarks, such as "speed up the implementation of specific projects; expand regional interoperability; develop infrastructure; set up multi-functional international logistics, trade, and tourism centers; make use of new technologies and energy-saving techniques; and bring into play the potential of observer states and dialogue partner countries. To this end, member states will promote SCO regional trade and investment facilitation."

To be fair, the annual summit always focuses on broader issues such as regional and global affairs. Still, President Xi chose the occasion to integrate the "Shanghai spirit" – namely, mutual trust, equality, cooperation for mutual interests – with his newly unveiled "Silk Road Economic Belt" concept. Xi's speech was also carefully worded. Instead of calling for an FTA, Xi urged member states to "facilitate" trade and investment on the basis of mutual interests and comparative advantage. To alleviate Russia's concerns, Xi called for speeding up the creation of the Russia-proposed SCO special account. For the first time, Xi also called for the SCO energy club, an idea originating with President Putin in 2006.

It was unclear if all of these apparent “concessions” to Russia’s economic interests within the SCO were intended as a way to ensure Russia’s reciprocity with China’s “Silk Road Economic Belt” project. For Xi, the most important item in the project was the opening of a “grand thoroughfare for transportation and cargo movement between the Baltic Sea and the Pacific and from Central Asia to India and the Persian Gulf.” For this goal, the SCO bureaucrats produced a draft of the so-called “Agreement to Facilitate International Road Transportation.” Xi urged SCO members to sign it, and said that such a project should also be open for SCO observers and dialogue partners on a voluntary basis.

In response to Xi’s call for a Silk Road Economic Belt, Putin suggested tapping the potential of the existing Trans-Siberian Railroad and Baikal-Amur Mainline, which he said were being upgraded in the near future. “Russia is beginning to modernize the Trans-Siberian Railroad and Baikal-Amur Mainline. We are allocating considerable budget financing and bank loans for these projects and invite you to participate in them,” Putin told his SCO counterparts. Meanwhile, Russia, Belarus, and Kazakhstan are planning to create a rail transportation joint venture apparently within the framework of the Russia-led Eurasian Economic Space and was said to handle part of the trade volumes between China and Europe.

For years, China has pushed railway linkages between China’s western borders through Central Asia all the way to the Caspian Sea or Europe. Part of this railroad strategy is the 268-km China-Kyrgyzstan-Uzbekistan line, which was first conceived in 1997. The project would cost \$4 billion for 48 tunnels, 95 bridges, and 4 stations. Once constructed, it would generate an annual income of \$260 million for Kyrgyzstan. Prior to the Bishkek meeting, the light seemed to be finally appearing at the end of the tunnel, after years of hesitation and inaction. Kyrgyz First Vice Premier Joomart Otorbaev declared on Sept. 11 when Xi arrived at Tashkent that the railroad is “our economic priority.” Kanat Abdikerimov, the coordinator of the Kyrgyzstan Railway Project, announced before the Bishkek summit that the construction of the China-Kyrgyzstan-Uzbekistan railway would begin in early 2014.

Russia, however, seemed alarmed by these moves, particularly by the 1,435mm track width for the proposed rail line, which is the Chinese and EU standards, but differs from Russia’s 1,520mm standard. The *Moscow Times* said this “could become a rival alternative to the Trans-Siberian Railroad.” Aleksandr Sobyenin of the Border Cooperation Association in Moscow spoke to *Nezavisimaya Gazeta* in Moscow two days before the SCO summit and said “The Chinese standard track gauge in Kyrgyzstan automatically calls security into question. Not only Kyrgyzstan’s security but also Russia’s.” The same Russian media also quoted Sergey Masulov, president of the Centre for Policy Studies and a representative of the Russian Institute of Strategic Studies in Kyrgyzstan, as saying “If we proceed from the interests of Kyrgyzstan and Uzbekistan there is no need for this railroad. Neither Kyrgyzstan nor Uzbekistan produces goods that would be in demand in Asia’s markets apart from mineral resources and hydrocarbons. But these are China’s interests.... China is laying gas pipelines and building railroads and highways. All of this infrastructure will optimally help it to use Central Asia in economic terms for its own needs and requirements,” Masulov noted. Another Russian expert Kubat Rakhimov warned that the Chinese-Kyrgyzstan-Uzbekistan railroad would divide Kyrgyzstan into south and north sectors, thus deepening the confrontation between the regions, and that only the pro-China lobby

in Kyrgyzstan asserts that the mainline railroad will unite the two regions of the country. Rakhimov also predicted that the “mythical revenue from freight transit” would not “cover the cost of building the railroad in high mountain conditions.” Elsewhere, Rakhimov warned about the prospects of a massive flow of Chinese workers into Central Asia even without the railroad; half a million of Chinese were already in Kyrgyzstan; their Chinatown ideology and the quasi-military nature of China’s railroad construction companies would lead to the PLA’s “infiltration” into Kyrgyzstan through the project, and therefore posed a strategic threat to Central Asia and Russia. A few days after the summit, *Nezavisimaya Gazeta* declared that China was seeking a “Unified system of control over Central Asia,” and Xi’s Central Asia visits “recall the actions of the Chicago Mafia: He is making presidents offers that are hard to refuse...,” and that “The Chinese railroad enters into direct competition both with Russia’s Trans-Siberian Railroad and with the Kazakhstan-Turkmenistan-Iran transport corridor via Beyneu-Gorgan, which has already been completed. Its construction also changes all of Kyrgyzstan’s civilizational paradigms, reorienting them toward China.”

For years, Kyrgyz public opinion and political elites have been divided over the railroad linking it with China and Uzbekistan. Having “lost” its monopoly over Central Asia’s gas export, Moscow apparently drew the red line in Central Asia to avert China’s railroad projects. In recent months, it was Russia and not Central Asian states that opposed the China-Kyrgyzstan-Uzbekistan railway project. Russia’s intensive lobbying against the railroad apparently worked. At yearend, Kyrgyzstan turned down the project. Prior to this, the CSTO meeting in Bishkek in May 2013 proposed, for the first time, the Russia-Kazakhstan-Kyrgyzstan-Tajikistan railroad project. The CSTO line apparently serves two purposes: to exclude Uzbekistan, which withdrew from the Russia-led security organization in June 2012, and to provide an alternative to the China-Kyrgyzstan-Uzbekistan line, at least for the time being. If completed, it would connect with the Turkmenistan-Iran-Persian Gulf line. The project was further discussed in the “Transportation Week 2013” in Moscow by the railroad ministers of Russia and the Central Asian states. The CSTO project is still in the stage of conducting a feasibility study. Its immediate goal, however, seems to be to offset the Chinese project.

“The China-Kyrgyzstan-Uzbekistan rail project would never be constructed as long as Russia remains a passive observer or even a spoiler,” commented Hou Aijun, a historian in China’s Academy of Social Sciences in an interview with the *Global Times* at the end of 2013. Hou noticed that despite Russia’s limited ability to build a rail project in Central Asia, its “obstructive capability” should not be underestimated. In working with Central Asian countries for joint projects, China should also consider factors beyond those countries, particularly Russia’s interests. Ultimately, argued Hou, China’s goodwill may not change Russia’s attitude. It largely depends on if Russia could consider the issue in a normal and rational manner.

SCO Prime Ministers Meeting in Tashkent

The SCO held its 12th Prime Ministerial Meeting in Tashkent on Nov. 29. This time, business issues dominated the agenda. The prime ministers agreed in a joint communique that SCO countries need to strengthen dialogue, expand fiscal and financial cooperation, and deepen regional trade and investment collaboration. The one-day meeting also discussed issues ranging from emergency response, health care work, infectious diseases, education, tourism, to cultural

exchange. The prime ministers inked an agreement to intensify multilateral transportation cooperation and take the development of an international transport corridor as a top priority. The brief document, however, lacked specifics for action. It was quite a surprise that the issue of the SCO energy club was not included in the communique, despite the consensus between Putin and Xi at the summit in early September as well as the urging by the Russian and Chinese prime ministers at the Tashkent meeting. Nor did the participants reach any consensus about the SCO bank and special fund proposed by China and Russia, respectively.

One new development was China's offer to create a China-Eurasian Fund for economic cooperation. Premier Li Keqiang explained that the fund was opened for all SCO member states, observers, and dialogue partners. As the creation of the SCO bank was still up in the air, China now decided to take a unilateral action to fund various projects within the SCO framework.

The Tashkent meeting followed Li's attendance at the third China-Central and Eastern European Countries (CEEC) Summit in Bucharest, Romania on Nov. 26-27. While there, Li and 15 European counterparts explored opportunities to further expand trade, investment, financial, cultural, educational, and tourist interactions. The total trade volume between China and the 15 CEEC countries in 2012 was \$50 billion, which is similar to China's trade with five Central Asian nations and China intends to double this in five years. For this goal, China set a special \$10 billion CEEC Fund in 2012, with \$500 million having been disbursed so far.

To a certain extent, the annual SCO gatherings seem to show some "summit fatigue." One possible explanation is the proliferation of multilateral forums, from within and outside the region. According to one account, Premier Li attended 53 meetings of various kinds in the 120 hours he was in Bucharest and the SCO meeting in Tashkent. Prior to this, President Xi also traveled through Central Asia to Europe and back with an extremely busy schedule. Within the SCO, there are a growing number of functional meetings/workshops at various levels of governmental bureaucracy. Over time, they have assumed a life of their own to the point that the summits become increasingly dependent upon the progress of the specialist meetings. A glimpse of SCO's one-year activities shows the following functional meetings:

- Ministers responsible for external economic and trade activity (Bishkek, Nov. 13, 2012)
- Agriculture ministers (Astana, Nov. 30, 2012)
- Heads of supreme courts (Moscow, Feb. 20-22, 2013)
- SCO Forum (Beijing, April 17-18, 2013)
- Secretaries of security councils (Bishkek, April, 29, 2013)
- Heads of counternarcotics agencies (Bishkek, April 30, 2013)
- Culture ministers (Bishkek, May 23-25, 2013)
- Ministers of defense (Bishkek, June 26, 2013)
- Ministers of foreign affairs (Cholpon-Ata, July 12-13, 2013)
- Justice ministers (Beijing, Sept. 5-6, 2013)
- Heads of ministries and departments responsible for emergency prevention and relief (Saint Petersburg, Sept. 10, 2013)
- Heads of ministries and departments of science and technology (Astana, Sept. 11, 2013)
- Attorneys General (Bishkek, Sept. 27, 2013)
- Meeting for cooperating anti-terrorism actions (Tashkent, Oct. 25, 2013)

Many of these meetings at the bureaucratic levels are held annually, with growing loads and degrees of specializations to handle various issues for the SCO.

Despite these growing pains, there have been sufficient common interests to sustain the SCO. However, its member states do have diverse and asymmetrical stakes, interests, and attention spans for the regional organization. China is perhaps the only country that has devoted a lot of attention to the SCO for a simple reason – the SCO is the only multilateral organization through which Beijing interfaces with Central Asia beyond bilateral ties with individual SCO members. This is in sharp contrast to the multiple outlets, channels, and layers among other SCO members. SCO's Central Asian states have engaged in other multilateral groups either among themselves or with those outside the region (NATO, EU, CSTO, etc.). Russia, too, has multiple tools in its Central Asian “basket.” In the security area, Moscow set up the CSTO group, which has developed its own rapid deployment units and integrated air defense system. In the economic sphere, most current and aspiring members of Russia-backed Eurasian Economic Community are Central Asian states. They participate in the SCO because it is useful, comfortable, and allows significant freedom of action. SCO's inability to come to consensus regarding certain key issues in the areas of financing and transportation is, therefore, not a surprise.

Russia's new strategy meeting an “old” Asia

During the APEC meeting on Oct. 7, President Xi urged President Putin to enhance coordination to maintain Asia-Pacific regional security and stability, and to promote prosperity. Xi's concern about security in the Asia-Pacific was genuine, given the rising tension in Northeast and Southeast Asia. Just a few days before the Bali meeting, a widely circulated weekly journal, *Liaowang*, published an interview with Chinese military analyst Meng Xiangqing. He argued that the next 10 years could be the most difficult period for China's development and could also see the growth of internal and external security pressure.

For Moscow, the question is what to do with an increasingly polarized Asia-Pacific. This question seemed to increasingly confront Moscow's foreign policy community at a time when Russia, too, had been pivoting to Asia-Pacific. Indeed, Russia accelerated its engagement in the Asia-Pacific in the last few months of 2013. On Nov. 2, Russia and Japan held their first-ever “two plus two” meeting in Tokyo, which brought together their respective foreign and defense ministers to discuss security issues. After decades of stagnation, Russia seemed willing to decouple the territorial dispute with Japan from other issues. The Tokyo-Moscow tie will certainly be improved in 2014 when Putin is due to visit Japan in reciprocation to Prime Minister Abe Shinzo's trip to Russia in April 2013.

On Nov. 12, President Putin visited Vietnam. Just five days before, Vietnam received the first of six Russian *Kilo*-class submarines while the second one was going through sea trials. All of them are equipped with more advanced devices and armament than the *Kilos* sold to China years ago. Meanwhile, Putin and his hosts were actively brainstorming the possible return of the Russian fleet to the strategic Vietnamese port of Cam Ranh Bay. For Vietnam this is highly important in countering the growing threat from China. Some Russians were reportedly toying with the idea that Russian arms sales were actually helping China because they prevent Vietnam from turning

to the US. Until now, China has not publicly raised the issue of Russian arms sales to Vietnam. Public opinion in China, however, has started questioning Russia's moves.

In Seoul on Nov. 12-13, Putin unveiled his "three strikes" Korea policy with the endorsement of President Park Geun-hye: joining the Trans-Korean and the Trans-Siberian railways; normalizing relations between North and South Korea; and building a trans-Korean gas pipeline. Apparently, Russia had become impatient with the six-party mechanism and launched its own program for settling the conflict on the Korean Peninsula.

These activities seem to point to an emerging Russian strategy of distancing itself from China. Moscow-based *Nezavisimaya Gazeta*, for example, explained in mid-December that seeking alternative approaches in the region was expected to make Beijing take Russia more seriously. One wonders if this applies to other regions as well such as Central Asia and more recently, Ukraine. China's generous economic package (more than \$8 billion) to Kiev in the ongoing tug-of-war between EU and Russia, coupled with China's unprecedented offer of nuclear deterrence to Ukraine, may or may not be in Russia's long-term interests. The China-Ukraine deal is particularly sensitive for Russia in the areas of military sales and technology transfers. At a more personal level, Ukrainian President Viktor Yanukovich met Putin in Russia's Sochi for only six hours after spending three days in China. Beyond this, Russia's pivot to Asia would also serve its economic purpose of diversifying and increasing foreign investment in Russia's Far Eastern infrastructure, said *Nezavisimaya Gazeta*. At the geostrategic level, distancing itself from China will increase Russia's strategic space in Asia by avoiding being viewed as an ally only to China.

The challenge for Russia is that the region was being rapidly polarized, particularly after Japanese Prime Minister Abe's visit to the Yasukuni Shrine. Russia, however, reacted to Abe's visit on Dec. 26 with a rather low-key "regret" by Foreign Ministry spokesman Alexander Lukashevich. Four days later, Foreign Minister Lavrov came around with a much stronger stance after a telephone call with his Chinese counterpart, Wang Yi. Lavrov reportedly told Wang that Russia held a completely identical stance with China on the Yasukuni Shrine issue – Russia opposed Abe's visit to the shrine, and that it was provocative to its Asian neighbors. Lavrov urged Japan to correct its erroneous historical view and avoid further moves that would hurt the feelings of the victims of Japanese aggression and would intensify regional tension.

In 2014, Russia may continue to search for a new strategy in Asia-Pacific. Geopolitics, however, may have its limits on certain issues such as the senseless killing of the innocent – be in Nanjing, Auschwitz, My La, 9/11, Beslan, or more recently Volgograd (north of Sochi). This is particularly true in East Asia, where the ghosts of 20th-century wars still haunting the region.

Chronology of China-Russia Relations September – December 2013

Sept. 5, 2013: President Vladimir Putin meets President Xi Jinping on the sidelines of a G20 Summit in St. Petersburg shortly before an "informal" meeting of the BRICS (Brazil, Russia, India, China, and South Africa) leaders.

Sept. 6, 2013: Foreign Minister Sergei Lavrov and Chinese counterpart Wang Yi meet on the sidelines of a G20 Summit and discuss Syria and the upcoming SCO summit.

Sept. 13, 2013: The 13th Shanghai Cooperation Organization (SCO) Council of Heads of State is held in Bishkek, Kyrgyzstan. Regional security, economic development and Syria were the focus of the meeting.

Sept. 17, 2013: Foreign Minister Wang and Russian counterpart Lavrov have a “comprehensive and in-depth exchange of views on the Syria crisis” via phone.

Sept. 19, 2013: Defense Minister Sergey Shoygu tells participants in the Valday international debating club that Russia sees NATO as a threat and China as a partner, according to Foreign and Defense Policy Council Presidium Chairman Fedor Lukyanov, who also attends the meeting.

Sept. 22-25, 2013: Chairman of the Standing Committee of China’s National People’s Congress Zhang Dejiang visits Russia at the invitation of Valentina Matviyenko, chairwoman of the Russian Federation Council, and Sergei Naryshkin, chairman of the State Duma. Zhang and Matviyenko attend the 7th meeting of the China-Russia Parliamentary Cooperation Committee. He is also received by President Putin. Zhang also visits Russian city Irkutsk.

Sept. 25-26, 2013: Foreign Ministers Wang and Lavrov meet twice at the UN. They agree that scenarios involving use of force against Syria are “unacceptable.”

Oct. 1, 2013: President Putin sends a congratulatory message to President Xi on the occasion of People’s Republic of China’s 64th anniversary.

Oct. 7, 2013: President Xi and President Putin met on the sideline of the APEC Economic Leaders Meeting in Bali.

Oct. 21-23, 2013: Prime Minister Dmitry Medvedev visits China to attend the bilateral Prime Ministers Meeting, which was launched in 1996. Twenty-one agreements are signed. Medvedev also meets President Xi. Medvedev also visits University of Science and Technology of China (USTC) in Hefei, Anhui Province.

Oct. 25, 2013: SCO holds a one-day anti-terror and anti-extremism conference in Tashkent. Participants include representatives of anti-terrorism bodies of member-states and observer states. It is the first-ever such meeting, which is held by initiative of the SCO Regional Anti-Terrorism Structure (RATS). The delegates decide to meet on a regular basis.

Oct. 29-31, 2013: At the invitation of Defense Minister Sergey Shoygu, Xu Qiliang, vice chairman of China’s Central Military Commission (CMC) visits Russia. Xu is accompanied by Zhang Youxia, director of the General Armaments Department (GAD), Wang Guanzhong, deputy chief of general staff, Li Andong, director of the Science and Technology Commission under the GAD and deputy director of the GAD Liu Yi, deputy commander of the PLA Navy, and Zhang Honghe, deputy commander of the PLA Air Force.

Oct. 28, 2013: Russian and Chinese diplomats at the bureau level meet in Beijing to discuss interstate relations in Central Asia and post-ISAF Afghanistan.

Nov. 5, 2013: Chinese and Russian militaries hold their 16th strategic consultation in Beijing. Lt. Gen. Wang Guanzhong, PLA's deputy chief of general staff, and Russian counterpart Gen. Vladimir Zarudnitskiy co-chair the consultation.

Nov. 10-12, 2013: The 12th Meeting of the Foreign Ministers of Russia, India and China (RIC) is held in India (Nov. 10). External Affairs Minister Salman Khurshid, Foreign Minister Wang and Foreign Minister Lavrov attend. The three are also among the 48 foreign ministers travelling to India for the ASEM (Asia-Europe) Foreign Ministers on Nov. 11-12.

Nov. 20, 2013: Pakistan, China, Russia hold second round of Trilateral Dialogue (at the ambassador level) on Afghanistan in Islamabad. The next round of Trilateral Dialogue will be held in Moscow in the first half of 2014. The first session took place in Beijing in April 2013.

Nov. 22, 2013: "Tourism Year of China" in Russia ends with a ceremony in St Petersburg. Vice Premier Wang Yang and Russian counterpart Olga Golodets preside over the event.

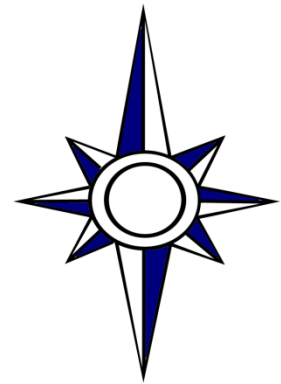
Nov. 29, 2013: The SCO holds its 12th Prime Ministers Meeting in Tashkent. Participants include the SCO Secretary General Dmitry Mezentsev, Director of the Executive Committee of the Regional Antiterrorist Structure Zhang Xinfeng, board chairmen of the Business Council, the Council of the SCO Interbank Association, representatives of observer nations (Afghanistan, India, Iran, Mongolia and Pakistan), and representatives of partner organizations (UN, ASEAN, and CIS). Premier Li meets Russian counterpart Medvedev on the sidelines.

Dec. 13, 2013: Foreign Ministers Lavrov and Wang hold a telephone conversation on the initiative of the Chinese side to discuss Syria.

Dec. 17, 2013: Russian Minister of Internal Affairs Vladimir Kolokoltsev visits Beijing. He is received by Chinese security chief Meng Jianzhu (secretary of the Commission for Political and Legal Affairs of the Communist Party of China Central Committee) and Minister of Public Security Guo Shengkun.

Dec. 30, 2013: President Xi extends condolences to President Putin over two terror attacks in Russia's southern city of Volgograd. Premier Li also sends a message to Prime Minister Medvedev over the deadly attacks. Foreign Minister Wang and Russian counterpart Lavrov have a phone conversation to exchange views on the serial blasts in Volgograd and Japanese Prime Minister Shinzo Abe's visit to the Yasukuni Shrine.

Dec. 31, 2013: Chinese President Xi Jinping and his Russian counterpart, Vladimir Putin, exchange New Year greetings.



India-US Relations:
Seeking to Sustain the New Normal

The tenor of US-India relations in 2013 were similar to that articulated by then Secretary of State Hillary Clinton in 2012 when she spoke of the need for “daily, weekly, monthly collaboration” rather than dramatic breakthroughs. In a February 2013 visit to Washington, Foreign Secretary Ranjan Mathai, speaking at the Carnegie Endowment for International Peace, echoed these comments saying “the evolution of our relationship cannot be conducted in fitful leaps, from one transformative moment to another. Instead, we must recognize that the process of drawing us closer together will need consistent attention, regular consultation, regular cooperation, and continued high level engagement.” He argued that the bilateral relationship has reached a “new normal” in which consultation has become a habit. In a briefing prior to Prime Minister Singh’s September 2013 visit to Washington for a meeting with President Obama, Indian Foreign Secretary Sujata Singh boasted that the upcoming “working visit ... is intended to signal that the relationship has reached a stage of maturity.” For its part, the Obama administration continued to hail the relationship as a defining partnership. There were about 60 official visits during the year and about 35 different dialogues, working and consultation mechanisms to move the relationship forward. The areas of discussion and action covered commercial ties including trade and investment, defense relations, a special focus on Afghanistan, and broad consultation on Asia-Pacific and global issues. While the Dec. 12 arrest and alleged mistreatment of India’s Deputy Consul General in New York Devyani Khobragade led to a wave of anti-US protests around India and harsh statements from Indian officials and politicians, this late-breaking and still ongoing case did not reflect overall relations. However, it does raise questions as to how a wide-ranging US-India relationship can be buffeted by such an unexpected development and how quickly and fully relations can adjust afterward.

Economic relations

Though bilateral US-India trade and investment figures continue to grow (with two-way goods and services trade topping \$100 billion and two-way foreign direct investment (FDI) nearing \$30 billion—with particularly strong FDI growth from India into the United States), mutual frustrations about commercial relations were acute throughout the year. These frustrations exist amidst a significant slowdown in Indian economic growth and steadily but slowly accelerating US economic growth rate. An example of the US frustrations were contained in a letter signed by a bipartisan group of 40 US senators prior to Secretary of State John Kerry’s visit to India in June, but reflected discontent that was addressed throughout the year. The letter cited “India’s discriminatory trade and economic practices” and specifically “actions to force the local production of certain information technology and clean energy equipment and to deny, break or revoke patents for nearly a dozen lifesaving medications risk undermining our broader

partnership.” Subsequently, a House-Senate group asked the US International Trade Commission to launch a study of Indian trade practices and to report back to Congress by Nov. 30, 2014. Meanwhile, a multi-party delegation of Indian parliamentarians visited the US to discuss comprehensive immigration reform plans in the US and the possible impact on the issuance of visas for Indian high-technology sector workers. In fact, over the course of the year, few of the critical issues were resolved and there is little hope that resolution can occur as both countries gear toward elections in 2014. Essentially, each side reiterated the steps taken, defended the conditions that prevail, and promised to set up new mechanisms (e.g., Joint Committee on Investments in Manufacturing) to try and address problems. But fundamental issues such as market barriers, bilateral investment treaty talks, implications of immigration reform on visas, and the absence of a totalization agreement were not overcome. Still, despite a quite shrill exchange on commercial relations, the overall trajectory of the economic relationship is upward as seen in the trade and investment figures; it is the gap between what is and what could be that continues to burden the relationship – and not just in the economic realm.

At the beginning of the year, Indian Foreign Secretary Mathai put up a spirited defense of his country’s economic reforms saying that a range of reform measures have been taken to make India a more attractive investment destination including “significant openings in single and multi-brand retail, aviation and the financial sector.” He urged US businesses to test the waters and take a plunge in a market he asserted was consistently profitable – even alluding to an academic study that no multinational had lost money in India! But even Mathai acknowledged “we hear from our U.S. partners that there are still elements on which clarity is awaited, at least in terms of new policies in force.” In other words, for all the pronouncements, India has yet to actually implement and enforce decisions. He also tried to justify India’s procurement policy restrictions on the basis that they are necessary to promote the country’s industrial growth, which is in turn essential to creating jobs for India’s large youthful and underemployed population. But in a reflection of underlying Indian sensitivities about economic nationalism and focus on internal development, he remarked that “the process of reform and policy change is most sustainable when it is recognized that the policy measures India is taking lie in its own interests. We will do what we need to do for our own sake; however, it should be recognized that what we do will naturally create benefit for our partners.”

Notwithstanding the spirited defense of Indian policies, US officials and the US business community clearly did not feel any sense of relief. In a briefing prior to Secretary of State John Kerry’s visit to India in June for the 4th US-India Strategic Dialogue a senior US official reiterated “concerns on the part of the American business community about some obstacles to trade,... things like intellectual property protection, local content restrictions, continued restrictions on foreign direct investment, taxation problems.” At the conclusion of the talks, in a joint press appearance with Indian External Affairs Minister Salman Khurshid, Kerry put a positive spin on the discussions in this area, saying “We talked about commercial enterprises and we talked about some of the impediments to joint investment and to foreign investment. And we were reassured, certainly from our part, that India is taking important steps to try to address each of those concerns, and that we are committed to taking steps to address the concerns of our friends in India.... We can break down trade and investment barriers, and I was particularly appreciative of the productive discussion that we had on those issues.” Major Indian complaints and concerns about US policies center around possible restrictions as a result of pending

immigration reform on visas for high-skilled Indian workers and the absence of a “totalization agreement” that affects the taxes paid by Indian expatriate workers in the US. India has similar agreements with other G8 countries, including most recently with Canada.

Prior to the President Obama-Prime Minister Singh meeting in September, Indian Foreign Secretary Sujata Singh noted that “Both sides are working at a senior official level to address issues of concern on each side, in areas ranging from manufacturing, trade, investment, innovation as well as with regard to issues relating to non-immigrant visas for our highly skilled IT and ITES workers.” In the event, the joint statement issued at the conclusion of talks noted that there were “no insurmountable impediments to bilateral trade increasing an additional fivefold,” the two sides “reaffirmed their commitment to concluding a high-standard Bilateral Investment Treaty [discussions that have been ongoing since 2007 with very little forward progress],” they “welcomed progress towards increased engagement by experts from both governments for expeditious progress to address all trade and investment policy issues of bilateral concern so as to remove obstacles and improve the business environment in both countries,” and “agreed to consider establishing a Joint Committee on Investment in Manufacturing.” Given the multiple existing mechanisms for handling a range of commercial, trade, investment and financial interactions, it is difficult to conclude that such a new joint committee will be able to resolve longstanding mutual grievances.

It is worth noting that the two countries have little interaction in the context of wider trading arrangements and have barely managed to avoid derailing each other’s global trade efforts. The US is pursuing both the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) while India is pursuing Comprehensive Economic Cooperation Agreements with ASEAN, Singapore, Japan, and Korea as well as a dialogue with Europe. As is well known, the two countries have had significant differences over the years on global trade including the Doha Round of global trade talks. While there were many other issues that almost derailed the talks including Cuban insistence on loosening of US sanctions, the Dec. 6 agreement in Bali came about at least in part because the WTO was able to finesse Indian resistance to any restrictions on subsidies to farmers on the grounds of “food security.”

Defense cooperation in US-India relations

There were no major defense agreements, decisions, or activities between the US and India in 2013. Throughout the year there were discussions on both sides about how to build on the progress of the past decade. Indeed, the much-remarked \$9 billion in US arms sales to India has become something of an inside policy joke acknowledging both the significant progress made and yet the sense of being “stuck” at this number. As Indian Foreign Secretary Mathai stated in February, while bilateral defense trade in the past was “flat as a chapatti [a thin Indian flatbread], there is today nearly \$9 billion in bilateral defense trade. I dined out on this figure when I spoke in Washington last year also. But it will grow over time; it will assuredly not be stuck like the chapatti jokes.”

While the 2005 New Framework Agreement is still in place to provide the full vision of possible defense cooperation, Washington and New Delhi did agree to a new Joint Declaration on Defense Cooperation in the wake of the President Obama-Prime Minister Singh meeting in

September. The joint declaration articulated four principles for fulfilling the vision set forth in the New Framework Agreement. These principles include “plac[ing] each other at the same level as their closest partners” for the purposes of “defense technology transfer, trade, research, co-development and co-production for defense articles and services, including the most advanced and sophisticated technology.” A second principle is that the “U.S. continues to fully support India’s full membership in the four international export control regimes, which would further facilitate technology sharing.” A third principle is a pledge to “continue [bilateral] efforts to strengthen mutual understanding of their respective procurement systems and approval processes, and to address process-related difficulties in defense trade, technology transfer and collaboration.” Finally, the two sides agreed to “look forward to the identification of specific opportunities for cooperative and collaborative projects in advanced defense technologies and systems, within the next year.” At least in the public domain it is not possible to fully appreciate how these principles and commitments advance concrete elements of the bilateral defense relationship because all four echo earlier formulations and commitments by both countries. It will be worth watching if 2014 indeed brings forth any specific opportunity for cooperative and collaborative projects.

Meanwhile, operational cooperation in the form of exercises continues between the two militaries. In 2013, two highlights were the 11th annual *Malabar* naval exercises in the Bay of Bengal and the May *Yudh Habyas* army exercise held at Fort Bragg, North Carolina between the Indian Army’s 99th Mountain Brigade and the US 1st Brigade Combat Team, 82nd Airborne Division, among other units. There has been much talk about the number of exercises that the two militaries hold together, and especially the navy-to-navy interactions. There are indications that at least the joint naval exercises have been steadily building to deeper coordinated operations. In a July 19 press conference, for example, Chief of Naval Operations Adm. Jonathan Greenart responded to a question about the *Malabar* exercise by saying “First, our exercise program with India is – the culmination is an exercise called *Malabar*. And that exercise has gone from two ships going by doing flashing light and lifting flags, probably about a decade ago, to coordinated operations, carrier air wing and carrier air wing and under sea. And that’s when – that’s when you hit the big time, when you can work with a partner under the water and ensure yourself – you’re not going to run into each other, and we are at that level with the Indian navy.”

In 2014, India will also be participating for the first time in US Pacific Command’s *Rim of the Pacific (RIMPAC)* naval exercise. Whether any new lines of cooperation emanate from that engagement remain to be seen.

Civil nuclear cooperation

2013 saw no major advances on civil nuclear cooperation between the US and India. Disagreement on the liability and compensation caps in the case of accidents remains unresolved. It was reported last year that Westinghouse and the Nuclear Power Corporation of India are engaged in commercial negotiations to build a power plant in Gujarat state. That project continues to move ahead with the signing of a Preliminary Contract. The Joint Statement issued by President Obama and Prime Minister Singh also urged another company, General Electric-Hitachi, to move forward with work to establish other projects and reaffirmed “commitment to the full and timely implementation of the India-US Civil Nuclear Cooperation Agreement.” By

all indications, however, there is little prospect, especially in an upcoming Indian election year, that the Indian liability law will be changed to accommodate US commercial interests in limits on liability in the event of a nuclear accident. Under these circumstances, it is likely interested commercial parties will continue to seek agreements and frameworks for cooperation that can be implemented as business interests merit and policy environments permit.

Afghanistan in US-India relations

As the planned withdrawal of US combat forces and International Security Assistance Forces from Afghanistan approaches (expected at the end of 2014), the US and India have created a new trilateral (US-India-Afghanistan) mechanism to discuss post-2014 arrangements as well as intensified bilateral discussions. The first meeting of the trilateral mechanism was in September 2012 but two additional meetings – in February and September – were held during 2013.

The situation on the ground in that country, especially in domestic Afghan politics, as well as bilateral US-Afghan discussions on post-2014 relations are fluid, making US-India or any multi-country coordination complicated. Still, there were indications that at least the Indians are not entirely satisfied with the discussions. Foreign Secretary Mathai told a Washington audience in February that Afghanistan is “an area in which there is greater need for us to be absolutely frank with each other.” While both the US and India view their policies as essentially sharing objectives in a democratic, reconstructed, regionally-connected, trade and investment-oriented country that does not serve as a base for terrorism, there are clearly different views on how to achieve such (admittedly) grandiose goals. The core difference between Washington and New Delhi is whether an Afghan political reconciliation process should include the Taliban. The US position is that the political reconciliation process is Afghan-led and therefore the participants must be left to that country, whereas the Indian position focuses on “red-lines” that essentially exclude any “militant” parties based on the assessment that there is no distinction among them. As Foreign Secretary Mathai pointedly explained in a February speech in Washington:

Internationally-accepted red lines must be respected in whatever reconciliation models are being considered. So also, actions in support of the political transition should not undermine Afghan institutions of governance. We all need a credible government after 2014 as well. But most of all, we are yet to see any evidence that supports the notion of a dividing line separating Al Qaeda from other terrorist and extremist groups, or indeed, that these groups and those who support them have either had an epiphany or made a strategic reassessment of their objectives. To us, it makes little sense to draw lines of distinction that most of these groups or their sponsors are themselves not prepared to do, either in word or deed.

During Secretary Kerry’s visit to New Delhi for the fourth round of the US-India Strategic Dialogue, he reiterated the US position that it was up to Afghanistan to decide which parties should be included in a national political reconciliation process. As he explained:

“So this is an Afghan-led process, and it is an Afghan-led process that will only negotiate under certain conditions. Thus far, those conditions have not yet been met, so there is no negotiation at this point. If the conditions are met, then there is a negotiation

that will take place not with the United States, but with the High Peace Council of Afghanistan. And one of the requirements, or many of the requirements are that the constitution of Afghanistan be respected, that they not affiliate or associate themselves – in fact, disassociate themselves from al-Qaida and from violence, and that the rights of women and minority rights will be respected going forward.”

There is no public evidence that the US and Indian positions got any closer over the year. The [Joint Statement issued during Prime Minister Singh's September visit to Washington](#) simply reiterated both countries' support for a “smooth security and political transition” and acknowledged that “extremists continue to pose challenges to Afghanistan's security and stability...” Developments regarding Afghanistan in 2014 will be of great significance to the US-India relationship.

US-India differences regarding Afghanistan are to some extent a stand in for other issues in the relationship that are more fundamental to building bilateral ties. The “core” difference of whether to allow Taliban to participate in Afghanistan's future reconciliation talks and possibly government, reflect Indian concerns that the US continues to distinguish among militant groups when India considers all such Islamic groups to be part of a continuum and to a greater or lesser extent susceptible to Pakistani manipulation. US withdrawal from Afghanistan after the Soviet withdrawal led to a decade-long Pakistan-backed insurgency in Kashmir and Indians fear such a situation again. For the US on the other hand, an exit from Afghanistan that precludes the country from again serving as a launch pad of attacks against the US is critical. In all of this, US and Indian differences about what can be expected from Pakistan in the new Afghanistan threaten to further complicate US-India relations.

The US-India relationship and Asia

Speaking to the Carnegie Endowment for International Peace in early 2013, Indian Foreign Secretary Mathai stated that “India does not harbour misgivings over [US] re-engaging – or rebalancing, or indeed, pivoting – towards Asia” because “it synchronizes with India's own enhanced engagement with our extended neighbourhood.” From the US perspective, Acting Assistant Secretary of State for East Asia and the Pacific Joseph Yun provided a detailed official perspective on India's role in East Asia to the Subcommittee on the Asia and Pacific of the House Committee on Foreign Affairs in February. The basic message of the US government in this and other statements is that it is critical to connect India to East Asia, and especially Southeast Asia. Recently, US officials have spoken about an Indo-Pacific Economic Corridor and they have particularly sought to work with India on infrastructure cooperation with Myanmar. It is worth noting that in late 2013 India announced a decision to provide \$350 million in financing for irrigation and railways infrastructure in that country.

Throughout 2013, US officials spoke more frequently about the Indo-Pacific economic corridor and how the linkage between India and Southeast Asia is an element of US regional strategy. For example, in a speech to the University of California at Berkeley, Assistant Secretary of State for South and Central Asia Robert Blake noted that “In the past year alone, trade between India and the countries of Southeast Asia increased by 37 percent. This emerging Indo-Pacific Economic Corridor is a boon for the region; at the same time, it also provides our economy with potential

new markets. Linkages across the rapidly expanding economies of South Asia with those of Southeast Asia will both accelerate economic development and strengthen regional stability, while helping unlock and expand markets for American goods and services.”

Foreign Secretary Singh also hinted at a new regional dialogue on the Indian Ocean saying “We look to consolidate and build upon such dialogues [existing ones on Central Asia, West Asia and the Asia Pacific], including on the Indian Ocean region.”

Conclusion and 2014 preview

2013 was a year of at best “treading water” in US-India relations. The December spectacle surrounding the arrest of an Indian consular official and more importantly the responses to the arrest are a sign that despite progress in the bilateral relationship (e.g., “habits of consultation,” regularized senior official visits, expanded subjects of discussion and multiple mechanisms for dialogue) sensitivities are not far below the surface. The arrest of a mid-ranking diplomat for falsifying visa documents for a maid by itself does not explain the continued anger in India. Rather, the reports that the official was handcuffed, strip-searched, and held in a cell with common criminals seem to be the main cause of outrage. Indeed, India’s National Security Advisor called the treatment (not the arrest) “despicable” and “barbaric.” There is no doubt that the incident was badly handled on all sides but the event underscores deeper troubling sensitivities. India, which has faced a year of attention for rapes and mistreatment of Indian women is now able to point out mistreatment of one of its own by a foreign country – the US no less. The friction over commercial relations, particularly acute in a year in which India’s boom has flattened considerably, likely plays a role. More fundamentally, the sense that India is no longer “special” and the center of a major US wooing effort must be galling to a country that has found itself cast over the past several years as a rising power on the cusp of a new relationship with the US. The transition from “transformative moments” such as the US-Indian nuclear deal to the daily work of managing and moving the US-India relationship forward may be more difficult to accept than many think.

In 2014, barring any major surprises, the relationship will likely be focused on reestablishing a diplomatic dialogue after the events of December 2013. The outlook will be influenced by the planned US withdrawal from Afghanistan and the shakeout from India’s elections – particularly if the opposition is able to form a government under the leadership of Narendra Modi, who is currently barred from visiting the US. If slower Indian economic growth persists, there may be additional burdens on the US-India relationship. Another issue that merits careful watching is how India-Pakistan relations develop under the government of Prime Minister Nawaz Sharif and the new Indian prime minister. Secretary Kerry specifically referenced this issue during his June visit to New Delhi. Overall, however, barring some unexpected development, US-India relations are likely to settle into a pattern of the “new normal” as both countries move through elections (mid-terms in the US and general elections in India).

Chronology of India-US Relations

January – December 2013

Jan. 26-31, 2013: US Under Secretary for Economic Growth, Energy, and the Environment Robert Hormats visits India for consultations.

Feb. 5-7, 2013: Under Secretary of State for Public Diplomacy and Public Affairs Tara Sonenshine travels to India.

Feb. 20-22, 2013: Indian Foreign Secretary Ranjan Mathai visits the US and meets Secretary of State John Kerry.

May 3-17, 2013: *Yudh Abhyas*, the annual bilateral US-Indian Army training exercise is held at Fort Bragg, North Carolina.

May 19-22, 2013: India's Union Home Minister Shri Sushilkumar Shinde visits Washington for the second round of the Homeland Security Dialogue hosted by Secretary for Homeland Security Janet Napolitano. He also meets Attorney General Eric Holder and FBI Director Robert Muller.

May 24-25, 2013: Under Secretary of State Wendy Sherman visits India.

June 4, 2013: Seven members of India's Parliament meet US officials in Washington.

June 23-25, 2013: Secretary Kerry leads a delegation of senior US officials including Secretary of Energy Ernest Moniz and Pacific Command Commander Adm. Samuel Locklear to India for the fourth annual US-India Strategic Dialogue.

June 22-25, 2013: Under Secretary for Public Diplomacy and Public Affairs Sonenshine travels to India to host the second annual US-India Higher Education Dialogue, at which Secretary of State John Kerry delivers opening remarks.

June 25, 2013: Adm. Locklear, commander, US Pacific Command, in India with Secretary of State Kerry for the fourth US-India Strategic Dialogue, calls on Air Chief Marshal NAK Browne, chairman, Chiefs of Staff Committee and chief of the Air Staff at Air Headquarters.

June 27, 2013: Ambassador James Dobbins, special representative for Afghanistan and Pakistan, visits New Delhi for consultations with Indian officials.

July 12, 2013: India's Finance Minister P. Chidambaram, Minister of Commerce Anand Sharma, and Planning Commission Deputy Chairman Montek Ahluwalia visit Washington for the US-India CEO Forum.

July 22-23, 2013: Vice President Joseph Biden becomes the first US vice president to visit India in almost 30 years.

Sept. 25-30, 2013: Prime Minister Manmohan Singh visits the US and meets President Obama.

Nov. 5-11, 2013: Eleventh annual US-India *Malabar* naval exercise is held in the Bay of Bengal.

Dec. 2-5, 2013: Chief of the Indian Army General Bikram Singh visits the US and meets Army Chief of Staff General Ray Odierno.

Dec. 12, 2013: India's Deputy Consul General in New York Devyani Khobragade is arrested for making false declarations on a visa application for her Indian domestic worker and breaking US law by paying her employee below the minimum wage.

About The Contributors

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