

Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations

Edited by
Brad Glosserman and Vivian Brailey Fritschi

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

We regularly cover 12 key bilateral relationships that are critical for the region. While we recognize the importance of other states in the region, our intention is to keep the core of the e-journal to a manageable and readable length. Because our project cannot give full attention to each of the relationships in Asia, coverage of U.S.-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 India or Australia's significant relationships) as events dictate.

Our aim is to inform and interpret the significant issues driving political, economic, and security affairs of the U.S. and East Asian relations by an ongoing analysis of events in each key bilateral relationship. The reports, written by a variety of experts in Asian affairs, focus on political/security developments, but economic issues are also addressed. Each essay is accompanied by a chronology of significant events occurring between the states in question during the quarter. 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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Secretary of State Colin Powell consulted frequently with Chinese Foreign Minister Tang Jiaxuan. United States Trade Representative Robert Zoellick visited China to discuss economic concerns. Cooperation on counterterrorism advanced with the convening of the third U.S.-China antiterrorism consultation and the second meeting on cutting financial fund links to terrorists.

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ground as all awaited the transition to the new government in South Korea. The Japanese government and public have responded with growing firmness to North Korean agitations. Firing on an intruding DPRK ship, followed by the sinking of another such ship, followed this quarter by the launch of Japan's first military intelligence satellites are all sure signs that Japan's postwar pacifist tradition does not exclude military actions in self-defense. Given this recent precedent, would Japan enact sanctions against the next North Korean provocation, be this a ballistic missile test or reprocessing? If one looks carefully, they already have started.

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For Russia and China, the first quarter of 2003 may well be the last few months before their preferred world – multilateralism for Iraq and bilateralism for the Democratic People's Republic of Korea – began to fade into one of unilateralism. Amid unprecedented diplomatic activities regarding Iraq and Korea, relations between Moscow and Beijing were quietly entering a new phase as China's leadership change was taking definitive shape. The fourth generation of Chinese leaders has perhaps little to do with the once enduring "Russian factor" of the previous generations of Chinese leaders, either as China's friend or foe. Publicly, Russian officials welcomed China's "very positive and smooth process of power transfer." "Some innovations" were expected, however. Engaging the new faces in China, therefore, was a top priority for Russian President Vladimir Putin and his colleagues.

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Regional Overview

Diplomacy Fails with Iraq; Is North Korea Next?

By Ralph A. Cossa, President of Pacific Forum CSIS

Why diplomacy failed in Iraq is subject to intense debate; that it failed is indisputable. What does this mean for U.S. policy in Asia and for multilateral cooperation regionally and globally? Of more immediate concern, will the UN, having failed once (at least in the Bush administration's eyes), now step up and deal with the growing nuclear crisis on the Korean Peninsula, or will it prove itself irrelevant? For those focused on Asia, the big question now is, "Is North Korea Next?" Does the perceived U.S. "impatience" with the UN process vis-a-vis Iraq point to more unilateralism in the future and a greater tendency or preference to employ the military option against Pyongyang? I think not! But the perception is growing and how Washington deals with it will impact U.S. credibility and acceptability in Asia and elsewhere long after Saddam is relegated to the dust bin of history. Iraq and North Korea are not Asia's only concerns. An outbreak of deadly Severe Acute Respiratory Syndrome (SARS), a viral pneumonia, first detected in south China and now spreading globally, has magnified the anticipated economic consequences of the war in Iraq on Asian economies and, especially, airlines.

Containing Saddam . . . or Bush?

"The United Nations Security Council has not lived up to its responsibilities, so we will rise to ours." With these words, and the accompanying 48-hour ultimatum to Saddam Hussein for he and his sons to leave Iraq, the diplomatic phase of the campaign to disarm Iraq came to an abrupt halt on March 17. Shortly thereafter, the U.S.-led military campaign began in earnest.

Why diplomacy failed remains a subject of intense debate. Few could argue seriously that Iraq had fully complied with Security Council Resolution 1441, which found Iraq in material breach of numerous earlier UNSC resolutions and promised "serious consequences" if Iraq did not fully and immediately disarm. Would giving the UN inspectors more time, as France, Russia, China, and others argued, have made a difference? Or, was nothing short of a credible threat of military force and a perceived willingness to back up this threat necessary to compel Saddam to disarm without actual combat, as Washington, the UK, and Spain asserted when they pushed, in vain, for a final UNSC ultimatum? We'll never know. Bush's declaration left the questions for academics and historians to ponder, although many would argue that the debate had already become moot once France made it clear that it would veto any follow-on

amendment that implicitly authorized (or even more directly threatened) the use of force against Iraq.

As several pundits pointed out, French President Jacques Chirac seemed more concerned about containing George Bush (or U.S. global leadership in general) than Saddam's weapons of mass destruction. If nothing else, Chirac's unyielding stance provided ample fodder for late-night comedians, who otherwise were straining to find some humor in Washington's march toward war. The most cutting comment came from America's leading daytime comedian, Secretary of Defense Donald Rumsfeld, who observed that "Going to war without France is like going duck hunting without your accordion." Such comments went down well with American audiences and the media, but, like his earlier characterization of France and Germany as "old Europe," did little to help the fine art of diplomacy.

It could have been worse! In a rare March 6 press conference, President Bush had pledged to seek another UN resolution prior to initiating combat, even while asserting that such authorization was not needed for America to either protect itself or enforce earlier resolutions. It was, according to President Bush, "time for people to show their cards, to let the world know where they stand when it comes to Saddam." Fortunately, for Washington and for the UNSC, the "18th resolution" did not come up for a vote. Had such a vote been called and failed – either due to a failure to obtain at least nine votes or, as promised, by a French veto regardless of how much other support it engendered – the U.S. and UK "coalition of the willing" would undoubtedly have still proceeded with its plan to invade Iraq, rendering Washington and London, among others, in clear defiance of the UNSC and further demonstrating the United Nation's impotence in dealing with contentious security issues.

Given NATO's decision in 1999 to bypass the UNSC completely in prosecuting its war against Slobodan Milosevic – an action that France supported – and the current squabble over the UNSC's role in a post-Saddam Iraq, serious questions are now being raised about the UNSC's future viability. Recall that in President Bush's Sept. 12, 2002 speech before the UN, when he challenged that body to enforce its own resolutions, he noted that, "All the world now faces a test and the United Nations a difficult and defining moment."

Recall also the commentary contained in the October 2002, *Comparative Connections* Regional Overview: "Regime Change/Preemption vs. Disarmament/Multilateralism: The U.S. Foreign Policy Debate Continues." "The big question before the international community today is not 'will (or when will) the U.S. attack?' but will the UN Security Council finally act forcefully to restore its own credibility . . . and with it the credibility of those in Washington and elsewhere who have long argued that Washington must remain on a cooperative, multilateral, internationalist path? Or will the members of the UNSC prove the unilateralists right?" The most common refrain among Washington hardliners who have long believed that the UN, along with Saddam, belong in history's dustbin, is now "I told you so!" While reports of the UN's imminent death, to paraphrase Mark Twain, may be largely exaggerated, some measure of reform and revitalization

seems necessary if it is to regain any relevance, at least when it comes to dealing with pressing security issues.

Others Show Their Cards

While President Bush chose not to reveal his losing hand at the UN, others in East Asia were less reluctant to show their cards. Foremost among these on the positive side were two of Washington's allies, Australia and Japan, whose leaders braved widespread public opposition to the war by steadfastly standing behind Washington. Australian Prime Minister John Howard sent Australian military special operations (SAS) forces to fight on the ground in Iraq, while also committing a small number of fighter aircraft, air-to-air refuelers, and ships to Operation Iraqi Freedom, despite receiving a vote of censure by Australia's upper house of Parliament for his outspoken support to the war effort. Howard argued that his decision to support Washington was "right," "legal," and "directed toward the protection of the Australian national interest."

Japanese Prime Minister Koizumi Junichiro was also an outspoken supporter of Washington's efforts to obtain a stronger UNSC resolution, making numerous phone calls to lobby Security Council members. More importantly, when the UNSC fig leaf was removed, Koizumi remained firmly behind President Bush and appeared delighted when Japan was named among the "coalition of the willing" even though no Japanese troops were committed to the war. Koizumi's willingness to expand logistical support to Operation Enduring Freedom naval forces in the Indian Ocean did, however, free up U.S. forces for the Iraqi campaign. This, plus Tokyo's stated willingness to participate in the post-Saddam rebuilding effort, were greatly appreciated by Washington.

Underlying Koizumi's strong support as a good ally was a nervousness, expressed by Japanese security specialists and pundits, that such support was justified primarily to assure Washington's continued support to Tokyo in the face of dangers closer to home: read, North Korea. One prominent Japanese security specialist, at an off-the-record Pacific Forum conference, indicated growing Japanese discomfort with Washington's "coalition of the willing" approach which, when combined with its tendency to "openly humiliate" traditional allies – Rumsfeld's accordion and old Europe remarks were given as examples – makes other allies nervous.

Speaking of nervous allies, South Korean President Roh Moo-hyun also demonstrated some political courage by promising to send some 700 noncombat troops, including a construction battalion and medical assistance personnel, to support Operation Iraqi Freedom, despite considerable opposition from within his own party as well as heavy public criticism – the opposition Grand National Party, which holds a majority in the legislature, supported the move. This action was seen as a positive gesture by Roh, who had been initially viewed with suspicion by many in Washington due to his youthful (and since recanted) opposition to the presence of U.S. military forces on the Korean Peninsula. Concerns about unilateral U.S. actions regarding North Korea no doubt provide added incentive for Roh to shore up the alliance partnership.

Washington's other two East Asian treaty allies, the Philippines and Thailand, were a bit more tentative in their support. Philippine President Gloria Macapagal-Arroyo expressed Manila's "political and moral" support to the effort to eliminate Iraq's weapons of mass destruction and was considering the deployment of peacekeeping troops at some point in the future. Meanwhile, Thai Prime Minister Thaksin Shinawatra pledged continued alliance cooperation while also calling for maximum effort to avoid civilian casualties. Others providing vocal support to the U.S. effort were Singapore Prime Minister Goh Chok Tong and Taiwan President Chen Shui-bian.

Not surprisingly, the most outspoken critic of the U.S. military attack against Iraq was Malaysian Prime Minister Mahathir bin Mohamad, who branded Washington "cowardly" and "imperialistic," while bemoaning that the "United Nations and international law are now meaningless." His designated successor, Abdullah Ahmed Badawai, was somewhat more reserved (as is his style), while nonetheless expressing regret over the military action and concern for the impact of conflict in Iraq on the global war on terrorism. Indonesian President Megawati Sukarnoputri found it politically expedient to also condemn the U.S. attack, as did most moderate Muslim leaders in Indonesia. The Iraq attack helped breathe new life into Muslim protest movements that had been forced to maintain a low profile in the wake of the Oct. 12, 2002 Bali terrorist bombings.

China likewise condemned the U.S. decision to not let the UN inspectors finish their job but maintained a generally lower profile, letting the French, Russians, and Germans carry the torch. Nonetheless, the term "hegemon," absent in recent months, seemed to once again become a politically acceptable term in describing Washington's unipolar tendencies. For its part, Washington seemed prepared to overlook or minimize Chinese complaints, recognizing that Beijing's support was much more essential in dealing with tomorrow's crisis *du jour*, North Korea.

Implications of the War on Iraq

The long-term impact of the war on Iraq regionally and globally will be driven by a number of as yet to be determined factors. One will be the war's duration and the number of U.S. casualties. By all reasonable standards save one, the war has progressed remarkably smoothly with minimal coalition casualties. The "save one," however, is U.S. public and media expectations. Despite numerous Pentagon warnings that the war would neither be quick nor easy, many expected – and arguably were led to believe – that the conflict would be over in days. "Shock and awe" were supposed to result in quick capitulation. Nonetheless, the actual accomplishments on the ground (and from the air) have been truly impressive and U.S. public support seems to remain strong, at least for the troops themselves if not always for their civilian leaders. If the truth be told, many in Asia seem quietly encouraged that the war will last weeks (perhaps longer) and has not been casualty free, apparently hoping that this might help temper future U.S. eagerness to apply military solutions to political problems.

It is useful to remember, also, that the official reason for the coalition invasion was to disarm Iraq. While the discovery of weapons of mass destruction is not likely to draw an apology from France, Russia, or others who seemed to think that the UN inspectors were successfully doing their job, a failure to find them is sure to reinforce the views of those who saw the war as unjust, regardless of how quickly or painlessly Saddam is removed. Unambiguous proof is needed. There will be considerable international and domestic political ramifications if no weapons of mass destruction are found.

Another factor, more important to Asians (and especially Muslim Asians), will be the extent of civilian casualties (again remarkably light despite Iraqi tendencies to keep civilians in harm's way) and the nature of post-Saddam Iraq (including what role, if any, the United Nations will play in administering Iraq once the fighting ends). The consequences here will be hard to measure. Surely, high civilian casualties and a prolonged American occupation of Iraq (especially if it is seen as linked to exploitation of Iraqi oil resources) will exacerbate tensions and generate negative reactions, particularly in Indonesia (where young men are reportedly volunteering to go fight in defense of Iraq), Malaysia, and among the ethnic Muslim areas of the Philippines and elsewhere. On the other hand, the fact that liberated Muslims in Kuwait, Kosovo, and Afghanistan are considerably better off today than before U.S.-led efforts against their oppressors has earned the U.S. little slack in dealing with an Iraqi regime that has killed many more innocent Muslims (in Iran, Kuwait, and in Iraq itself) than have died from U.S. bombing.

Another key factor has little to do with the war on the ground in Iraq. One point Southeast Asian Muslims consistently bring up in discussing U.S. actions is the plight of the Palestinians. Largely overlooked in the Iraq media frenzy has been the appointment of a Palestinian prime minister to share power with Chairman Yasser Arafat and a U.S. pledge to push forward with a "nonnegotiable" road map (in cooperation with Russia, the European Union, and the UN) for moving toward Palestinian statehood once the prime minister is firmly in place. If this new initiative is seen as balanced (i.e., it obtains concessions from Israel as well as from the Palestinian Authority, especially regarding settlements in the occupied territories), this could significantly reduce any long-term negative impact generated by the war on Iraq.

The most important factor could be what Washington does next. One can argue that pursuing the ongoing war in Afghanistan (remember Osama bin Laden?) and mopping up in Iraq should keep Secretary Rumsfeld's Defense Department sufficiently busy for years to come. Yet many others seem convinced that the Taliban/al Qaeda and Saddam are just the top two on a long U.S. hit list, causing many to ask "who's next?"

If Washington's response to the eventual and inevitable downfall of Saddam Hussein's regime is to immediately and harshly turn its attention toward Iran's apparent budding nuclear ambitions or to abruptly abandon its current diplomatic approach toward resolving its differences with Kim Jong-il, many may conclude that perhaps Chirac was right, that it is the Bush administration that now must be contained.

Is North Korea Next?

With U.S. tanks already surrounding Baghdad, the who's next" debate appears to have begun in earnest. Some say Iran; others (jokingly) point to France. But the leading candidate, apparently in its own mind and clearly in the mind of many Asians, is North Korea. One can argue that Pyongyang has gone out of its way to earn this distinction: pursuing a clandestine uranium enrichment program and then declaring the 1994 Agreed Framework (which froze its earlier nuclear program) "nullified" while expelling International Atomic Energy Agency (IAEA) inspectors and removing monitoring devices and seals from its reprocessing and other nuclear facilities at Yongbyon once it was called to task for its cheating; announcing its formal withdrawal from the Nuclear Non-Proliferation Treaty (NPT) and subsequently threatening to withdraw from the 1953 Armistice, while warning of "World War Three" if the UN Security Council or U.S. attempted to enact sanctions or otherwise try coercion or military force to curtail the North's suspected nuclear weapons program; restarting its nuclear reactor at Yongbyon and apparently moving spent fuel canisters to its reprocessing facility; launching several missiles into the Sea of Japan (pre-announced and not involving the medium- or long-range missiles that would threaten Japan); threatening "preemptive strikes" against U.S. military forces in Asia; and conducting an intercept mission against a U.S. reconnaissance aircraft 150 miles off North Korea's coast (which reportedly involved an attempt to force down the unarmed U.S. aircraft); not to mention broadcasting a steady stream of invectives and accusations aimed at the "murderous, criminal Bush regime."

It is useful to remind ourselves at this point that this is a North Korean-induced crisis. It came about because of a deliberate action on the part of Pyongyang – a decision to circumvent the Agreed Framework by pursuing a uranium enrichment program – and each escalatory step along the way has been initiated by the North. This is not to imply that Washington could not have handled the situation better. It is to stress that the only provocations and saber-rattling to date have emanated from North Korea. While Washington continues to profess a commitment to a peaceful, diplomatic solution – albeit while refusing to enter into new negotiations with the North until it honors its prior promises – North Korea has on the one hand been accusing the U.S. of planning attacks while on the other providing Washington with ample reasons to keep this option on the table.

The good news is that North Korea seemed to be toning down its actions as the quarter drew to a close. The vertical escalation prevalent from October until early March (chronicled above) seems to have been replaced by horizontal escalation; i.e., repeated threats, warnings, and accusations but no new ratcheting up actions. Pyongyang has thus far avoided crossing new presumed "red lines," such as reprocessing its spent fuel rods, testing long-range missiles that would overfly Japan, exporting fissile material, or by officially declaring itself a nuclear weapons state (with or without a nuclear test to back up this claim).

The reasons behind this presumed restraint are unclear. Perhaps the initiation of hostilities (or more likely the steady progress experienced by coalition forces) in Iraq, combined with the deployment of B-1 and B-52 bombers to Guam “for contingencies purposes” and the movement of F-117 stealth aircraft and an aircraft carrier battle group to the Peninsula (ostensibly in support of an annual U.S.-ROK exercise) have gotten Pyongyang’s attention. New ROK President Roh Moo-hyun’s strong support for the U.S.-ROK alliance and for multilateral dialogue in which South Korea as well as the U.S. plays a key role has also narrowed the previously exploited gap between Seoul and Washington. A harder Chinese stance against North Korean provocations and warnings against Pyongyang pursuing a nuclear program no doubt played a positive role as well.

Can Multilateralism Work?

For its part, the U.S. continues to reject direct bilateral negotiations, although it has demonstrated some flexibility in this stance. In Washington, during the Jan. 5-7, 2003 Trilateral Coordination and Oversight Group (TCOG) Meeting, Seoul, Tokyo, and Washington once again called on North Korea to give up its nuclear weapons ambitions. The Joint Declaration stressed that “North Korea’s relations with the entire international community hinge on its taking prompt and verifiable action to completely dismantle its nuclear weapons program and come into full compliance with its international nuclear commitments.” But, the joint pronouncement also included several attempts by the Bush administration to wave olive branches in Pyongyang’s direction, first by noting that the U.S. “has no intention of invading North Korea” and then by stating that “the U.S. is willing to talk to North Korea about how it will meet its obligations to the international community. However, . . . the United States will not provide quid pro quos to North Korea to live up to its existing obligations.”

The subtle difference between *talking to* as opposed to *negotiating with* the DPRK provided Washington with some breathing room in its dialogue with both Tokyo and Seoul and set the stage for one more attempt at U.S. flexibility; namely, Washington’s call for multilateral dialogue to address the nuclear situation (since many countries were involved or affected) but with the prospect of bilateral U.S.-DPRK consultations being permitted within this larger multilateral context. Washington also stressed that it was prepared to pursue a previously promised “bold approach” toward North Korea once it comes back into compliance, in keeping with the TCOG declaration’s promise of a “return to a better path leading toward improved relations with the international community, thereby securing peace, prosperity, and security for all the countries of Northeast Asia.”

President Bush made it clear that he personally strongly supports a multilateral solution to what he described as a regional rather than strictly U.S. problem during his March 6 press conference: “I think the best way to deal with this is in multilateral fashion, by convincing those nations [China, South Korea, Japan, and Russia were specifically mentioned] they must stand up to their responsibility, along with the United States, to convince Kim Jong-il that the development of a nuclear arsenal is not in his nation’s

interest; and that should he want help in easing the suffering of the North Korean people, the best way to achieve that help is to not proceed forward.”

In fact, there was some progress on addressing the North Korean crisis on the multilateral front this quarter. In early January, the 35 member nations of the IAEA Board of Governors issued a unanimous resolution calling on North Korea to fully comply with its NPT obligations. The North’s response, regrettably, was to officially withdraw from the NPT. As a result, the IAEA Board of Governors on Feb. 12 declared that the DPRK was in material breach of its nuclear nonproliferation commitments, thereby referring the issue to the UNSC. The vote was unanimous, although Russia abstained. China voted in favor of the resolution but then took diplomatic action during the rest of the quarter to keep the issue off the UNSC’s agenda. It has since relented and the UNSC was to finally address the issue in early April. Public statements by the U.S. that it would not seek UN sanctions against North Korea at this time no doubt contributed to the change in Chinese thinking, as did continued annoyance over Pyongyang’s belligerent, recalcitrant behavior. Meanwhile, President Chirac is on record calling Kim Jong-il’s government “a thoroughly abject regime,” in this instance putting his views more closely in line with those of President Bush.

Whether all this will lead to constructive dialogue among all the concerned parties or more of the same next quarter remains to be seen, however, bilateral (U.S.-DPRK, North-South Korea, and perhaps others) talks imbedded in a broader multilateral setting seems to be a workable compromise if all parties are truly intent on defusing the situation. Whether the Korean nuclear crisis will give the UNSC a new chance to demonstrate its relevance – and whether it will seize this opportunity if it presents itself – also remains to be seen.

Just in Case We Needed More Bad News

As if concerns about Iraq and North Korea were not enough, the quarter closed amid an uproar over Severe Acute Respiratory Syndrome (SARS), an apparently new form of pneumonia that has quickly spread across the globe. According to the World Health Organization (WHO), 1,622 cases of SARS had been diagnosed as of March 31, resulting in 58 deaths, and the number of cases is growing about 9-12 percent a day. Scientists think they have identified the virus that causes the disease, but they are not sure how it spreads. The death rate among the infected is 3-4 percent, and the virus is about as contagious as influenza or Hepatitis A.

The outbreak was first identified and treated in Hanoi, and its effects are most visible in Hong Kong, where entire apartment buildings have been quarantined and most citizens have taken to wearing surgical masks. While Hong Kong is seen as the epicenter of the disease and has been an important transmission point, SARS is thought to have emerged from China’s Guangdong Province. The original case was diagnosed as “atypical pneumonia” in November 2002. Unfortunately, Chinese health authorities did little initially to inform health authorities nationally or internationally as the outbreak spread

within and outside its borders. To this day, Chinese authorities appear to be playing down the disease and the extent of danger in China.

Nonetheless, fear of the disease is intensifying. Reports of symptoms among passengers on a flight from Asia resulted in the quarantine of an aircraft when it landed in California. All components of the tourism industry, and especially airlines, are being badly hit as the WHO and national governments issue travel advisories. Fear of contagion has discouraged people from visiting public spaces such as restaurants and department stores. Trade shows and conventions are being canceled, as is business travel throughout the region. China's largest trade show, the China Export Commodity Fair, is scheduled to begin April 15 in Guangzhou. Last year, more than 120,000 people attended the fair, closing deals worth nearly \$17 billion. It is doubtful that that success will be replicated amid the climate of fear that now exists.

According to Morgan Stanley's Southeast Asian analyst, Andy Xie, SARS poses the gravest economic threat to the region since the 1997 financial crisis. Xie cut his yearly growth estimate for East Asia (excluding Japan) from 5.1 percent to 4.5 percent; two more months of the epidemic could tip several economies – Hong Kong, Singapore, and Taiwan – into recession. One estimate shows Hong Kong's GDP being reduced by up to \$815 million a month; over a full year, up to 6.0 percent of GDP. Other forecasts have cut growth in Thailand, Indonesia, the Philippines, and Malaysia by 0.5 percent. China's growth seems least affected – an about 0.3 percent decline is forecast – but this could get worse once the full extent of the problem is known.

While the new virus appears to have evolved and spread naturally, the delays and difficulties in identifying, reporting, and isolating the disease once again remind us of the global vulnerability to bio-terrorism and the relative ease with which an organism, in today's highly mobile, jet-age world, can spread from a remote region quickly around the globe. Economies and industries (especially international aviation) already weakened by the initiation of hostilities in Iraq may prove particularly vulnerable to this new disease. The double whammy of the war in Iraq and SARS caused a 30 percent drop in tourist arrivals in Hong Kong during the last week of March alone. While the war could be over soon, it is impossible to say how long-lasting or pervasive the SARS pandemic will become.

Regional Chronology January-March 2003

Jan. 2, 2003: Taiwan Vice DM Chen Chao-min says the U.S. military is likely to participate in the 2003 "Han Kuang" exercises.

Jan. 3, 2003: China warns the U.S. against taking part in Taiwan's annual war games.

Jan. 5, 2003: Ariz. Sen. John McCain says that the U.S. should allow Japan to develop nuclear weapons.

Jan. 5, 2003: PRC lodges protest against Japanese leasing of land on disputed Senkaku Islands.

Jan. 6, 2003: Indonesian police present first case to prosecutors against Bali bombing suspect Amrozi.

Jan. 6-12, 2003: Burma's junta leader Senior Gen. Than Shwe visits China.

Jan. 6, 2003: IAEA issues resolution calling on the DPRK to fully comply with its nuclear agreements.

Jan. 7, 2003: Trilateral Coordination Oversight Group meets; issues joint statement supporting IAEA resolution.

Jan. 9-12, 2003: Prime Minister Koizumi visits Moscow.

Jan. 10, 2003: North Korea announces withdrawal from the NPT, effective Jan. 11.

Jan 10, 2003: President Bush and PRC President Jiang Zemin confer by phone regarding North Korea's NPT withdrawal.

Jan. 10, 2003: President Putin and PM Koizumi issue joint statement condemning North Korea's NPT decision.

Jan. 12-14, 2003: Asst. Secretary of State James Kelly visits Seoul, meets ROK President-elect Roh Moo-hyun.

Jan. 14, 2003: Indonesian police arrest two more Bali bombing suspects.

Jan. 14-16, 2003: Asst. Secretary Kelly visits Beijing; China offers to host direct talks between the U.S. and DPRK.

Jan 14, 2003: PM Koizumi visits Yasukuni Shrine; PRC and ROK immediately condemn visit.

Jan. 15, 2003: President-elect Roh visits U.S. military headquarters in Seoul.

Jan. 16-19, 2003: Under Secretary of State John Bolton visits China.

Jan. 16, 2003: Asst. Secretary Kelly visits Singapore.

Jan. 17-18, 2003: Asst. Secretary Kelly visits Indonesia.

Jan. 17-18, 2003: Russian Deputy FM Losyukov visits Beijing to discuss North Korean nuclear program.

Jan. 17, 2003: Japanese FM Kawaguchi and President-elect Roh meet in Seoul and agree to build closer bilateral relations.

Jan. 19, 2003: Asst. Secretary Kelly visits Tokyo.

Jan. 19, 2003: Chinese FM Tang Jiaxuan meets Secretary of State Colin Powell in New York.

Jan. 18-21, 2003: Deputy FM Losyukov visits Pyongyang, meets with DPRK leader Kim Jong-il.

Jan. 20, 2003: Japan announces it will cut its contributions to the UN by 25 percent.

Jan 21, 2003: India signs deal with Russia to lease four long-range bombers and two submarines.

Jan. 21-23, 2003: Under Secretary Bolton visits South Korea.

Jan. 21-24, 2003: DPRK chief delegate Kim Ryong Song and South Korea's Unification Minister Jeong Se-hyun conduct Ninth Inter-Korean Ministerial talks in Seoul.

Jan. 23-25, 2003: Under Secretary Bolton visits Japan.

Jan. 24, 2003: JDA Chief Ishiba tells Diet that Japan could launch a preemptive strike if Pyongyang begins preparations for a missile attack.

Jan. 25, 2003: President Bush calls PM Koizumi; both agree to seek a peaceful solution to the Korean crisis.

Jan. 25, 2003: China Airlines flight from Taipei lands in Shanghai via Hong Kong, the first island carrier in 50 years to land in mainland China.

Jan. 27-29, 2003: South Korean envoy Lim Dong Won visits Pyongyang, meets with No. 2 Kim Yong-sun, but not Kim Jong-il.

Feb. 3, 2003: Defense Secretary Rumsfeld puts 24 long-range bombers on alert for possible deployment within range of North Korea to deter "opportunism."

Feb. 4, 2003: FM Tang meets Secretary Powell in New York.

Feb. 5, 2003: The ROK and DPRK re-open section of their land border for the first time in half a century. Nearly 100 South Korean tourism officials travel by bus to the Mt. Kumgang resort.

Feb. 5, 2003: North Korea announces it has reactivated its Yongbyon nuclear plant to produce electricity.

Feb. 6, 2003: North Korea warns that a decision to send more troops to the region could result in a preemptive attack on U.S. forces.

Feb. 7, 2003: President Bush phones President Jiang to urge him to do more to help resolve the North Korean nuclear standoff.

Feb. 10, 2003: South Korean opposition politicians demand special prosecutor be named to investigate government payments to the DPRK before President Kim went to Pyongyang.

Feb. 12, 2003: The IAEA declares the DPRK in breach of its nuclear nonproliferation commitments and refers the matter to the Security Council.

Feb. 13, 2003: China and Russia issue statement that the standoff over North Korea's nuclear program should be resolved through direct talks between Washington and Pyongyang.

Feb. 13, 2003: Japan urges the DPRK to reopen dialogue with the IAEA.

Feb. 13, 2003: DM Shigeru announces Japan would launch a military strike if it had firm evidence that the DPRK was ready to attack with ballistic missiles.

Feb. 14 2003: Outgoing President Kim apologizes for scandal surrounding the payment of money to the DPRK.

Feb. 14, 2003: DPRK dismisses the IAEA decision to refer the nuclear crisis to the U.N. as "interference in [its] internal affairs," calling the IAEA "America's lapdog."

Feb. 16, 2003: Hyundai Asan Corp Chairman apologizes for secret payment of \$500 million to DPRK to secure business rights and bring about the landmark June 2000 North-South summit.

Feb. 18, 2003: DPRK threatens to abandon the 1953 Korean War armistice if sanctions are imposed.

Feb. 18, 2003: Deranged arsonist starts fire on Taegu subway train, killing hundreds of ROK commuters.

Feb. 20, 2003: A DPRK MiG enters South Korean airspace (the first since 1983) for two minutes before being pursued across the border by South Korean fighters.

Feb. 20, 2003: Burma military junta invites the U.S. to open a "constructive dialogue toward humanitarian, economic and political development" on Burma's political future, saying the regime would "welcome American advice on making the transition to a stable democracy."

Feb. 22-23, 2003: Secretary Powell visits Tokyo.

Feb. 23-24, 2003: Secretary Powell visits Beijing; urges China to do more to resolve the DPRK nuclear crisis.

Feb. 24, 2003: China rejects Secretary Powell's appeal for a regional approach; calls for direct talks between the U.S. and the DPRK.

Feb. 24, 2003: The DPRK fires antiship missile into the East Sea/Sea of Japan.

Feb. 25, 2003: Roh Moo-hyun is inaugurated as ROK president, meets separately with PM Koizumi and Secretary Powell.

Feb. 25, 2003: Secretary Powell announces the U.S. will donate 40,000 metric tons of food to the DPRK.

Feb. 25, 2003: The UN charges former Indonesian armed forces chief Gen. Wiranto, among others, with crimes against humanity for violence surrounding East Timor's 1999 vote for independence.

Feb. 27, 2003: The DPRK restarts nuclear reactor at Yongbyon.

Feb. 28, 2003: Philippine President Macapagal-Arroyo orders military to defeat the Abu Sayyaf within 90 days, while chief of the armed forces announces that commanders who fail to perform will be replaced.

March 2, 2003: DPRK fighters intercept a USAF reconnaissance plane over the Sea of Japan about 150 miles off the DPRK coast.

March 2, 2003: Cuban President Castro meets PM Koizumi in Tokyo, offers to mediate the stand-off with the DPRK.

March 3, 2003: Kim Jong-il warns of a possible nuclear war if the U.S. attacks the DPRK.

March 3, 2003: JDA head Ishiba tells Diet that the SDF cannot protect Japanese people from North Korean ballistic missiles and can only minimize the damage.

March 3-8, 2003: Relatives and supporters of Japanese citizens abducted by the DPRK visit Washington.

March 4, 2003: The U.S. and South Korea begin a month-long annual joint military exercise "Fool Eagle" on the Korean Peninsula.

March 4, 2003: The U.S. deploys 24 B-1 and B-52 bombers Guam to deter any aggression by the DPRK.

March 5, 2003: The 10th National People's Congress (NPC) opens in Beijing.

March 5, 2003: President Macapagal-Arroyo announces there will be no combat role for U.S. troops in the southern Philippines.

March 5, 2003: France, Russia, and Germany pledge to block any UN resolution authorizing war in Iraq.

March 6, 2003: Secretary Rumsfeld says U.S. troops have become "intrusive" to South Korea and could be relocated or redeployed.

March 7, 2003: FM Tang meets with Secretary Powell on the sidelines of the UNSC meeting on Iraq.

March 7, 2003: U.S. Senate ratifies a treaty requiring the U.S. and Russia to reduce their nuclear arsenals by about two-thirds over the next decade.

March 8, 2003: DPRK rejects U.S. proposal for multilateral talks, reiterates demand for direct dialogue.

March 10, 2003: DPRK test fires antiship missile in the Sea of Japan; also accuses the U.S. of plotting an atomic attack.

March 10, 2003: Presidents Bush and Jiang have a phone conversation on North Korea and Iraq.

March 11, 2003: Washington issues protest against Pyongyang spy plane intercept.

March 11, 2003: UNICEF officials announces the DPRK will run out of food by June unless new aid pledges are given.

March 11, 2003: The U.S. announces it will send six radar-avoiding F-117A "stealth" warplanes to South Korea for "Foal Eagle."

March 12, 2003: The U.S. resumes military reconnaissance flights in the Sea of Japan.

March 12, 2003: Japan announces it is deploying an Aegis equipped destroyer to the Sea of Japan.

March 12, 2003: Indonesian Brig. Gen. Noer Muis sentenced to five years in prison for failing to prevent civilian massacres during East Timor vote for independence in 1999.

March 13, 2003: South Korea urges DPRK to enter into multilateral talks with U.S.

March 14, 2003: The World Health Organization announces hundreds of people in China, Hong Kong, and Vietnam have fallen ill from a mysterious respiratory illness.

March 14, 2003: President Roh, yielding to pressure, authorizes a special prosecutor to investigate payments to the DPRK.

March 16, 2003: VP Dick Cheney says North Korea nuclear program could force Japan to “readdress the nuclear question.”

March 16, 2003: At the conclusion of the NPC, President Jiang steps down and Hu Jintao is named his successor. Wen Jiabao becomes prime minister.

March 17, 2003: PM Wen announces Beijing seeks to resume dialogue with Taiwan under the “one China” principle.

March 17, 2003: President Bush issues 48-hour ultimatum to Saddam Hussein.

March 18, 2003: Russia’s lower house of Parliament indefinitely postpones ratification of U.S.-Russia nuclear arms reduction treaty because of U.S. threat of war against Iraq.

March 18, 2003: U.S. National Institute of Health announces measures to prevent the spread of a mysterious pneumonia.

March 18, 2003: President Bush calls Hu Jintao and congratulates him on his election as new PRC president.

March 20, 2003: U.S. Operation Iraqi Freedom begins against Iraq.

March 24, 2003: President Bush complains via telephone to President Putin about Russian firms providing military hardware to Iraq.

March 26, 2003: Russian FM Ivanov harshly criticizes U.S. action in Iraq.

March 26, 2003: South Korean Foreign Minister Yoon Yang-kwan meets with Secretary Powell in Washington.

March 27, 2003: JDA head Ishiba states that Japan will not develop nuclear weapons even if North Korea does so.

March 28, 2003: Japan launches first two of four planned spy satellites.

March 31, 2003: Matsui “Godzilla” Hideki makes major league debut with RBI single on the first pitch in NY Yankees season-opener.

U.S.-Japan Relations: How High is Up?

By Brad Glosserman
Director of Research, Pacific Forum CSIS

It just doesn't get any better than this. The dream of Japan becoming "the UK of Asia" doesn't seem so absurd after a quarter in which London and Tokyo proved to be the U.S.'s most reliable allies. Those two governments backed the U.S. attack on Iraq despite considerable opposition at home. In a marked contrast to the past, the government of Prime Minister Koizumi Junichiro has provided the U.S. with vocal political support, active diplomatic support, and expanding logistical support for the campaigns in Afghanistan and Iraq. New realism in Japanese security thinking has propelled the alliance from one high note to another.

It takes some searching – and some cynicism – to find dark clouds on this ever-expanding horizon. The possibility of the war going wrong is one danger – but in that case, the U.S.-Japan alliance is likely to be the least of the concerns. More realistically, dealing with North Korea is likely to be troublesome. It has been relatively easy for Washington and Tokyo to stay in step when dealing with Pyongyang because policy has been immobilized. When the logjam breaks and serious diplomacy begins, the strains will reveal themselves. And, of course, there is the continuing stagnation in the Japanese economy. The last quarter has proven the poverty of the current government's economic thinking; as the fiscal year ended, the government resorted to old tricks to inflate the stock market. This situation cannot continue. The U.S. cannot bear the economic and military burdens of war alone; Japan will have to step up.

The Best Ever

Any doubts about Prime Minister Koizumi's views of the importance of the U.S.-Japan alliance didn't survive the quarter. The two governments worked closely together throughout the run-up to war, consulting at almost every level of the bureaucracy. President George W. Bush and Koizumi talked on the telephone several times, and the prime minister repeatedly emphasized Japan's need to be "a responsible member of international society" and an ally of the U.S. Koizumi worked the phones ahead of the aborted UN vote on Iraq in mid-March. Even though the U.S. decision to forego a UN ballot was a repudiation of Japan's UN-centered diplomacy, Koizumi did not flinch. Speaking to the graduation ceremony of the National Defense Academy, Koizumi said "When the United States, an absolutely invaluable ally of our country, is sacrificing itself, it is natural for our country to back the move as much as possible." Speaking on the

phone to Bush just after the attack on Iraq commenced, Koizumi promised to work closely with the U.S. to help rebuild Iraq. According to the *Nikkei Weekly*, on March 24 Ambassador Howard Baker told the secretaries general of the three parties in the ruling coalition that the prime minister was one of the world's three active great leaders, joining Bush and British Prime Minister Tony Blair.

At the same time, U.S. diplomats such as Secretary of State Colin Powell, Deputy Secretary Richard Armitage and Assistant Secretary for East Asian and Pacific Affairs James Kelly have been equally engaged with their Japanese counterparts, coordinating policy on Iraq, North Korea, and the United Nations. In recognition of its efforts – and in a pointed contrast with the first Gulf War – Japan made the U.S. State Department list of countries supporting the U.S. in Iraq, even though the Japanese contribution would be restricted to reconstruction.

Japan's support was not merely diplomatic. Throughout the quarter, Tokyo stepped up logistical support for the coalition forces operating in Afghanistan. In early March, the Foreign Ministry announced that Maritime Self Defense Forces (MSDF) would provide refueling for Italian, Spanish, French, German, New Zealand, and Dutch warships participating in Operation Enduring Freedom, in addition to the U.S. and British vessels. This freed up U.S. logistics forces for support to Operation Iraqi Freedom.

At the onset of hostilities in Iraq, the Japan Defense Agency (JDA) ordered additional air surveillance by AWACS over the Sea of Japan and stepped up air and sea monitoring of North Korea. Similar U.S. flights are taking off from Kadena Air Force Base in Okinawa. The National Police Agency increased security at 174 U.S. military bases and facilities and at 162 embassies and facilities of countries supporting the United States. On another front, Japan has said that it will provide about \$104 million to Jordan and the Palestinian Authority to help them deal with the impact of war, and an additional \$5 million for international relief agencies, such as the Office of the UN High Commissioner for Refugees and the World Food Program. According to the *Nihon Keizai Shimbun*, Tokyo will send air force transports to the Middle East to deliver relief supplies as well as dispatch a medical support team to Syria. Japan has said that actions “to be considered in the light of future developments” include assistance to countries hurt economically by the war, measures for the disposal of weapons of mass destruction, minesweeping, and reconstruction and humanitarian assistance for Iraq.

Ambassador Baker summed up the official U.S. view in an interview with the *Yomiuri Shimbun* before the outbreak of hostilities. “Japan's staunch support for the U.S. position ... is perhaps a high point in the Japan-U.S. relationship in the last 50 years. ... With the possible exception of the United Kingdom, we have no better friend (than Japan) in the world.”

Koizumi's Gamble

The prime minister appears to be taking a gamble. According to a March 31 *Asahi Shimbun* poll, 65 percent of Japanese do not support the U.S.-led war on Iraq, an increase of 6 percent from the previous week's poll. "Support" dropped from 31 percent to 27 percent. (Japanese polling is always a little suspect, but there is little dispute that many if not most Japanese oppose the war.) At the same time, public support for the Cabinet itself is about even, with 43 percent behind the government and 42 percent opposed. In the previous survey, disapproval topped approval for the first time in nine months.

Given these numbers, Koizumi's strong support for the U.S. position seems like a high-stakes move, especially since he has no strength apart from his standing with the public. The prime minister is calculating that a quick victory in Iraq coupled with support for regime change in Baghdad – induced by Saddam Hussein's contempt for the UN and the threat that the Iraqi leaders will use or sell weapons of mass destruction – will strengthen Koizumi's standing by showing him to be a principled and resolute leader.

The North Korea Factor

There is another element in the prime minister's thinking, and this one does not reflect well on the alliance. Quite simply, it is the fear of abandonment. Many Japanese are increasingly concerned about the threat posed by North Korea and they worry that if Tokyo does not give the U.S. complete support in Iraq, the U.S. won't come to Japan's defense in the event of a crisis.

Pyongyang's willingness to climb the escalation ladder has set off alarms in Japan. Missile launches, the intercept of a U.S. reconnaissance aircraft, and the North's bellicose rhetoric have reminded many Japanese that they live in a dangerous neighborhood. A *Yomiuri Shimbun* poll indicates that 92 percent of Japanese are "very" or "slightly" anxious about North Korean missile launches. In a Cabinet Office survey, 75 percent of respondents identified the Korean Peninsula as the likeliest source of conflict involving Japan. Accordingly, the same survey showed that 73.4 percent said the Japan-U.S. Security Treaty is helpful for the nation's peace and security, and 72.1 percent think the current bilateral security arrangements should be maintained. Both figures are historic highs.

Nonetheless, the insecurity underlying this support for the alliance is troubling. U.S. officials have recognized Japanese fears and met them head-on. Secretary of Defense Donald Rumsfeld warned North Korea that the U.S. could successfully fight two wars at once and Lt. Gen. Thomas Waskow, commander of U.S. Forces Japan, hammered home the point, noting that the U.S. "commitment to Japan is absolutely a matter of record and the absolute commitment that we see is the extreme bedrock for security in the region." In remarks that were repeated in a *Yomiuri Shimbun* interview at the end of the quarter, Secretary Armitage told visiting Diet members that "if there is any attack on Japan, we consider it an attack on ourselves. That's what the alliance means..."

Both governments have tried to put flesh on the bones of that commitment. Washington and Tokyo have consulted regularly in bilateral and trilateral (Trilateral Coordination and Oversight Group) settings. In their statements, they remain committed to a diplomatic resolution of the North Korean situation and to a nonnuclear Korean Peninsula.

Japan's New Security Mindset

It is impossible to miss the progress in Japanese security thinking. In addition to the speed with which Japan has responded to the changing international situation and the prime minister's stiff spine, Japan has engaged in an unprecedented public and spirited debate about the country's security needs and priorities.

Perhaps the most important discussion has focused on Japan's right to preemptively strike a country showing unmistakable signs of a readiness to attack Japan – read North Korea. In January, JDA head Ishiba Shigeru said that Japan could use military force in self-defense if there was evidence that North Korea was about to launch a missile against it. He later clarified that comment, noting that in the event of an attack Japan could only clean up, sending in the SDF to respond in a humanitarian capacity, and would have to rely on the U.S. to take action on the country's behalf.

Apart from the limitations on Japan's defense that have become glaringly apparent, the debate has also underscored the absurdities of the prevailing interpretation of the peace constitution. At a recent track-two meeting, one Japanese participant noted that the current interpretation allows Japan to attack a missile while it was on the pad, but not once it was in the air. Equally absurd, Japan could launch a preemptive strike, but could not send minesweepers to assist the U.S.

Constitutional issues appear to be receding as Japan appears more ready to participate in a missile defense (MD) program. In February, a JDA spokesperson said that the two countries agreed to begin missile defense tests in the spring of 2004. A day later, Ishiba said that Japan would request ¥20 billion in FY2004 and 2005 for MD.

Finally, on March 28, the country launched the first two of four spy satellites that are intended to end Japan's reliance on U.S. intelligence. The photos won't be as good as those available from the U.S., Japan won't have the analysts to study them (training takes years), and the program is apparently driven as much by industrial needs as those of national security. Those caveats notwithstanding, the decision to proceed is a landmark for Japan.

Reluctant or not, the new realistic mindset is applauded by fans of the alliance on both sides of the Pacific. It holds out hope for a rejuvenated partnership, one that is alert to real dangers and is prepared to respond to them.

But No Nukes ...

Realism has its limits, however. This quarter was also punctuated by various calls for Japan to explore the nuclear option. Sen. John McCain called on the U.S. to “remove its objections to Japan developing nuclear weapons,” and the Cato Institute, a libertarian Washington-based think tank, said the U.S. should encourage both Tokyo and Seoul to go nuclear. Vice President Richard Cheney also speculated that North Korea’s nuclear threat would force Japan to respond in kind.

Japanese officials were quick to rebuff those suggestions. Chief Cabinet Secretary Fukuda Yasuo dismissed the Cheney comment. Japanese Ambassador to the U.S. Kato Ryozo bluntly said “There is no possibility of nuclear armament by Japan.” During the quarter, the JDA revealed that a 1995 study of the possibility of Japan developing such weapons concluded that the option would not promote Japan’s security. (It should be pointed out that the premise of some of the U.S. comments – that the U.S. is holding Japan back – is false. Japan could develop those weapons if it chose to do so; the JDA study confirms that the decision to abstain is the right one.)

Godzilla and Other Monsters

The bilateral alliance got another boost from Matsui Hideki, the former Yomiuri Giants slugger now playing for the New York Yankees. In his major league debut in Toronto, “Godzilla” hit an RBI single off the first pitch from Blue Jays right-hander Roy Halladay. Matsui is the first real Japanese power-hitter to make the transition to the majors, and he is under intense scrutiny. About 100 Japanese reporters covered his first outing and the entire scrum has been following his every move since he started spring training in Florida. He is likely to find major league pitching easier to battle than the press.

Godzilla wasn’t the only mythical creature figuring in bilateral relations. Gods, monsters, and witches were the main characters in “Spirited Away,” the film by Director Miyazaki Hayao that won this year’s Academy Award for Best Animated Feature Film. The Oscar was the most recent in a long list of awards given to the movie, which tells how a young girl struggles to cope with the loss of everything that is familiar to her and rediscovers immutable values that transcend the fashions of contemporary life.

The Thinking Remains the Same

Immutable values dominated economic policy-making this quarter, posing a sharp contrast with the progress on the security front. Indeed, there are good reasons to think that Koizumi’s position on security matters reflects the bankruptcy of his economic policies. Having come to office promising “reform without sanctuary,” the consensus view is that the government has run out of steam, and is bereft of new ideas and tactics. According to this line of thought, the prime minister has cast his lot with the U.S. because that is the only card he has left to play. While that misses some of the motivations behind his thinking on security policy, it is a sadly accurate portrait of economic policy-making.

The economy continues to slog along. The biggest development in the quarter was the stock market slide, a plunge that followed the march to war against Iraq and concerns about its impact on the U.S. economy and the dollar. On March 31, the end of the fiscal year, the Nikkei 225 dropped 307 points to close at 7,973, the lowest close for a fiscal year since 1982. Over the course of the year, market capitalization fell 27.6 percent, and shares in the Tokyo Stock Exchange's first section shed nearly \$590 billion in value.

That free fall is bad news for banks, which hold shares as assets. Declining share prices mean the banks will have to report huge losses – some ¥4 trillion – on their holdings and adjust lending accordingly. Some companies will have loans called in that they cannot repay.

The prospect of a new wave of bankruptcies is troubling, but some might say even more disturbing has been Japan's response. The old guard called for the traditional dollops of fiscal stimulus and abandoning – and even rolling back – reform. The Koizumi government and the Bank of Japan (BOJ) have abandoned all pretence of reform and resorted to old pricekeeping operations. The BOJ announced on March 20 it had purchased \$7.3 billion in shares since the beginning of the year; that amount was more than double the net investment of all other nonfinancial companies and institutional foreign investors in the market during that period.

The BOJ intervention signaled that its new leadership, under Gov. Fukui Toshihiko, is unlikely to embrace new policies to jumpstart the economy. Although Prime Minister Koizumi had said that he was looking for a “dedicated deflation fighter” to head the BOJ, in the end he took the conventional path and chose Fukui, an establishment figure with 44 years at the bank. The new governor is a member of the old order with close ties to the Finance Ministry. While he is unlikely to adopt the inflation targeting that some see as the solution to Japan's ills, he is not one to push for radical structural change either. In short, the muddling through will continue, and the decade-plus long economic slump will persist.

The Calm Before the Storm?

Tokyo's readiness to jump into the markets is, if nothing else, confirmation that Japan will not be the weak link in the global economy – as government officials and bureaucrats have long insisted. Unfortunately, that isn't going to serve as an acceptable benchmark for much longer. Reconstruction and rehabilitation of Iraq – and Afghanistan – are going to be slow and expensive processes. Japan has indicated that it wants to play a key role in both efforts. It will have to, given the increasing economic constraints on U.S. foreign policy courtesy of the tax cut, the war bill, and the excesses of the 1990s. Yet Japan's options are even more constricted, since it relies on exports and an undervalued yen to drive the economy. Both are threatened as the U.S. falters.

The much-touted coordination between Washington and Tokyo is likely to be strained when both governments turn their attention to North Korea. Given the Bush administration's feelings about the regime in Pyongyang and its predilection for muscle-

flexing, Japanese fears and the sense of vulnerability will probably increase when the three governments – don't forget Seoul – try to craft a solution to that crisis. When that happens, we will see how much goodwill was created by these halcyon days of the U.S.-Japan alliance. Enjoy it while it lasts ...

Chronology of U.S.-Japan Relations^a January-March 2003

Jan. 5, 2003: Ariz. Sen. John McCain insists that the U.S. should allow Japan to develop nuclear weapons.

Jan. 6, 2003: Japan's Aegis-equipped destroyer *Kirishima* arrives on station in Indian Ocean to back up U.S. forces under the antiterror law.

Jan. 7, 2003: Japanese Agriculture, Forestry and Fisheries Minister Oshima arrives in U.S. for meetings with USTR Robert Zoellick, Agriculture Secretary Veneman, and Deputy Secretary of State Armitage. Oshima tells reporters that "a considerable gap" exists between the two countries.

Jan. 14, 2003: PM Koizumi visits Yasukuni Shrine.

Jan. 15, 2003: California State Court of Appeals rules that the state constitution allows a private lawsuit brought against private Japanese companies by former Korean World War II POWs to proceed, despite State Department protests.

Jan. 18, 2003: Thousands march in Tokyo to protest war against Iraq.

Jan. 19, 2003: Assistant Secretary Kelly meets FM Kawaguchi and Chief Cabinet Secretary Fukuda in Tokyo to discuss North Korea's nuclear weapons program.

Jan. 21, 2003: California federal court dismisses 28 lawsuits against a Japanese company by former U.S. POWs taken prisoner by Japan during World War II.

Jan. 24, 2003: JDA head Ishiba tells Diet that Japan could launch a preemptive strike against North Korea if Pyongyang begins preparations for a missile attack.

Jan. 25, 2003: PM Koizumi and President Bush talk on the phone and agree to work closely to resolve issues surrounding Iraq and North Korea. They emphasize the need for a peaceful resolution of the North Korean issue.

Jan. 28, 2003: PM Koizumi vows to make annual pilgrimages to Yasukuni Shrine as long as he is in office.

^a Chronology compiled by Vasey Fellow Hamada Kazuko.

Jan. 30, 2003: The last of the nine families who lost kin in the Feb. 9, 2001, collision between the *Ehime Maru* and a U.S. submarine reaches a settlement with the U.S. Navy.

Feb. 4, 2003: N.C. Rep. Howard Coble says that Japanese Americans were interned for their safety during World War II, generating anger among Japanese Americans and Arab Americans.

Feb. 4, 2003: Maritime Self-Defense Force (MSDF) landing ship *Shimokita* leaves to offer rear-area support for U.S.-led antiterror efforts in Afghanistan.

Feb. 5, 2003: Secretary Armitage dispels speculation that Japan could develop nuclear weapons in a Senate hearing, emphasizing the importance of close U.S.-Japan ties to prevent Tokyo from going nuclear.

Feb. 6, 2003: PM Koizumi states at a Diet session that Japan must respond as “a responsible member of international society” and an ally of the United States if Iraq will not implement UN Security Council Resolution 1441.

Feb. 10, 2003: About 450 people attend memorial services in Honolulu on Feb. 9 and in Japan on Feb. 10 to mark the second anniversary of the Feb. 9, 2001 *Ehime Maru* accident.

Feb. 10, 2003: Vice Foreign Minister Takeuchi meets Secretary Armitage, saying that any U.S. led military action against Iraq should be backed by a UN resolution.

Feb. 12, 2003: Fourteen governors of prefectures hosting U.S. military bases call on the LDP to revise the Japan-U.S. Status of Forces Agreement.

Feb. 13, 2003: JDA head Ishiba says that Japan will use military force in self-defense if Tokyo finds evidence that North Korea is about to attack Japan with a ballistic missile, adding that the loading of fuel is enough to justify use of force. He also stresses the need for parliamentary approval of “crisis legislation” to broaden Japan’s ability to act militarily.

Feb. 17, 2003: Defense Agency spokesman says Japan and the U.S. have agreed to begin ballistic missile defense (MD) tests off Hawaii in the spring of 2004.

Feb. 18, 2003: JDA head Ishiba states that Japan plans to ask for ¥20 billion for MD tests during both FY 2004 and FY 2005.

Feb. 20, 2003: JDA spokesman reveals that the agency conducted a study on the development of nuclear weapons in 1995, and concluded that nuclear weapons options were not worth pursuing.

Feb. 22, 2003: Powell visits Tokyo for talks with PM Koizumi and FM Kawaguchi on plans for North Korea and Iraq.

Feb. 24, 2003: PM Koizumi nominates Fukui Toshihiko, former Bank of Japan deputy governor, as governor of the BOJ.

Feb. 24, 2003: U.S. and Japan hold working-level meeting of Security Consultative Committee in Tokyo.

Feb. 26, 2003: Secretary Armitage tells visiting members of the Democratic Party of Japan that a North Korean missile attack on Japan would trigger immediate U.S. “countermeasures.”

Feb. 26, 2003: Tokyo notifies Washington that it will not support the military expenses of Iraqi war, but it will shoulder the burden of Iraqi reconstruction after Saddam Hussein is ousted.

Feb. 27, 2003: U.S. announces plans to review the defense of Japan, including strengthening of interoperability with the SDF along with the assumption of Japan’s deployment of MD.

March 3, 2003: JDA head Ishiba tells Diet that the SDF cannot protect Japanese people from North Korean ballistic missiles and can only minimize the damage.

March 4, 2003: Richard Lugar, chairman of the Senate Foreign Relations Committee, offers support to family members of Japanese abductees in seeking help with the North Korean abduction issue after meeting them in the U.S.

March 11, 2003: PM Koizumi and FM Kawaguchi begin contacting six representatives of nonpermanent members of the UNSC by phone to win support for the British-U.S.-sponsored resolution.

March 11, 2003: The Nikkei average sinks to 20-year low, hitting 7,800-level.

March 11, 2003: Cabinet agrees to expand MSDF refueling operations in the Arabian Sea to other coalition warships as part of its logistic support for the military operation in Afghanistan.

March 11, 2003: Lt. Gen. Thomas Waskow, commander U.S. Forces Japan, confirms that U.S. protection in the event of a North Korean crisis is independent of Japan’s contribution to an attack on Iraq and any decision regarding the Iraq campaign is up to the Japanese government.

March 12, 2003: *Nihon Keizai Shimbun* reports that Tokyo will airlift relief materials and offer medical services to Syria as a part of UN PKO.

March 15, 2003: More than 20,000 people in Japan march to protest war against Iraq.

March 17, 2003: PM Koizumi gives total support to a U.S. announcement to take military action against Iraq unless Saddam Hussein surrenders within 48 hours.

March 17, 2003: Cabinet Secretary Fukuda rebuffs Vice President Cheney's March 16 comment that North Korea could force Japan to develop nuclear weapons.

March 19, 2003: The U.S. State Department publishes a list of 30 countries supporting the U.S. in the war against Iraq; Japan is identified as a contributor for "postwar" reconstruction, but not for military action.

March 19, 2003: Ambassador Baker acknowledges in an interview with *The Yomiuri Shimbun* and *The Daily Yomiuri* that Japan's unwavering support for the U.S. is a "high point" in the 50-year Japan-U.S. relationship.

March 20, 2003: Concerned about possible North Korean provocation, Tokyo orders increased air surveillance over the Sea of Japan, letting the ASDF AWACS join similar U.S. flights.

March 21, 2003: President Bush thanks PM Koizumi for publicly supporting U.S. action on Iraq in a telephone conversation and both leaders agree to collaborate in reconstructing Iraq with help from the international community.

March 21, 2003: The government agrees to strengthen security at 650 key facilities, including U.S. bases, embassies, and nuclear power plants.

March 21, 2003: FM Kawaguchi announces that Japan will contribute \$5.03 million to UNHCR, UNICEF, and the World Food Program.

March 23, 2003: At a graduation ceremony at the National Defense Academy, PM Koizumi emphasizes that the Japan-U.S. alliance is "invaluable" for Japan.

March 23, 2003: FM Kawaguchi announces that Japan will provide \$104.2 million to Jordan and the Palestinian Authority in grants and food aid respectively.

March 23, 2003: President of the Democratic Party of Japan Kan Naoto suggests that Japan should consider introducing MD.

March 23, 2003: Miyazaki Hayao, director of "Spirited Away," wins Oscar for Best Animated Feature Film.

March 24, 2003: Ambassador Baker states in his meeting with the secretaries general of the three ruling parties that in addition to Bush and British Prime Minister Tony Blair, PM Koizumi is one of the world's great leaders.

March 24, 2003: A *Yomiuri Shimbun* poll finds that 92 percent of respondents fear "very much" or "slightly" a North Korean missile attack.

March 27, 2003: During a Diet debate JDA head Ishiba says that Japan might need to acquire weapons capable of a preemptive attack on North Korea.

March 28, 2003: Japan's first two of four spy satellites are launched from Tanegashima Space Center.

March 28, 2003: PM Koizumi denies in a Diet hearing that Tokyo intends to possess offensive weapons.

March 30, 2003: According to the *Sankei Shimbun*, a Cabinet Office survey finds that 75 percent of respondents fear Japan's involvement in a conflict caused by North Korea and more than 70 percent rely on the Japan-U.S. Security Treaty and its bilateral security arrangements to protect Japan.

March 31, 2003: *Asahi Shimbun's* telephone survey finds that 65 percent of respondents oppose the U.S.-led war against Iraq.

March 31, 2003: Matsui Hideki, "Godzilla," makes major league debut with an RBI single on the first pitch, sending the New York Yankees on the way to victory in their season-opener.

U.S.-China Relations: China and the U.S. Disagree, but with Smiles

by Bonnie S. Glaser
Consultant on Asian Affairs

A flurry of diplomatic activity took place this quarter as Chinese and U.S. officials conferred on how to compel Iraqi President Saddam Hussein to relinquish his weapons of mass destruction and manage the emerging crisis over the North Korean nuclear weapons programs. Beijing opposed the U.S. military strike on Iraq, but was cautious to prevent its antiwar position from damaging the bilateral relationship. U.S. and Chinese presidents engaged in telephone diplomacy and U.S. Secretary of State Colin Powell consulted frequently with Chinese Foreign Minister Tang Jiaxuan on the sidelines of meetings at the United Nations in New York. United States Trade Representative Robert Zoellick visited China to discuss the repercussions of its entry into the World Trade Organization (WTO), ongoing Chinese economic reforms, bilateral trade issues, and current global trade negotiations. Cooperation on counterterrorism advanced with the convening of the third U.S.-China antiterrorism consultation and the second meeting on cutting financial fund links to terrorists.

Telephone Diplomacy

Telephone diplomacy was the hallmark of U.S.-China relations this quarter. President George W. Bush held three phone conversations with Chinese leaders, two with Jiang Zemin in January and February, and one with Hu Jintao in March following his succession to Jiang as president of China. The first phone call came on the heels of North Korea's declaration of its intention to withdraw from the Nuclear Non-proliferation Treaty (NPT). Bush seized the opportunity to enlist Beijing's support in condemning Pyongyang's dangerous action. "This binds us in common purpose," Bush told Jiang in the 15-minute conversation, and pledged that the U.S. "has no hostile intentions toward North Korea" and seeks a peaceful solution to the standoff. Jiang denounced North Korea's withdrawal from the NPT and reiterated China's commitment to the preservation of a nonnuclear Peninsula. He highlighted the importance of safeguarding the international nuclear nonproliferation system and promised to work with all parties concerned to promote an early peaceful settlement of the DPRK nuclear issue.

The next presidential phone call, which took place almost one month later on Feb. 7, focused on North Korea's provocations and unwillingness to comply with its commitments to refrain from developing nuclear weapons. Jiang reportedly restated

China's opposition to nuclear weapons on the Peninsula and expressed hope that all sides would make joint efforts to push for the peaceful settlement of the DPRK nuclear issue. President Bush told reporters that he reminded the Chinese president that "we have a joint responsibility to uphold the goal (of) a nuclear weapons-free Peninsula." Although the Chinese press reported the exchange as amicable, a Chinese Foreign Ministry official privately admitted that President Bush was "tougher" compared to the previous month's discussion. "We feel the urgency of the United States," the official noted, adding that Bush clearly "wants China to do more."

On March 18, Bush phoned Hu Jintao to congratulate him on his election as China's president. The conversation touched on Chinese domestic and foreign policy, U.S.-China relations, and once again, North Korea. According to the Chinese media, Bush stated "U.S. willingness to work closely with China to continue moving bilateral relations forward" and reaffirmed that the U.S. would adhere to the one-China policy, abide by the three China-U.S. joint communiqués, and would not support Taiwan independence. Hu replied that China is willing to work with the U.S. to promote a healthy and stable development of China-U.S. relations for the benefit of the peoples of the two countries. Bush's message to Hu on North Korea's nuclear weapons program was omitted. Hu stressed that the key to resolving the impasse lies in "launching some form of dialogue as soon as possible, especially dialogue between the United States and the DPRK. In the meantime," Hu added, "actions that could further escalate the situation should be avoided."

Convergence and Divergence Over North Korea

In addition to presidential phone conversations, several senior U.S. officials visited Beijing to discuss security matters, which in essence meant the challenges posed by the refusal of both Iraq and North Korea to disarm in accordance with their international commitments. In mid-January, Assistant Secretary of State for East Asian and Pacific Affairs James Kelly stopped in China after visiting Seoul. Under Secretary of State John Bolton and his Chinese counterpart Vice Foreign Minister Wang Guangya held the first round of vice-foreign ministerial consultations on strategic security, multilateral arms control, and nonproliferation later that month. In early February, Director of the State Department's Policy Planning Staff Richard Haass conducted consultations with senior Chinese officials. At the end of that month, Secretary of State Colin Powell traveled to Beijing.

On North Korea's nuclear weapons program, U.S. and Chinese officials agreed in principle that the Korean Peninsula should remain free of nuclear weapons, but the two sides differed on how to achieve that objective. U.S. officials insisted that North Korea's nuclear activities pose a threat to regional stability and to the global nonproliferation regime and therefore must be discussed multilaterally. The Chinese initially chose to carry Pyongyang's water by calling for a bilateral U.S.-North Korea dialogue to resolve the issue, but later shifted to a position endorsing any form of dialogue that would promote a peaceful settlement. They continued, however, to emphasize that the crux of the problem was between Washington and Pyongyang and therefore direct talks between

those two parties was of paramount importance. During Kelly's mid-January visit to Beijing, the Chinese offered to host a bilateral U.S.-North Korea dialogue in Beijing, but the U.S. did not take them up on their proposal.

Differences also prevailed in U.S. and Chinese assumptions and assessments of critical issues at play in the North Korean equation. Beijing remained skeptical of the U.S. judgment that North Korea possesses 1-2 nuclear weapons and will soon have the capability to produce many more. Thus, from the Chinese perspective, the situation is not as urgent as it is in the eyes of the Bush administration. The United States refrained from terming the North Korea situation a crisis, but only because of the priority that the administration accorded to Iraq and its preference for dealing with the two challenges sequentially rather than simultaneously. On the issue of Kim Jong-il's intentions, the Chinese government bases its policy on the estimation that the North Korean leader is willing to use nuclear weapons as a bargaining chip to obtain economic assistance and security assurances from the West. The Bush administration does not exclude the possibility that Kim will bargain away his weapons of mass destruction (WMD) programs, but considers it possible that North Korea's leader is determined to develop nuclear weapons and will refuse to relinquish the WMD programs regardless of the carrots that are tendered.

Beijing also harbors doubts about U.S. intentions. Despite assurances from the Bush administration that it had no intention to attack North Korea and preferred to resolve the standoff peacefully, the Chinese worried that a preemptive strike might nonetheless be undertaken if diplomatic efforts do not succeed. Many Chinese also suspect that Bush's real aim is not limited to removing North Korea's WMD, but instead extends to bringing about regime change. That prospect is alarming to the Chinese who fear that the consequences of instability in North Korea could be even more harmful to Chinese security than the emergence of yet another nuclear neighbor.

As North Korea escalated tensions by moving previously stored spent fuel rods, re-starting its nuclear reactor, and test firing missiles off its coast, there was palpable impatience in Washington that China was not doing enough to prevent the emergence of full-blown crisis. Two weeks prior to his departure for Beijing, Secretary Powell declared on Fox Sunday News that the Chinese "have considerable influence with North Korea ... Half their foreign aid goes to North Korea. Eighty percent of North Korea's wherewithal, with respect to energy and economic activity, comes from China. China has a role to play," Powell asserted, saying, "I hope that China will play that role."

At the same time, there was growing frustration in Beijing that Washington was failing to duly recognize China's efforts to play a constructive role to resolve the impasse over North Korea's nuclear weapons programs. Not only had Chinese officials faithfully conveyed messages between the U.S. and North Korea, the Chinese complained, but Beijing also held frank discussions with North Korean representatives in which the Chinese claim to have called Pyongyang's attention to the dangerous consequences of its actions. Moreover, China voted in the International Atomic Energy Agency (IAEA) to refer the North Korean nuclear issue to the UN Security Council, while Russia and Cuba

abstained. Chinese officials also told U.S. media of their impatience with persistent U.S. demands for support on the war on terror, Iraq, and North Korea, without U.S. willingness to alter U.S. policy where it matters most to China – i.e., Taiwan.

Powell sought to soothe Chinese irritation in the press conference following his talks with Chinese leaders. Noting that the Chinese “are anxious to play as helpful a role as they can,” the secretary of state indicated that he had thanked Chinese leaders for their efforts to resolve the emerging crisis over North Korea’s nuclear weapons programs. Powell also expressed U.S. appreciation for Beijing’s consistent message to the North Koreans that China joins the rest of the world community in expecting Pyongyang to comply with its obligations and its own promises with respect to nuclear weapons. He cryptically added that Beijing was quietly undertaking initiatives with North Korea that he was unable to discuss publicly.

Beijing Demands Iraq Disarm, but Opposes Force

In separate discussions with Assistant Secretary of State Kelly and Under Secretary of State Bolton in January, Chinese officials underscored the importance of achieving a consensus among the permanent members of the UN Security Council on the question of Iraq. The Chinese emphasized common positions with the U.S. on the importance of disarming Iraq of its weapons of mass destruction and preserving the credibility of the UN by strictly implementing past UNSC resolutions aimed at achieving that objective and expressed their hope that the Iraq situation would be solved peacefully through diplomatic means. In addition, Beijing voiced concern about the possible negative consequences of a war in Iraq, including rising oil prices, civilian casualties, and regional instability. If war is unavoidable, the Chinese asked that their commercial and economic interests be protected.

In early February, as the U.S. decision to launch a military attack on Iraq drew nearer, Beijing abandoned its public posture of straddling the fence and rallied behind France, Germany, and Russia in urging more time for weapons inspections in Iraq. In doing so, however, China carefully hewed to the policy of following the lead of the other major powers that opposed U.S. unilateralism in Iraq and scrupulously avoiding getting out in front. In a phone conversation between the Chinese and U.S. presidents on Feb. 7, Jiang agreed with Bush that Saddam Hussein must be disarmed, but he also asserted that the UN weapon inspectors in Iraq be given more time, adding that “it is the common aspiration of the international community to safeguard the Security Council’s authority when dealing with significant issues like the Iraq issue.”

China’s official news media, which had assiduously avoided excessive criticism of the United States and Bush administration foreign policy up to that point, adopted a decidedly harsher tone in its coverage of U.S. policy toward Iraq. Articles boldly portrayed the Bush administration’s plan to attack Iraq as aimed at preserving the status of the United States as the sole hegemon in the world and warned of the dangers of U.S. unilateralism and the Bush doctrine of preemptive war. Also in mid-February, a small group of Chinese scholars presented a petition to U.S. Embassy officials in Beijing to

protest the planned war against Iraq. It was signed by 506 Chinese scholars and students, including some from Hong Kong and Taiwan.

Beijing was likely relieved that after several weeks of haggling with the other UNSC members, the U.S. decided not to ask the UN Security Council to vote on a new draft resolution on the Iraq issue. Had a vote been taken, China probably would have abstained rather than veto to avoid a negative backlash in its relations with the United States. Nevertheless, China continued to oppose the use of military force, even after Bush issued a 48-hour ultimatum to Saddam Hussein to leave the country with his sons or face a military invasion. China's newly appointed President Hu Jintao spoke with his U.S. counterpart one day following Bush's announcement that the diplomatic clock had run out of time and told him that "China has consistently advocated a political resolution of the Iraq issue within the framework of the United Nations. We hope for peace and do not want war."

As the war got underway, China's Foreign Ministry, in a statement, said Beijing objected to the military action, but also recalled that it had consistently urged the Iraqi government to "fully and earnestly" comply with Security Council resolutions to disarm. China's Foreign Ministry spokesman charged that the U.S. decision to bypass the UN Security Council to launch military actions against Iraq was a violation of the UN Charter and the basic norms of international law. Tang Jiaxuan, who had just been promoted from foreign minister to state councilor, told Powell in a phone call that China sought an immediate halt to military operations "so that the Iraq issue can be returned to the current track of a political solution."

Progress in Trade Ties

The top U.S. trade official, Robert Zoellick, visited China Feb. 17-20 to discuss the impact on China of its joining the WTO, ongoing Chinese economic reforms, bilateral trade issues, and current global trade negotiations. In Beijing, Zoellick held talks with then Vice Premier Wen Jiabao and Minister of Foreign Trade and Economic Cooperation Shi Guangsheng and launched the U.S.-China Trade Dialogue, a new bilateral forum designed to bring together U.S. and Chinese officials from throughout their respective governments to discuss bilateral trade issues, resolve potential disputes, and foster cooperation on issues within the ongoing Doha global trade negotiations.

From Beijing, Zoellick traveled to Chongqing, Shenzhen, and Hong Kong. In Chongqing he toured a recently opened Ford factory that makes automobiles for the domestic Chinese market, visited an open produce market that sells top quality U.S. produce to Chinese consumers, met with Chongqing officials to underscore that Chongqing's implementation of its share of WTO rules is essential to enable that city to successfully compete and attract investment, and talked with students to applaud Chinese government efforts to educate its people on the importance to China of its membership in WTO. In Shenzhen, Zoellick visited a Wal-Mart store that provides Chinese consumers with more consumer choice, better quality goods, and lower prices.

At a press roundtable following discussions with Chinese officials in Beijing, Zoellick was generally upbeat about the progress made just over one year after China's entry into the WTO, noting that China had been lowering tariffs, making its regulations understandable and transparent, and granting more licenses to foreign insurers and other financial services companies. He drew a comparison between the 1972 Shanghai Communiqué and China's accession to the WTO, saying that while the former agreement had helped shape political ties between the U.S. and China, joining the WTO is helping to strengthen U.S.-China trade ties. He described his trip as an effort to emphasize "a new and deeper phase in U.S.-China economic relations" in the aftermath of China's WTO entry.

Zoellick acknowledged that although Beijing has made important progress in reforming its economy, U.S. concerns persist that in some areas, especially agriculture, Americans are not getting the access the Chinese promised and which the WTO mandates. China has been slow to lower tariffs on a few crops and has imposed restrictions on imports of U.S. genetically modified soybeans, despite growing some genetically modified crops of its own. The Chinese claim that safety tests are needed, but U.S. farmers are suspicious that Beijing is trying to restrict imports for commercial reasons and charge that China is applying a kind of licensing system that is illegal under WTO rules. Other near-term problems that Zoellick addressed in his discussions with Chinese officials included biotechnology, intellectual property issues, and the capitalization requirements for financial firms.

Cooperation on Terrorism Advances

On Feb. 18 and 19 respectively, the third U.S.-China antiterrorism consultation and the second meeting on cutting off financial fund links to terrorists were held in Beijing. State Department Counterterrorism Coordinator Ambassador J. Cofer Black hailed cooperation between China and the United States in the war on terrorism as "highly successful" and expressed America's gratitude for the assistance China has provided United Nations counterterrorism organizations as well as for its aid to the reconstruction of Afghanistan. "Our two nations are engaged very closely in the war on terrorism," and share a "commonality of interests" in combating al-Qaeda and other terrorist groups, Black said at a news conference following the talks.

A central topic of this round of antiterrorism talks was the exchange of intelligence and the crucial importance of intelligence sharing in the effort to eradicate terrorists. The two sides also discussed law enforcement and the issue of security at the 2008 Olympics, which is slated to be held in Beijing. Black indicated U.S. willingness to provide support to the Olympic security network and expressed his hope that U.S.-Chinese cooperation in the war on terror would enhance safety at the 2008 Olympics.

China's Foreign Ministry spokesperson lauded the two working group meetings as "positive, practical, fruitful, and conducive to furthering bilateral antiterrorism cooperation." Commenting on the discussions, the spokesperson emphasized that both sides viewed the strengthening of U.S.-China antiterrorism cooperation as conducive to

the advancement of international antiterrorism activities and of the bilateral relationship as well. *Xinhua News Agency* reported that the next two rounds of consultations would take place in the latter half of 2003 and in 2004.

In another step forward on the counterterrorism front, the Chinese moved closer to signing the Container Security Initiative (CSI), the Bush administration's endeavor to place U.S. Customs agents at ports of origin to screen shipments bound for the U.S. Speaking to the Terminal Operating Conference 2003 at the Hong Kong Convention and Exhibition Center in late February, Deputy U.S. Customs Commissioner Douglas Browning described ongoing discussions between the U.S. and China on getting Beijing to sign on to the CSI as "very healthy" and expressed hope that the agreement would be completed by early summer at the latest. When China signs, phase one of the CSI, which involved gaining cooperation from the top 20 "megaports" exporting to the U.S., will have been completed. Shanghai, which shipped approximately 3.4 million boxes to the U.S. last year or roughly 7 percent of its containerized imports, is number two in the top 20, after Hong Kong, which shipped about 10 percent.

Proliferation Remains a Problem

Evidence surfaced this quarter of persisting U.S. concerns about Chinese proliferation activities, although the issue received little attention in the media and took a back seat to the more pressing issues of Iraq and North Korea in discussions between senior U.S. and Chinese officials. In early February, the U.S. Director of Central Intelligence George Tenet delivered a briefing to Congress on "The Worldwide Threat in 2003," in which he called attention to possible violations of Chinese promises to refrain from assisting countries seeking to develop nuclear-capable ballistic missiles. "Chinese firms remain key suppliers of ballistic- and cruise missile-related technologies to Pakistan, Iran, and several other countries," Tenet asserted.

In Secretary Powell's press conference in Beijing following his talks with Chinese leaders, he implied that there is a gap between China's stated intentions to control the export of WMD technology and its actual performance. Noting that the U.S. welcomes China's promulgation last fall of missile, chemical, biological, and munitions-related export controls, Powell emphasized that, "What is now key is full implementation and effective enforcement of the regulations through a transparent process." Hinting that leakage is still taking place, Powell maintained that companies and individuals must be held responsible for adhering to China's new laws and regulations.

Relations May be Tested

The firmness of U.S.-Chinese relations may be tested in the coming months as the war on Iraq proceeds and the crisis over North Korea's nuclear weapons programs intensifies. If the military operation in Iraq goes smoothly, a comprehensive effort is launched for the postwar reconstruction of Iraq, and the Bush administration is able to repair its alliances, then U.S.-China relations will hardly be affected. But if the Bush administration were to become bogged down in Iraq or the war leads to a major economic downturn that is

accompanied by a loss in support at home and abroad, Beijing might perceive opportunities to press for advantage that would cause new friction in the relationship. In either case, China will continue to evaluate the long-term implications of the U.S. military strike on Iraq for U.S. power and policies, and adjust its behavior accordingly.

Regarding U.S.-China relations and the Korean issue, as long as the Bush administration adheres to a policy of finding a peaceful solution through dialogue, Beijing and Washington will be able to sustain cooperation. Successful bilateral cooperation to remove the threat of nuclear weapons from the Korean Peninsula and establish a roadmap for achieving a permanent peace on the Peninsula would bolster the nascent U.S. partnership with China. Although other bilateral problems would persist, including in the areas of trade, human rights, non-proliferation, and Taiwan, differences on these issues would become easier to manage as a result of increased mutual strategic trust. Beijing's willingness to take risks in support of shared security objectives would ease American suspicions that China seeks to divide the U.S. from its allies and expel U.S. forces from Asia. It might set the stage for broader cooperation to establish an enduring multilateral security mechanism in Northeast Asia. Bilateral cooperation in the war on terror would likely flourish. China might even adopt a more flexible posture toward Taipei and take steps to reduce cross-Strait tension.

On the other hand, if the current North Korea nuclear situation continues to fester and further deteriorates, frustration in Washington over Beijing's unwillingness to actively mediate will grow. If the Bush administration presses for sanctions or the use of military force, a sharp rift between the U.S. and China could emerge. Possible negative scenarios include the emergence of a declared nuclear-armed North Korea, a damaging and costly military conflict on the Peninsula, and the proliferation of nuclear materials from North Korea to U.S. adversaries. In all of these scenarios, China will be blamed as contributing to or, even worse, shouldering responsibility for the problem. Worst of all, from the perspective of future bilateral relations, President Bush may end up feeling disillusioned about the nascent U.S.-Chinese partnership.

Chronology of U.S. - China Relations January-March 2003

Jan. 7, 2003: The CIA issues a report on weapons proliferation trends covering July 1-Dec. 31, 2001 that cites China as a key supplier of various technologies and weapons expertise.

Jan. 9, 2003: Secretary of State Colin Powell talks to Chinese FM Tang Jiaxuan by phone about North Korea's nuclear weapons program.

Jan. 10, 2003: President George W. Bush talks by phone with Chinese President Jiang Zemin following North Korea's announcement it is withdrawing from the Nuclear Non-Proliferation Treaty.

Jan. 14-16, 2003: The third meeting of the U.S.-China Working Group on Climate Change is held in Beijing.

Jan. 14-16, 2003: U.S. Assistant Secretary of State for East Asian and Pacific Affairs James Kelly visits Beijing from Seoul to discuss the impasse over North Korea's nuclear weapons programs.

Jan. 16, 2003: President Jiang meets a delegation from the U.S.-China Interparliamentary Exchange of the U.S. House of Representatives led by Don Manzullo.

Jan. 19, 2003: On the eve of an antiterrorism meeting of foreign ministers sponsored by the United Nations Security Council, China's FM Tang meets Secretary Powell.

Jan. 20, 2003: Vice Foreign Minister Wang Guangya and Under Secretary of State John Bolton hold the first round of China-U.S. vice-foreign-ministerial-level consultations on strategic security, multilateral arms control, and counterproliferation in Beijing.

Feb. 4, 2003: FM Tang meets Secretary Powell in New York as both attend a UNSC meeting.

Feb. 7, 2003: President Bush phones President Jiang to urge him to do more to help resolve the standoff over North Korea's nuclear weapons program.

Feb. 11, 2003: Director of Central Intelligence George Tenet delivers the "The Worldwide Threat in 2003: Evolving Dangers in a Complex World," which contains a section on China.

Feb. 11, 2003: Director of the State Department's Policy Planning Staff Richard Haass holds talks with Chinese counterparts on a broad range of international security issues.

Feb. 12, 2003: China, a member of the IAEA Board of Governors, votes to refer the North Korean nuclear issue to the UN Security Council.

Feb. 17-20, 2003: Robert Zoellick, the United States trade representative, travels to Beijing, Chongqing, and Shenzhen to discuss issues in U.S.-Chinese trade.

Feb. 18, 2003: Four Chinese intellectuals hand petition (signed by 906 scholars and students) to U.S. Embassy officials in Beijing opposing the war in Iraq.

Feb. 18-19, 2003: Ambassador J. Cofer Black, director of the State Department's anti-terrorism office, visits Beijing to conduct the third China-U.S. antiterrorism consultation and the second consultation on financial antiterrorism.

Feb. 24, 2003: Secretary Powell holds talks in Beijing with Chinese leaders.

Feb. 24, 2003: Secretary Powell holds a press conference in Beijing after talks with Chinese leaders; participants include *China Youth Daily*, *USA Today*, *CCTV*, *CNN*, and *21st Century World Herald*.

Feb. 24, 2003: Xiong Guangkai, deputy chief of the General Staff of the Chinese People's Liberation Army, meets with a delegation of officers from the U.S. National Defense University Capstone Program.

Feb. 26, 2003: U.S. Customs Service Deputy Commissioner Douglas Browning speaks at Terminal Operations Conference 2003 in Hong Kong entitled "Pushing Security Borders Back to Origin."

March 5, 2003: The 10th National People's Congress (NPC) opens in Beijing, China.

March 5, 2003: Two top U.S. aerospace companies, Hughes Electronics Corporation, a unit of General Motors, and Boeing Satellite Systems, agree to pay a record \$32 million in fines to settle civil charges that they unlawfully transferred rocket and satellite data to China in the 1990s.

March 7, 2003: FM Tang meets with Secretary Powell on the sidelines of the UNSC meeting on Iraq.

March 10, 2003: Presidents Bush and Jiang have a scheduled phone conversation on the subjects of North Korea and Iraq.

March 16, 2003: At the conclusion of the annual session of the NPC President Jiang steps down and Hu Jintao, current party secretary, is named as his successor.

March 11, 2003: The House of Representatives unanimously passes a bill authorizing the U.S. to seek observer status for Taiwan at the World Health Organization.

March 17, 2003: Newly appointed Chinese Foreign Minister Li Zhaoxing confers by phone with Secretary Powell on Iraq.

March 18, 2003: President Bush phones Hu to congratulate him on his election as Chinese president and discusses Iraq, North Korea, and China-U.S. relations.

March 19, 2003: The China-U.S. Metropolis Green Environment Seminar convenes in Beijing to discuss construction of green metropolises.

March 20, 2003: Secretary Powell phones State Councilor Tang Jiaxuan who relates China's position that military actions against Iraq should avoid civilian casualties and calls for an immediate halt to U.S. military operations in Iraq.

March 21, 2003: Charles Li, a U.S. citizen, is sentenced to three years in prison and deportation by a Chinese court after being convicted of sabotaging broadcast facilities in connection with the outlawed Falun Gong spiritual movement.

March 28, 2003: China provides an exit visa to Tibet's longest-serving female political prisoner, Ngawang Sangdrol, permitting her to seek medical treatment in the U.S.

March 29, 2003: Jerry D. Jennings, deputy assistant secretary of defense for POW and missing personnel affairs, concludes visit to China during which specialists discuss cooperation in resolving POW and MIA cases. The team explored options for gaining information from Chinese archival materials at the national and provincial levels.

U.S.-Korea Relations:

Tensions Escalate as the U.S. Targets Iraq

by Donald G. Gross
Adjunct Professor

Yonsei University Graduate School of International Relations

Sharp rhetorical attacks and military friction between the U.S. and North Korea mounted this quarter, reaching the highest level since the 1994 nuclear crisis. With South Korea insisting that war was not a feasible option, North Korea withdrew from the Nuclear Non-Proliferation Treaty (NPT), restarted a nuclear reactor, tested two surface-to-surface missiles, sent a fighter into South Korean airspace, and shadowed a U.S. reconnaissance plane. For its part, the Bush administration downplayed the provocative North Korean actions and, while hesitating to negotiate bilaterally with Pyongyang, underlined its commitment to peaceful diplomacy. By deploying new military assets to the region and conducting regular military exercises, the administration elevated its deterrent posture on the Peninsula, even as it concentrated its main foreign policy efforts on bringing about “regime change” in Iraq.

Trilateral Diplomatic Coordination

At the outset of the quarter, amid a high level of tension between the U.S. and North Korea, U.S., South Korean, and Japanese officials met in Washington, D.C. for their regular Trilateral Coordination and Oversight Group (TCOG) meeting. Going into the meeting, South Korea announced its intention to “mediate” between Washington and Pyongyang on security issues. South Korea offered a proposal that the U.S. provide North Korea with security guarantees against attack by the United States, in exchange for an end to the North’s nuclear program.

Bush administration officials were reportedly incensed that South Korea, a close U.S. ally, would even rhetorically put the U.S. on the same diplomatic footing as North Korea by offering a compromise proposal. Not surprisingly, the South Korean proposal came to naught. Instead, the trilateral meeting emphasized the common element in the U.S., South Korean, and Japanese positions: all three governments sought a peaceful resolution to the nuclear issue with North Korea. The TCOG further endorsed the International Atomic Energy Agency (IAEA) adoption of a resolution calling on North Korea to comply with its obligations under the NPT.

At the TCOG, the Bush administration maintained the core principles of its hardline approach toward North Korea that it adopted since October 2002, when North Korea allegedly admitted the existence of a uranium enrichment program to U.S. diplomats. The U.S. stressed that it would not enter into bilateral negotiations with North Korea unless Pyongyang verifiably shut down its nuclear program. Without such a first step by North Korea, the administration argued that even entering into bilateral talks would be a form of appeasement – a sign of weakness in the face of North Korean threats. Nevertheless, the administration coupled its refusal to talk to North Korea with a declaration that it was committed to a peaceful resolution of the nuclear issue.

In the past, the Bush administration appeared divided into at least two factions on how to deal with North Korea – a moderate faction that advocated diplomatic negotiations for the purpose of threat reduction and a more conservative faction that argued for isolating North Korea until it acceded to U.S. demands or collapsed. But in the tense atmosphere that existed throughout this quarter, administration views seemed to coalesce around a hardline approach.

North Korea Withdraws from the NPT

North Korea reacted negatively to the results of the TGOC meeting and to the administration's continued refusal to enter into direct bilateral negotiations. On Jan. 10, Pyongyang announced that it would withdraw from the NPT, effective immediately. North Korea's decision seemed especially destabilizing, since it paralleled the treaty withdrawal announcement in 1993 that led to a crisis over Pyongyang's capability to develop nuclear weapons – and nearly precipitated a preemptive U.S. attack. At that time, only the diplomatic intervention by former President Jimmy Carter, who reached a compromise agreement with North Korean leader Kim Il-sung, broke the chain of events that seemed to be leading ineluctably toward war.

North Korea's decision to withdraw from the NPT – with the implication it would restart its nuclear energy program to produce fissile material for nuclear weapons – was the first of a series of threatening steps Pyongyang took during the quarter to put pressure on the U.S., South Korea, and Japan. North Korea adhered consistently to a coercive game-plan, ratcheting up diplomatic and military pressure on its perceived adversaries if its demands for direct talks with the U.S. were not met.

At no time did Pyongyang apparently attempt to nuance its strident actions toward the U.S. with steps toward a peaceful solution or a willingness to make any concessions of its own. Presumably, there were two strategic intentions behind this approach. On the one hand, North Korea likely expected the U.S. administration to choose to avoid conflict by gradually accommodating some of Pyongyang's demands. On the other hand, Pyongyang likely was attempting to exploit the stark difference in points of view between the U.S. and Seoul on how to best deal with North Korea.

South Korea Rejects the Possibility of War

For its part, the Kim Dae-jung government, in a position later adopted by President-elect Roh Moo-hyun and his advisers, consistently reiterated its commitment to avoid war on the Peninsula while condemning Pyongyang's withdrawal from the NPT and its nuclear program. In urging the U.S. to enter into direct negotiations with North Korea, Seoul asserted its willingness to play an active role in resolving the nuclear issue. This overall position, which evolved from Seoul's earlier proposal to mediate the nuclear crisis, caused consternation in the Bush administration because it allegedly contained an internal contradiction. By ruling out the use of force against North Korea at the outset, Bush advisors argued, the U.S. and South Korea could not pursue an effective diplomatic strategy with its usual "carrots and sticks."

The core issue causing conflict between the two allies was, of course, whether to treat military conflict as a possible response or solution to North Korea's menacing moves toward developing a nuclear weapons capability. Two and a half years after the June 2000 summit between President Kim Dae-jung and North Korean leader Kim Jong-il, large elements of the South Korean public and bureaucracy had accepted the notion of normalization with North Korea. A cornerstone of President Kim's North Korea policy has been taking measures to foster greater commercial relations between the two countries as the basis for eventual Korean reunification. Even as tensions between the U.S. and North Korea mounted during the quarter, North and South representatives actively discussed development of a new industrial zone in Kaesong, just north of the DMZ, and the completion of rail and highway links.

The Bush administration apparently decided to ignore and effectively override the internal contradiction in Seoul's approach toward North Korea by announcing it would push for a tough new measure – UN Security Council condemnation of Pyongyang's nuclear program. U.S. Under Secretary for Arms Control and International Security Affairs John Bolton stressed during a visit to Seoul in late January that the Security Council should address this issue although he did not see the need to impose economic sanctions on North Korea at this time, despite an expected IAEA resolution denouncing Pyongyang's withdrawal from the NPT. His comments drew a sharp response from North Korea, which threatened, as it had during the 1994 nuclear crisis, that it would consider UN sanctions the equivalent of a declaration of war. An aide to President-elect Roh made it known at this time that South Korea opposed consideration of the nuclear issue in the Security Council.

In the context of rising tensions with North Korea and the apparent policy conflict between Washington and Seoul's approach, U.S. Ambassador to South Korea Thomas Hubbard attempted to maintain a balance in U.S. policy. He pointed out that incentives and aid for North Korea would be available if Pyongyang abandoned its nuclear program: "If they satisfy our concerns about the nuclear programs, we are prepared to consider a broad approach that would entail, in the final analysis, some economic cooperation, perhaps in the power field."

In mid-February, shortly after the IAEA referred the nuclear issue with North Korea to the Security Council, President-elect Roh made his strongest statement reflecting differences with the Bush administration's hardline approach. He said he would strive to prevent a war on the Korean Peninsula even if it meant conflict between Seoul and Washington: "It is better to struggle than suffer deaths in a war. Koreans should stand together, although things will get difficult when the United States bosses us around. Even if we have to pour out more to the North, we have to invest there."

South Korean opposition to immediate UN Security Council action on the nuclear issue seemed to pay off shortly thereafter, as the Council decided to refer the matter to an experts' group for an indefinite period. This move averted a political confrontation with North Korea that could have led to a near-term military conflict.

North Korea Ratchets Up the Threat

Presumably reflecting the hardline views of the North Korean military faction, Pyongyang took a series of bellicose actions in late February and early March that raised tensions on the Peninsula to the highest level since the 1994 nuclear crisis. On Feb. 20, a North Korean MIG-19 fighter penetrated South Korean airspace beyond the so-called Northern Line Limit over the West Sea, but turned back to avoid confrontation with the South Korean fighters sent to intercept it. One day before President Roh's Feb. 25 inauguration, North Korea tested a surface-to-surface missile in the Eastern Sea, aimed in the direction of Japan. In late February, North Korea restarted its 5-megawatt Yongbyon reactor, rekindling fears it would again acquire the capability to produce nuclear weapons.

And after threatening in early March to withdraw from the 1953 armistice that ended the Korean War, four North Korean fighter jets intercepted an unarmed U.S. reconnaissance plane reportedly located 150 miles off the North Korean coast. The plane broke off its surveillance mission and returned to base, though U.S. military sources characterized the North Korean action as highly provocative. Again, on March 10, North Korea conducted a second test launch of a surface-to-surface missile.

Arguably, North Korea's threatening actions over this period may be viewed as its own crude form of "deterrence" against the United States. The U.S. was fully engaged in a large-scale buildup of military forces near Iraq, where President George W. Bush had pledged to replace the regime of President Saddam Hussein. North Korea feared, based on leaks from Washington, that the U.S. might soon challenge Pyongyang militarily if it did not close down its nuclear facilities. Thus, Pyongyang's military actions may have been designed both to signal Washington that it was prepared for military conflict and to push the Bush administration toward resuming a direct bilateral dialogue.

U.S.-South Korea Dialogue

The U.S. responded to shrill North Korean rhetoric and the new military threats with several deterrence measures of its own, including moving 24 heavy bombers to Guam, within range of North Korea, and extending the training time of several F-117 stealth and F-15E fighters sent for the “Foal Eagle” joint military exercises in Korea. Furthermore, as planned joint military exercises got underway in March, the U.S. moved the nuclear-powered aircraft carrier *USS Vinson* to Pusan port in South Korea, to participate in the exercises.

The highest level U.S.-South Korean dialogue of the quarter occurred at President Roh’s inauguration Feb. 25, when Roh met with U.S. Secretary of State Colin Powell to iron out differences in the two allies’ policy toward North Korea. Roh stressed South Korea’s critical role in peacefully resolving the nuclear issue with Pyongyang and he reportedly opposed any prospective U.S. use of force in compelling North Korea to give up its nuclear program.

Powell reiterated the U.S. view that it has no intention of invading North Korea and said, unlike in Iraq, “regime change” has never been a political objective of the U.S. in dealing with Pyongyang. But he also reportedly stressed that the U.S. could not remove the available military option for addressing the North Korean threat. Powell used the occasion to announce a new conciliatory measure toward the North: resuming food aid, beginning with a shipment of 40,000 tons to which another 60,000 tons or more would be added later in the year.

Moving Toward a Common U.S.-South Korean Diplomatic Strategy

During January and February of this quarter, leading commentators in both South Korea and the U.S. criticized the failure of the two governments to agree on major tenets of their North Korea policy. A common theme was that the only country that benefited from the existing difference in views was North Korea, and that neither the U.S. nor South Korea could achieve its policy goals without the support of the other. Seemingly in response to this criticism, two new elements entered into U.S.-South Korea diplomatic relations toward the end of the quarter.

Following President Roh’s inauguration, the South Korean Foreign Ministry, led by new Foreign Minister Yoon Young-kwan, stressed the importance of resolving the nuclear issue with North Korea through a multilateral framework. This approach melded with the recent U.S. proposal to convene a multilateral conference on the nuclear problem.

South Korea’s support for a multilateral approach tended to reinforce a common U.S.-South Korea strategy that might break the log jam between Washington and Pyongyang over direct negotiations. North Korea formally rejected a multilateral framework while insisting on direct talks with the U.S. But Ambassador Hubbard gave further momentum to the multilateral proposal in mid-March by adding a nuanced U.S. position on bilateral talks in a multilateral context: “We are ready to meet with representatives of North

Korea in a multilateral setting to discuss the steps the North can take to meet the obligations it has undertaken, and has regrettably abandoned,” Hubbard said. Whether the South Korean-U.S. emphasis on multilateral diplomacy and the new U.S. willingness to hold direct talks at a multilateral conference would satisfy North Korean pre-conditions for entering into negotiations was not clear at the end of this quarter.

A second development that helped to smooth over recent differences in U.S.-South Korean relations was Seoul’s decision to join the coalition supporting the U.S.-led war on Iraq. President Roh indicated that adopting this position was “not easy,” presumably because of strong antiwar feeling in the South Korean public and because of South Korea’s close commercial and political ties to the Arab world. Roh’s decision came in direct response to a U.S. request and led to expressions of appreciation from both President Bush and Vice President Richard Cheney. Seoul proposed to send approximately 700 noncombat troops, including a construction battalion and medical assistance personnel to help the U.S. at a cost to South Korea of approximately \$270 million.

Drawing on these two changes in South Korean policy, Foreign Minister Yoon visited Washington in late March and offered a “roadmap” to “induce North Korea to participate in the U.S.-initiated multilateral format.” From published reports, it appeared that Yoon’s proposal called for South Korea, the U.S., Japan, China, and Russia to provide a comprehensive aid package to Pyongyang, including economic and energy assistance to address the country’s dire domestic problems, *if* North Korea freezes its nuclear program, enters into multilateral negotiations, and takes no further actions to exacerbate the security situation on the Peninsula.

The South Korean proposal reflected differences with current U.S. policy in at least two respects. Rather than seeking a freeze of the status quo, the Bush administration has previously called for Pyongyang to dismantle its nuclear program and meet its international commitments under the NPT *before* negotiations can begin. Only after North Korea takes decisive action to end the nuclear program has the Bush administration been willing to offer significant economic aid under its so-called “bold initiative.” Finally, the administration has shied away from any measures to “induce” Pyongyang to end its nuclear brinkmanship.

Despite these policy differences, Secretary Powell called the South Korean proposal “interesting” and said the administration would review it closely. Since Seoul’s proposal was cleverly designed to realize the Bush administration’s multilateral approach to the North Korean nuclear problem, Washington had reason to be pleased with the “roadmap” as well as Yoon’s overall emphasis on strengthening the U.S.-South Korea alliance.

One further aspect of Yoon’s meetings with Powell and other White House officials was their mutual reiteration of a commitment to address issues with North Korea through “peaceful diplomacy.” In South Korea, the Roh administration and various news media viewed this statement as a significant assurance in light of widespread fear that the U.S. might attack North Korea after the completion of the war in Iraq. For the U.S.

administration, however, the statement was no different than other statements it had made previously and did not seemingly represent a change in policy.

Reviewing the Status of U.S. Forces in Korea

In the week prior to President Roh's inauguration, the "realignment" of U.S. forces in South Korea emerged as a public issue. Gen. Leon LaPorte, the senior U.S. general in South Korea and head of the Combined Forces Command, said the two countries would review the fundamental elements of their alliance based on the 1953 Mutual Defense Treaty. Defense Secretary Donald Rumsfeld said that the U.S. and South Korea would soon begin their re-examination of the status of U.S. forces, at Seoul's request.

In part, the new emphasis on reviewing the status of U.S. forces was a response to President Roh's campaign statements that he sought to "rebalance" the alliance relationship in order to establish real "equality" between the two countries. At the same time, the new U.S. push on this issue was likely meant to remind the South Korean government and public of their dependence on U.S. forces for defense against North Korea. Both policy motivations arose in the wake of recent demonstrations against the U.S. troop presence following the accidental deaths of two junior high school girls during a U.S. military exercise.

Among the specific issues that U.S and South Korean defense officials intend to discuss in the near future are: 1) changing the operational wartime control of the South Korean military which currently is given to the U.S. combined forces commander; 2) relocating Yongsan army base away from the center of Seoul to a place south of the city; and 3) removing U.S. troops from the region near the demilitarized zone where they have long served as a "trip-wire" for U.S. involvement in any new Korean conflict.

During his visit to Washington at the end of March, Foreign Minister Yoon and Secretary of Defense Rumsfeld agreed that the purpose of any realignment of U.S. forces would be to strengthen deterrence on the Korean Peninsula. Reflecting fears in Seoul that the U.S. might somehow weaken its military commitment to South Korea during this critical period, Yoon "stressed the need to deal with the issue in a low-profile manner" and to postpone any relocation of U.S. forces until after progress is made on the nuclear issue with North Korea.

Prospects

At no time since the spring of 1994 have events brought the United States and North Korea closer to armed confrontation than they did this quarter. In reaction to the Bush administration's refusal to enter into bilateral talks, Pyongyang responded with escalating rhetoric, diplomatic brinkmanship, and ultimately military threats, culminating in the attempt to force down a U.S. reconnaissance plane in early March. North Korea seemed never to deviate from its view that the best way to achieve its diplomatic goals was to threaten the U.S. administration. Arguably, Pyongyang's fear of U.S. military power, on

display in the Middle East and on the Korean Peninsula through joint military exercises, motivated this policy position.

For its part, the Bush administration tried hard to downplay the potential for conflict on the Peninsula, insisting that it was committed to a peaceful diplomatic solution. But general U.S. unwillingness to engage in direct negotiations with North Korea, in the face of Pyongyang's threats, inevitably undercut its alleged support for diplomatic conflict resolution. Some voices in Washington promised full retribution against North Korea following an Iraq war, even as others argued that allowing Pyongyang to become a declared nuclear weapons state would not harm U.S. interests.

Toward the end of the quarter, diplomats in Seoul and Washington sought breathing room in a formula for a multilateral solution to the nuclear issue, which Pyongyang has thus far rejected. Through its creative "roadmap" proposal, Seoul, in particular, looked for ways to make a multilateral approach attractive to the North Korean regime. The proposed bilateral U.S.-North Korea talks that would accompany a multilateral conference may ultimately give North Korea a sufficient measure of the direct negotiations with the U.S. it is seeking (comparable to the bilateral U.S.-North Korean contacts during the now defunct Four Party talks). If so, this strategy may become a fruitful avenue for shutting down Pyongyang's nuclear program and providing North Korea with security guarantees, while avoiding military conflict on the Peninsula.

Chronology of U.S.-Korea Relations* **January-March 2003**

Jan. 6, 2003: International Atomic Energy Agency (IAEA) adopts resolution on North Korean cooperation and compliance.

Jan. 7, 2003: U.S, South Korea, and Japan hold Trilateral Coordination and Oversight Group (TCOG) meeting.

Jan. 10, 2003: North Korea announces it is withdrawing from Nuclear Non-proliferation Treaty (NPT), South Korean Foreign Ministry calls on North Korea to cancel its decision.

Jan. 11, 2003: South Korea and Russia jointly urge North Korea not to withdraw from NPT.

Jan. 12-14, 2003: U.S. Asst. Secretary of State James Kelly meets President-elect Roh Moo-hyun and begins consultations with ROK officials on North Korean nuclear issue.

Jan. 16, 2003: South Korean President-elect Roh Moo-hyun urges U.S. to open talks with North Korea on peaceful resolution of nuclear issue.

* Chronology compiled by Vasey Fellow Kim Ah-Young.

Jan. 17, 2003: Charles Kartman says construction of Korean Peninsula Energy Development Organization (KEDO) project still going forward; Deputy Secretary of State Richard Armitage says U.S. has no hostile intent toward North Korea.

Jan. 18, 2003: Ambassador Thomas Hubbard says U.S. will aid North Korea if it abandons nuclear program.

Jan. 22, 2003: Under Secretary for Arms Control and International Security Affairs John Bolton says U.S. expects North Korea nuclear issue will be referred to UN Security Council.

Jan. 24, 2003: In statement concluding inter-Korean talks, South and North Korea agree nuclear issue should be resolved peacefully.

Jan. 25, 2003: At World Economic Forum, U.S. and South Korean officials exchange proposals on multilateral framework for addressing nuclear issue with North Korea.

Feb. 3, 2003: North Korea says it is prepared to counter “U.S. plans to invade amid a nuclear crisis on the Korean Peninsula.”

Feb. 5, 2003: Joint U.S.-ROK panel gives Korean prosecutors greater rights to question U.S. soldiers for off-duty alleged crimes.

Feb. 11, 2003: North and South Korean officials discuss inter-Korean economic issues in Seoul.

Feb. 12, 2003: The IAEA declares the DPRK in breach of its nuclear nonproliferation commitments and refers the matter to the Security Council.

Feb. 13, 2003: North Korea says it has the ability to strike U.S. military targets anywhere in the world. President-elect Roh says he will strive to prevent new Korean war even if it means disagreement with the U.S.

Feb. 17, 2003: North Korea announces it will build four more nuclear power plants, each bigger than Yongbyon.

Feb. 18, 2003: Ambassador Hubbard foresees possibility for new “division of roles” between U.S. and ROK military forces in future realignment; North Korea threatens to abandon 1953 Armistice that ended Korean War.

Feb. 20, 2003: North Korean MiG-19 fighter penetrates South Korean airspace, turning back before being intercepted. Incoming National Security Advisor Ra Jong-il meets with North Korean official in Beijing, urging inter-Korean summit meeting.

Feb. 21, 2003: Ambassador Hubbard says U.S. is reviewing consolidation of military bases in Korea, including relocation of Yongsan army base in downtown Seoul.

Feb. 24, 2003: North Korea tests antiship missile, one day prior to President Roh's inauguration.

Feb. 25, 2003: Roh Moo-hyun is inaugurated as president of the Republic of Korea. Secretary of State Colin Powell leads U.S. delegation, says U.S. will resume food aid to North Korea.

Feb. 27, 2003: U.S. reports that North Korea has restarted its 5-megawatt Yongbyon reactor.

March 2, 2003: DPRK fighter intercept and shadow a U.S. Air Force reconnaissance plane over the Sea of Japan about 150 miles off the DPRK coast.

March 4, 2003: Operation "Foal Eagle" begins for Combined Forces Command, testing force deployment, protection, command and control between U.S. and ROK forces; Defense Secretary Rumsfeld deploys 24 long-range bombers to Guam, within range of North Korea.

March 6, 2003: ROK Prime Minister Goh Kun calls for U.S. forces to remain in Korea for deterrent purposes.

March 7, 2003: ROK Defense Ministry formally protests North's interception of U.S. reconnaissance plane.

March 8, 2003: North Korea rejects U.S. proposal of multilateral talks, insisting on direct negotiations.

March 10, 2003: North Korea conducts second test launch of antiship missile.

March 11, 2003: The U.S. announces it will send up to six radar-avoiding F-117A "stealth" warplanes to South Korea for "Foal Eagle" exercise.

March 13, 2003: President Bush thanks President Roh for South Korean support on Iraq. Nuclear carrier *USS Vinson* arrives in Pusan to participate in military exercises.

March 18, 2003: KPA turns down UN Command offer of general officer-level talks to explain current joint military exercises in South Korea; U.S. Secretary Powell rejects North Korean demand for direct talks in lieu of multilateral framework; Pentagon announces U.S. and South Korea will develop a realignment blueprint by Sept. 2003.

March 20, 2003: Ambassador Hubbard says U.S. will meet directly with North Korea in a multilateral setting.

March 26, 2003: South Korean Foreign Minister Yoon Yang-kwan meets with Secretary Powell in Washington.

U.S.-Russia Relations:

U.S.-Russia Partnership: a Casualty of War?

by Joseph Ferguson
Director, Northeast Asia Studies
The National Bureau of Asian Research

Once again the U.S.-Russia strategic partnership is enduring a rocky patch. The war in Iraq has created serious discord in the bilateral relationship. The vicissitudes in U.S.-Russian relations have become a recurring pattern for these erstwhile Cold War enemies, who are now seeking to cooperate in the post-Sept. 11 strategic landscape. The launching of the war against Iraq is seen in the U.S. as part of the global war against terrorism. Russian leaders have thus far been eager to cooperate with the U.S. in fighting terrorism in Afghanistan and Central Asia. Many in Russia, however, see the attack on Iraq as part of an effort by the U.S. to monopolize the world petroleum markets and further its political and economic domination of the globe.

Despite speculation at the beginning of the year by many that Moscow would give tacit consent to U.S. actions in Iraq, the Russian leadership threatened a veto in the UN Security Council and warned against an attack. Now that the dye has been cast, the Russian leadership is unlikely to do much more than simply state its disagreement with the war. Nevertheless, many are left wondering whether this will do irreparable damage to a budding strategic partnership that is quite fragile. In spite of a small, but vocal opposition among conservative groups in Russia, President Vladimir Putin had made an extra effort to back the U.S. since the Sept. 2001 terrorist attacks. This column questioned in April-June 2002 (see "Growing Expectations: How Far Can Rapprochement be Carried Forward?" *Comparative Connections*, Vol. 4, No. 2, July 2002) how far Putin could go with his *rapprochement* with Washington before his domestic political standing was endangered. Given the upcoming Duma elections at the end of this year and the presidential election early next year, it appears that Putin has finally drawn the line at how far he will cooperate with the U.S.

Conflicting Viewpoints in Russia

Early in the year it appeared that Russia was prepared to support the U.S. as Russia's top leadership called for immediate Iraqi disarmament. In November of last year, Russia supported UN Resolution 1441, which called on Iraq to submit to weapons inspections or face the threat of forced compliance. In late January, Putin announced just hours ahead of U.S. President George W. Bush's State of the Union address that Moscow would toughen its line on Iraq should Baghdad fail to come clean on its weapons program. He

also admitted the Kremlin did not want a confrontation with Washington over Iraq, prompting the influential daily *Kommersant* to assert that for Russia, “America is more important than Iraq.” Nevertheless, opposition to military action against Iraq surfaced within the Russian government soon thereafter. The Russian Foreign Ministry was the first to openly state its opposition to “aggressive” U.S. policy against Iraq. Even as Putin came out in personal support of a strong UN resolution forcing Iraq to submit to inspections, Foreign Minister Igor Ivanov began criticizing the harsh stance taken by the Bush administration against Iraq. Putin, though clearly against unilateral U.S. military action in Iraq, in the beginning maintained a fairly low profile, even into February when he visited Paris as the personal guest of French President Jacques Chirac, the most vocal critic of the U.S. within the UN Security Council. Putin also visited German Chancellor Gerhard Schroeder, another vocal critic of Bush administration policies in the Middle East. Putin and his presidential staff seemed to be using Foreign Minister Ivanov as a sounding board both internationally and within Russia itself. It became clear that a good majority of Russians were against any U.S. military action in Iraq without UN blessing. In a major televised interview on Feb. 21, Putin warned about a “growing aggressiveness of influential forces in certain countries.” This seems to have been the turning point in Putin’s official stance toward the U.S.

Soon, much of the Russian press which had been vacillating also came out against U.S. “unilateralism.” Even the daily *Kommersant*, which had only a few weeks prior warned that Iraq was not worth sowing discord with Washington, made an about face and issued a pointed analysis concerning the statement by U.S. Deputy Secretary of State Richard Armitage that the U.S. would have no objection to Russian airstrikes against terrorist bases in Georgia, and explained that the U.S. only deigned to give consent to bomb Georgia, because it would soon be bombing Iraq. The article noted that “Russia has no need to bomb Georgia now, and the Americans know it.” A number of influential analysts in Russia explained that many Russians were tiring of the domineering attitude of the Bush administration, and argued that Russia thus far had received little for its support of the U.S. in Central Asia and elsewhere in the war against terrorism. Moscow’s goodwill to Washington has not been reciprocated, a claim made by many. They argue that Russia has shared vital intelligence with the CIA concerning North Korea, has withdrawn from communication facilities in Cuba, and from the naval base at Cam Rahn Bay in Vietnam, but has received very little in return. In fact, the U.S. Congress is still clinging stubbornly to the Jackson-Vanik trade law, which dates to the dark days of the Cold War and prevents Russia from permanent normal trade relations status with the U.S. One such analyst stated, “Most countries are irked at U.S. leadership and the demonstrative haughtiness with which the Republican administration is affirming its leadership.” The daily *Nezavisimaya Gazeta* warned that a U.S. attack on Iraq could give terrorism a “moral justification.”

But other analysts in Russia have been warning of the serious downside of continuing to oppose the U.S. over Iraq. They argue that Vladimir Putin has painstakingly spent three years building the strategic partnership with the U.S. They warn that by openly criticizing the U.S. the Russian government is sabotaging its own interests. Most important for Russia, many point out, is the estimated \$8-\$10 billion in debt that Iraq owes Russia and

the contracts that many Russian oil firms have signed in Iraq over the years. If Russia does not back the U.S., some have stated, then it will lose any chance of recouping this debt or having its contracts honored. In yet another demonstration of the divide among Russia's analysts, another article in the *Nezavisimaya Gazeta* warned that Russia should "not cross a line [i.e., veto a U.S.-sponsored resolution in the United Nations] which it cannot cross back over." In an article in the *Moscow Times* two analysts urged the Russian government to take this opportunity of trans-Atlantic discord to become the "next Great Britain," the ally of first choice for the U.S. Russia's wealthiest oligarch, Yukos chairman Mikhail Khodorkovsky, urged the government to back the U.S., saying that strategic and economic cooperation with the U.S. is the only realistic option for Russia. One analyst wrote that though jackal diplomacy (i.e., moving in after the United States makes the kill) may be distasteful, "it would be the height of stupidity to quarrel with America over Iraq."

The Russian presidential chief of staff and a powerful Kremlin insider (a holdover, in fact, from the Yeltsin administration), Alexander Voloshin, was dispatched to Washington in late February to meet with National Security Advisor Condeleezza Rice. His mission was deemed important enough in Washington that he was able to meet with President Bush, as well. What exactly Voloshin discussed with his hosts is unknown. Informed speculation, however, insisted that Voloshin was seeking a deal that assured Russia a place at the energy table in a postwar Iraq. Judging by the reaction of the Russian government not long thereafter, the visit must not have been much of a success. In early March, the Russian government announced that it would block any U.S.-sponsored resolution in the United Nations authorizing force against Iraq, thus staying in line with France and Germany.

Putin Draws the Line

What brought about this new resolve within the Russian government to oppose the U.S.? Putin has a number of motivations in opposing the U.S. over Iraq. Among these motivations are economic, diplomatic, political, and strategic factors. Russia stands to lose economically by not backing the U.S., but it must be remembered that Russia's main creditor over the last decade has been Germany. Although Putin has carefully cultivated relations with Washington, he continues to maintain Russia's special relationship with Berlin. The Franco-German factor also cannot be discounted in terms of Russia's future membership in the European Union. Additionally, Russian leaders are not keen on seeing the UN become a rubber-stamp organization for unilateral U.S. actions overseas. As one Russian daily stated, "Russia's main diplomatic goal has been upholding the authority of the UN Security Council, one of the few international institutions where Moscow wields considerable [diplomatic] influence."

Domestic politics are probably the strongest motivating factor for Putin to maintain a distance from U.S. policy in Iraq. Duma elections will be held later this year, which is no doubt the motivating factor behind the Duma decision to delay the ratification of the START Treaty – a move which many Russian analysts consider the equivalent of Russia shooting itself in the foot. Russia's presidential election is slated for early next year. Putin

has been seen as perhaps overly accommodating to the U.S. in his three years in office (much like Mikhail Gorbachev). If he is to face criticism for this, he can point to Iraq as a case where he did not buckle to Washington.

Putin also needs to take into account the Muslim factor in Russia. More than 20 million people of Islamic faith reside in Russia (whose population is approximately 145 million). Contrary to popular belief in the West, these Muslims do not all reside in the Caucasus or along the border with the Central Asia republics. In fact, a great number of them reside in the Volga heartland, east of Moscow. This is a factor that no Russian politician can afford to overlook. If Russia's Muslims were to express outrage over policy in Iraq, it could have reverberations in Moscow. Russian insistence on maintaining Chechnya in the fold is based in part on the argument that if Chechnya is allowed to secede, then other republics within the Russian Federation (such as the overwhelmingly Muslim republic of Tartarstan in the Volga heartland) might also want to leave. Indeed, the Muslim concentration in the Volga heartland has been a major factor in the formation of Russian policy since the early 1990s.

Perhaps a final factor in the Putin calculus is simple pride. Some reports have suggested that the Bush administration has threatened to withhold economic assistance, block Russian membership in the World Trade Organization (WTO), and desist from giving Russia a role in postwar Iraq if it continues to oppose the U.S. President Putin would surely have a hard time swallowing what the *Moscow Times* has referred to as "blackmail." Putin has probably tired of being seen as a major accommodator to the U.S., and hence his decision to draw the line.

Will Washington Turn Moscow Away?

As the war in Iraq unfolds and as U.S. forces moved ever closer to Baghdad, Moscow began to change its tune somewhat. In early April, both Putin and Foreign Minister Ivanov stressed the importance of the bilateral relationship, and insisted that the relationship will continue to live and grow even through difficult times. It is clear that Putin does not want the United States and Russia to have a major falling out. But how will Washington respond?

The Bush administration issued demarches to the Kremlin on several occasions due to the findings that a Russian company had delivered to Iraq GPS-jamming technology, antitank missiles, and night-vision goggles. *The New York Times* also issued a strong denunciation of Russia's actions. Washington is also perturbed by Russia's failure to curb its public condemnations, in spite of what it might be saying behind closed doors. American pundits also point out that Russia is being hypocritical in that it is itself engaged in a war against terrorists in Chechnya, is killing many civilians, and yet its nightly news broadcasts show mainly wounded Iraqi women and children. The so-called referendum in Chechnya has also been ridiculed in the United States. The results (88 percent approval) were seen a mirror of the so-called elections in the Soviet Union. The real damage to the bilateral relationship caused by Russia's stance can best be assessed by the postwar role Russia takes in Iraq. If Russian companies are shut out of energy

contracts, then we can surmise that Washington took note of Moscow's commentary and was not happy.

The East Asian Strategic Situation

The war in Iraq dominated the U.S.-Russian relationship during the first quarter of the year. As such, there has been little interaction between the two countries in Northeast Asia. Beijing has clearly stated its opposition to the war, but it has taken a much more low-key role than Moscow, which is surprising given China's increasing dependence on Middle Eastern oil. China seems to have taken a stance more like the one many assumed Russia would in the beginning. Japan, on the other hand, has taken a strong stance in support of U.S. actions in the Persian Gulf. Japan seems to have taken a lesson from the first Gulf War and does not want to be seen as a reluctant supporter in the U.S. It also wants to keep the U.S. engaged on the Korean Peninsula, where Tokyo's own security is threatened.

The North Korean nuclear crisis dominates the strategic situation in East Asia and the U.S. and Russia seem to have disagreements here as well. Moscow, which has always wanted a role at the Korean negotiating table is now urging the U.S. to conduct bilateral negotiations with North Korea. China has taken the same position. The U.S., meanwhile, insists on Chinese assistance in convincing Pyongyang to give up its nuclear program. Washington seems ambivalent about the participation of Moscow on the Korean Peninsula. In any case, after a visit late last year to Pyongyang by a senior Russian Foreign Ministry official, Kim Jong-il also seems ambivalent about having Russia at the table.

The U.S. attack on Iraq might have marked the death knell for the short-lived U.S.-Russian strategic partnership and the beginning of frigid relations. Much of this depends on how U.S. diplomats and politicians carry out the peace in Iraq, and on the results of Russia's Duma and presidential elections.

Chronology of U.S.-Russia Relations January-March 2003

Jan. 14, 2003: U.S. President George W. Bush signs special orders to release more than \$310 million in frozen funds to help Russia secure or eliminate nuclear, biological, and chemical weapons. The president's orders free more than \$150 million to build a facility to destroy chemical munitions in Shchuch'ye, Russia.

Jan. 14, 2003: Russian Defense Minister Sergei Ivanov says in an interview that Russia could collaborate with the U.S. in building a missile defense system under certain conditions.

Jan. 17, 2003: A group of congressional Democrats outline a proposal to eliminate the provisions of the Jackson-Vanik amendment, which Congress passed in 1974 preventing Russia from achieving permanent normal trade status.

Jan. 21, 2003: Russian Defense Minister Ivanov is interviewed on Al-Jazeera TV and concedes that Russia has come under U.S. pressure to abandon nuclear cooperation with Iran. Ivanov says that Russia would continue cooperating with Iran and that two new nuclear reactors would be built in that country.

Jan. 23-24, 2003: On a visit to Moscow U.S. Deputy Secretary of State Richard Armitage says that Russia should not rule out the possibility of preventive strikes on Chechen terrorists, even those on Georgian territory. “A country that believes in preventive strikes will find it difficult to criticize another country for doing the same.”

Jan. 26, 2003: U.S. Secretary of Commerce Donald Evans meets with Russian Economic Development and Trade Minister German Gref in Davos, Switzerland. Evans promises his personal support to Russia in tackling current bilateral trade problems.

Jan. 27, 2003: The *New York Times* reports that sometime in the early 1990s, Russian SVR agents had installed secret nuclear detection equipment inside the Russian Embassy in the North Korean capital Pyongyang at the request of the Central Intelligence Agency. The equipment was designed to pick up emissions of the isotope krypton, which would signal that North Korea had resumed plutonium reprocessing at its Yongbyon nuclear reactor.

Jan. 28, 2003: In an interview with *Itogi* magazine Russian Foreign Minister Igor Ivanov says U.S. plans to develop and deploy a national missile defense system should not present an obstacle in bilateral ties between Moscow and Washington, a reversal of the previous Russian position.

Feb. 3, 2003: The Bush administration announces that it will cut the aid Russia and the countries of the former Soviet Union will receive under the Freedom Support Act. The allocation for Russia will fall to \$73 million from \$148 million.

Feb. 9-11, 2003: Russian President Vladimir Putin conducts a three-day state visit to Paris and meets with French President Jacques Chirac. The two announce their opposition to U.S. plans to impose a deadline on Iraq that would lead to military strikes.

Feb. 20, 2003: Secretary of State Colin Powell announces U.S. plans to blacklist three Chechen groups suspected of the attack on a Moscow theater in October 2002.

Feb. 21, 2003: In a nationwide television interview President Putin states that he is very concerned about the “breakdown” of the balance of power in the world and the “growing aggressiveness of influential forces in certain countries.”

Feb. 24, 2003: U.S. Under Secretary of State for Arms Control and International Security John Bolton meets with Russian Deputy Foreign Minister Georgii Mamedov for talks on global strategic security and nonproliferation.

Feb. 24, 2003: Russian Presidential Chief of Staff Aleksandr Voloshin travels to Washington, D.C. and meets with National Security Advisor Condoleezza Rice to discuss the Iraq situation. President Bush steps in for a short visit.

Feb. 28, 2003: The State Department officially announces that it is imposing sanctions on three rebel groups in the breakaway Russian republic of Chechnya because of their involvement in terrorism, including participation in an attack on a Moscow theater.

March 4, 2003: GAO releases report highly critical of the Cooperation Threat Reduction program, also known as the Nunn-Lugar program on U.S.-Russian bilateral nonproliferation efforts.

March 5, 2003: Russia joins with France and Germany in pledging to block any UN resolution authorizing war in Iraq.

March 7, 2003: In a powerful bipartisan endorsement for improved relations with Russia, the U.S. Senate unanimously approves a treaty that would cut active U.S. and Russian long-range nuclear warheads by two-thirds.

March 7, 2003: On Russian TV, FM Ivanov warns against a “unilateral” U.S. decision to go to war. Ivanov states, “That would be a violation of the United Nations Charter.”

March 10, 2003: Sen. Richard Lugar, Indiana Republican, introduces a bill that would repeal the Jackson-Vanik amendment if passed into law, allowing Russia permanent normal trading status with the U.S.

March 11, 2003: Russian Minister of Atomic Energy Alexander Rumyantsev and Secretary of Energy Spencer Abraham sign three agreements in Vienna, under which Russia will shut down three of its nuclear reactors. The agreements include a provision on financing Russian projects on building new conventional power facilities in Seversk and Zheleznogorsk, the communities in which nuclear reactors are to be shut down.

March 12, 2003: U.S. Ambassador to Russia Alexander Vershbow warns that Russian opposition to U.S. policy in Iraq could cause serious damage to U.S.-Russian relations.

March 23, 2003: U.S. accuses Russian technicians in Iraq of attempting to help set up and operate a system that interferes with U.S. global positioning technology used to guide coalition missiles and aircraft.

March 24, 2003: President Bush telephones President Putin to strongly condemn the supply by a Russian firm to Iraq of jamming technology, antitank missiles, and night-vision goggles.

March 26, 2003: Addressing the Duma, Russian FM Ivanov harshly criticizes U.S. actions in Iraq in terms, according to some, “not heard since the end of the Cold War.”

U.S-Southeast Asia Relations: In the Shadow of Iraq

by Richard W. Baker
Special Assistant to the President, East-West Center

U.S. relations with the Southeast Asian states in the first quarter of 2003 were dominated first by the anticipation and then by the reality of the war on Iraq. Other issues in bilateral and regional relations continued, and the Iraq conflict was not central to U.S. relations with every country of the region during the period, but the conflict was the overriding focus of attention. While there was a range of reactions in the region – from solid support to vocal condemnation – the main response, from governments and peoples, was critical of the U.S. approach. With the outcome – or at least the length and destructiveness – of the war increasingly uncertain as the quarter came to an end, there was at least a danger that this episode would cause lasting damage in terms of how the U.S. and its international role are viewed around the region.

Indonesia: After a Step Forward, a Step Back

U.S. relations with Indonesia are in many respects the bellwether of U.S. relations with the broader Southeast Asian community. This reflects both Indonesia's weight in the region (it has half the population of the 10 members of the Association of Southeast Asian Nations – ASEAN) and the volatility that has characterized the relationship since the Dili massacres of 1991 led to Congressionally imposed restrictions on U.S. security assistance to Indonesia.

The Bali bombing on Oct. 12, 2002 galvanized the government of President Megawati Sukarnoputri to a previously unseen level of determination to deal with the problem of terrorism, as well as a new willingness to cooperate both with its Southeast Asian neighbors and others, including Australia and the United States. As a result, the Indonesian government was able relatively quickly to arrest a number of suspects in the bombing including several key figures. As of mid-January, 17 suspects were in custody. Simultaneously, the government arrested on different charges Muslim cleric and teacher Abu Bakar Ba'asyir, believed to be the founder and spiritual leader of the Jemaah Islamiyah (JI) group that was believed to be behind the Bali bombings as well as other activities in Singapore and Malaysia. In late January, the police formally recommended to the prosecutor that Ba'asyir be charged with treason. In early February, the Indonesians arrested JI's operational planner for Indonesia, as well as the alleged leader of a JI cell in the country. Finally, in another incident involving Americans but not

connected with the Bali bombings, Indonesia invited the FBI to join the investigation of the fatal shootings of two American teachers at Timika in Papua province near the huge Freeport copper mine site.

On March 6, the Parliament finally passed an antiterrorism bill that had been under discussion for nearly a year and whose substance had already been put into effect in a decree issued by Megawati in mid-October after the Bali bombing.

However, the Megawati government remains fundamentally weak and politically beleaguered on the home front. This weakness was illustrated when an economically necessary reduction of subsidies on fuel, electricity, and telephone service at the start of the year led to massive public dissatisfaction and, after barely two weeks, a government agreement to repeal or reconsider the changes. The government's weakness will likely only increase as political competition intensifies in anticipation of the next national elections in 2004 – in which Megawati, her vice president, and two of her three senior coordinating ministers are all probable presidential contenders.

Partly because of the government's weakness, other areas in the U.S.-Indonesia relationship encountered difficulties during the quarter. The Indonesian government reacted strongly to a U.S. announcement on Jan. 16 adding Indonesia (among others) to the list of countries whose citizens in the United States are required to register as part of the counterterrorism measures. Megawati responded by urging Indonesians not to visit the U.S. unless absolutely necessary, and Foreign Minister Hasan Wirayudha publicly questioned the impact of the measure on joint antiterrorism efforts.

Although U.S. training programs for the Indonesian police and intelligence cooperation continue, and the Congress in late January cleared the way to making Indonesians eligible for limited participation in U.S. military training courses, other restrictions including prohibition of most equipment sales remain. The U.S. ambassador and other senior officials publicly reiterated the position that the Indonesian government needs to do better on military accountability if relations with the United States are to be fully restored. A U.S. press report at end of January claiming that the FBI had identified Indonesian Army personnel as responsible for the Timika shootings – though denied by the U.S. Embassy – illustrated the continuing obstacles to progress in this aspect of the relationship.

Other events served to underline the continuing differences over human rights and military accountability. In early February, a Indonesian National Military (TNI) officer stated in court that one of his men had murdered Papuan leader Theys Eluay in November 2001, confirming suspicions that the military was behind the murder but still evading the question of command responsibility. The last of the first round of trials of (mostly military) figures charged with human rights violations in East Timor ended on March 12 with the sentencing of a brigadier general (the highest army officer charged in Indonesian court) to a period of four years in prison, six years below the mandatory minimum for the offense. And when prosecutors in East Timor in late February charged former armed forces commander Gen. Wiranto, six other military officers, and the former Indonesian governor of the province with crimes against humanity, the Indonesian

government, which had already stated it would not produce defendants for Timorese proceedings, had no reaction. So despite some procedural progress, a wide gulf remains as to the appropriate substance of Indonesian actions on such human rights issues.

Finally, press reports in late February said that a military draft of a bill on the TNI contained an article (19) giving the military authority to deploy troops without civilian authorization in emergency circumstances. Article 19 was quickly dubbed the “*kudeta*” provision and provoked strong criticism in political and expert circles. The attitude of the Indonesian military toward reform of its role, and therefore the future of U.S. relations with the Indonesian military, remains highly problematic.

Above all, the issue of Iraq dominated discussion of the U.S. in Indonesia during this period. The most striking aspect of the Indonesian reaction was the virtual unanimity of Indonesian moderates – Muslim and otherwise – in rejecting the U.S. approach. The former president and former leader of the largest Islamic social organization *Nahdlatul Ulama* (NU), Abdurrahman Wahid, announced his opposition to any attack on Iraq on Jan. 27. On the same day, the current leader of NU, Hasyim Muzadi, and Syafi’i Ma’arif, the leader of the almost equally large modernist (but moderate) organization *Muhammadiyah*, and announced that they were declining invitations from the U.S. Congress to the National Prayer Breakfast in early February; Muzadi told the press that the breakfast was “no longer relevant” because of Iraq. Foreign Minister Wirayudha in early March said that Indonesia rejected the “second resolution” on Iraq proposed by the U.S., Britain, and Spain, aligning Indonesia with the majority on the Security Council.

Following the commencement of the military operation on March 20, President Megawati denounced the unilateral action, calling it an act of aggression that violates international law and urging the UN Security Council to hold an emergency session to try to stop the war. Coordinating Minister for People’s Welfare Jusuf Kalla, who had been the architect of settlement agreements in two bitter communal conflicts within Indonesia, emerged from a meeting of religious leaders (Christian as well as Islamic) to read a statement declaring that: “The war on Iraq is a war against humanity.” *Muhammadiyah* leader Syafi’i called President Bush a “war criminal.” And the NU youth wing called for the expulsion of U.S. diplomats from Indonesia within 48 hours and threatened that the people would implement the expulsion forcibly if the government did not.

One of the few senior government figures to defend continuing cooperation with the United States was the coordinating minister for political and security affairs, Susilo Bambang Yudhoyono. But Susilo made his case on purely pragmatic grounds, arguing that good relations with the U.S. are important to Indonesia’s economy, such as continuation of assistance from the International Monetary Fund.

A series of public demonstrations against the war occurred in Jakarta and other major cities, starting before the actual attack; 100,000 demonstrators staged a peaceful march to the U.S. Embassy in Jakarta on March 30. However, no serious violence or attacks on U.S. citizens have occurred – yet. This was variously attributed to determination by the

authorities to keep matters under control and to generally more sober attitudes in the aftermath of the Bali incident.

Malaysia: Steady on Two Tracks

Malaysia continued its well-established pattern under maverick nationalist Prime Minister Mahathir bin Mohamad of strident rhetorical differences with the United States coupled with quiet but effective cooperation on the operational level.

During the quarter, Mahathir sustained his reputation for outspoken independence. In January, he stated that he neither supported attacking North Korea nor accommodating North Korea's nuclear weapons. In late February, he met with North Korea's second-ranked leader Kim Yong-nam at the Non-Aligned Movement (NAM) summit meeting and seemed to support North Korea's desire for direct talks with the United States. He also defended the right of North Korea to test its weapons (in this case a short-range missile test on Feb. 24). In the first weeks of February, he opposed proposals urging Iraq's Saddam Hussein to go into exile, and praised the NATO council for blocking a resolution providing emergency military support for Turkey related to the impending conflict in Iraq. In his speech opening the NAM summit in Kuala Lumpur on Feb. 24, he called for outlawing war.

At the same time, just after the summit meeting U.S. Ambassador Marie Huhtala stated to the press that Malaysia's position on Iraq hadn't harmed diplomatic relations between the two countries. This suggested an acceptance of Mahathir's strong and colorful character and the domestic political context for Mahathir's statements, as well as a consciousness that various practical aspects of U.S.-Malaysian security cooperation, including in counterterrorism, were proceeding largely unaffected by the public differences over Iraq.

When hostilities began, Mahathir was away on a two-month "leave," and his deputy Abdullah Ahmad Badawi – designated to succeed Mahathir when the latter retires in October – was making a trial run as acting prime minister. Badawi, generally considered more of a consensus politician and less shrill than Mahathir, said that Malaysia regretted the attack as unapproved by the UN and contrary to international law. He expressed doubt that Iraq could actually threaten other countries, and declared, "War is not the way to settle conflicts." He also expressed concern for the impact of the war on the global campaign against terrorism (in which Malaysia has been cooperating closely with the U.S.). However, at the same time he appealed to the Malaysian populace to be restrained in expressing anti-American sentiments.

Singapore: Defiantly Onside

In contrast to the governments of largely Muslim Indonesia and Malaysia, the government of Singapore, which has only a minority Muslim population, has been unabashedly supportive of the U.S. approach on Iraq.

Characteristically, the Singaporeans were blunt, uncompromising, and also unchallenged by domestic opinion. Singapore Prime Minister Goh Chok Tong put his government's position on the war – and its differences from its neighbors' approaches – quite concisely in a speech in Tokyo on March 28. He stated his belief that moderate Muslims in both Indonesia and Malaysia understand – as the government had convinced Singapore's Muslims – that the war on Iraq is not “to destroy Islam,” or “to hit out at a Muslim country” but rather “to remove the weapons of mass destruction from Saddam Hussein.”

Goh noted that if the Indonesian government sided with Washington it would not win the 2004 election, so it allowed demonstrations but insisted that these be moderate and peaceful. He also commented that while Malaysia had been more outspoken, its government had banned all demonstrations except one organized by the government. As for Singapore, he said, “We take different positions out of our own national interest.” In the case of Iraq, the calculus is that Baghdad's weapons of mass destruction pose a grave danger, and that if these weapons were to fall into the hands of terrorists they could also become a threat to Singapore. The Singapore government's position is that Southeast Asia would not be immune to the instability and chaos that would be caused by the proliferation of such weapons.

The Philippines: Caught in the Middle

Like the government of Singapore, the Philippines government of President Gloria Macapagal-Arroyo also seeks cooperation with the U.S., and also has a Muslim minority population that does not figure prominently in national foreign-policy making. Otherwise, however, Arroyo faces a very different domestic context from that in Singapore. Arroyo, who at the end of 2002 had announced her decision not to seek another term as president, faces both strong competition from other politicians, especially in the legislature, and intense nationalistic feelings especially toward anything that looks like a return to the period of U.S. military presence and extraterritorial rights in the Philippines. Nationalistic opposition had been aroused in 2002 when 1,500 U.S. troops were deployed ostensibly on a training mission, but, in fact, to support the Armed Forces of the Philippines (AFP) campaign against the Abu Sayyaf group in the southern islands. More than half of the group stayed on after the nominal end of the exercise in July. A 10-year logistics agreement was signed in November, and there was a widespread belief that the U.S. was seeking renewed general military access to the Philippines.

These sensitivities were reflected in both the government's and popular attitudes toward the impending war on Iraq. In early January, Arroyo's press secretary stated that the government was taking a “noncommittal” position on the U.S. request for general support in the war. At the end of January, a group of 88 Catholic bishops urged the government not to support unilateral U.S. action in Iraq.

Against this background, a Pentagon announcement on Feb. 21 that Marines and Special Forces troops were being sent to the Philippines to support the Philippine Army in eliminating the remnant of the Abu Sayyaf group on Jolo Island backfired badly. Whether there had been miscommunication between the two governments or Arroyo had

simply miscalculated, the idea that U.S. troops would be engaged in combat on Philippine soil caused an immediate political outcry. Arroyo almost equally rapidly backpedaled. On Feb. 23 her press spokesman said the government “would not allow” U.S. troops to perform a combat role because this went against provisions of the Philippines constitution. By the 28th, U.S. Defense Secretary Donald Rumsfeld, after a meeting with the Philippines Defense Secretary Angelo Reyes in Washington, said that no combat troops would be sent, but there might be “training” and intelligence cooperation. The large deployment was shelved, although a pre-arranged year-long training program following up the 2002 exercise and involving some 300 U.S. troops including 70 Special Forces personnel proceeded as scheduled starting Feb. 23.

A further reflection of the renewed awkwardness in U.S.-Philippines relations came on March 13, when Arroyo announced the postponement of a planned April 2-5 visit to the U.S., because of the war. After the start of the Iraq campaign on March 20, however, Arroyo said that the Philippines, as a member of the “coalition of the willing” with the U.S., was giving “political and moral” support to the effort to eliminate Baghdad’s weapons of mass destruction. She also said her government was considering eventually sending peacekeepers to Iraq.

Mainland Southeast Asia: Other Concerns

The five northern tier ASEAN states – Burma, Thailand, Laos, Cambodia, and Vietnam – continued the pattern of the previous quarter of broad support for regional counterterrorism cooperation, combined with practical focus on individual issues of more direct concern.

In late February, the Burmese military government launched an overture to the U.S. calling for lifting of sanctions and opening a “constructive dialogue” about the bilateral relationship. This initiative was undertaken following – and presumably in response to – indications from the Bush administration of increasing frustration and impatience with the lack of progress on talks with the Burmese opposition. The government had promised to hold talks in 2002, when opposition leader Aung San Suu Kyi had been released from house arrest. But other than some small gestures, little had materialized. In early 2003, the Bush administration sent clear signals that it was running out of patience. It refused to certify that Burma was making progress on restricting the narcotics trade, and it threatened to increase sanctions on Burmese exports to the U.S.

The Burmese overture to the U.S. for dialogue (which seemed unlikely to succeed in the short term) was only one element of the regime’s strategy. The other major strand is a continuing courtship of closer ties with neighboring countries – China, India, Bangladesh, and Thailand – in order to reduce its dependence on the U.S. and the West. Particularly noteworthy in this regard was a visit to China in January by the top Burmese general, in which deals were signed for \$200 million in loans and \$5 million in grants. The Burmese leaders clearly hope to play on U.S. concerns over growing Chinese influence into Southeast Asia.

Somewhat like the government in the Philippines, the Thai government clearly felt uncomfortable about the U.S. campaign against Iraq. Thailand's minority Muslim population from the southern area of the country has a more integrated role in the country's politics than is the case with the Muslim minority in the southern Philippines. So reactions to the impending war in the Thai Muslim community, similar to those of Muslims elsewhere in the region, had some significance at the level of national politics. The Thai media also generally opposed the war, and a majority in the Parliament opposed any military action without UN approval. The outbreak of hostilities triggered a series of peaceful protest demonstrations in Bangkok and the south.

In this situation, the Thai government attempted to take a middle position. The government did not support the U.S.-UK-Spanish Security Council resolution authorizing the use of force. After March 20, Prime Minister Thaksin Shinawatra emphasized continuing alliance cooperation with the United States but also publicly called on the U.S. to exercise maximum caution in trying to avoid civilian casualties. Thaksin ruled out a combat role for Thai forces, while holding open the possibility of a Thai role in the rebuilding phase in Iraq under UN auspices. The Thai tightrope act seemed likely to be put to an even more severe test if the Iraq war extended into May, when the annual "Cobra Gold" U.S.-Thai military exercise was scheduled to take place, with an emphasis on counterterrorism and including an element in southern Thailand.

Cambodia is largely preoccupied with domestic political maneuvering in the run up to a national election on July 27. However, one positive step in Cambodia's international relations took place during the quarter, when the government reached agreement with the United Nations on March 17 on the establishment of a special court to try those most responsible for the Khmer Rouge genocide in the 1970s. If the agreement is approved by the UN General Assembly and the Cambodian legislature, this would go a long way toward removing a longstanding irritant in Cambodia's relations with the United States as well as the UN.

U.S.-Vietnam relations remained on a lower key. The Vietnamese government, predictably, "vehemently" condemned the attack on Iraq, but the more significant event in the bilateral relationship during the quarter was a verbal war over catfish. On Jan. 27 the U.S. imposed tariff penalties on Vietnamese catfish exports to the U.S. as a result of an antidumping suit filed by U.S. catfish farmers. Sharply increased sales of this unlikely commodity had been one of the major positive outcomes for Vietnam of the conclusion of a bilateral trade agreement with the U.S. in December 2001.

The Outlook

The relationships between Washington and governments in Southeast Asia will suffer various degrees of strain in the short term due to the Iraq war. However, it is very likely that these official relationships will be at least patched up relatively quickly, on the simple basis of practicality and mutual self-interest. However, the real collateral damage of the Iraq war in Southeast Asia may be trust in America on the part of the publics and societies – especially, though not exclusively, the Islamic communities. The campaign

against Iraq has caused a major loss of trust and confidence on the part of many mainstream Southeast Asians in the United States and its role in the world.

If the war itself is relatively short and the innocent victims are relatively few in number, and if a more representative government is put in place relatively quickly, the immediate anger at the United States will likely cool. But the more fundamental doubts about U.S. responsibility, sensibility, and even the basic motivations of the U.S. government, may not be as easily answered. The U.S. may face a major challenge to convince a lot of reasonable, moderate people in Southeast Asia (as elsewhere around the world) that the U.S. will use its power well, and that the world will really be a safer place under an American Imperium. As the first quarter of 2003 ended, this was a very open question.

Chronology of U.S.-Southeast Asia Relations January-March 2003

Jan 1, 2003: Indonesian government removes subsidies on fuel, electricity, and telephone charges; prices rise by 22 percent.

Jan. 3, 2003: Seven members of Indonesian Army Special Forces unit, Kopassus, go on trial for the murder of Papuan independence leader Theys Eluay in November 2001.

Jan. 6, 2003: Indonesian police present first case to prosecutors against Bali bombing suspect known as Amrozi.

Jan. 6-12, 2003: Burma's junta leader Senior Gen. Than Shwe arrives in China for six-day visit.

Jan. 10, 2003: Singapore Ministry of Home Affairs announces discovery of close ties between Jemaah Islamiyah (JI) and other Islamic militant groups in Southeast Asia. A Ministry White Paper indicates JI militants were trained at the Moro Islamic Liberation Front (MILF) base in the Philippines.

Jan. 14, 2003: Indonesian police arrest two Bali bombing suspects, bringing the number of people detained to approximately 17.

Jan. 16, 2003: U.S. adopts new measures requiring visiting male citizens from Indonesia, Egypt, Jordan, Kuwait, and Bangladesh to register with U.S. immigration authorities and provide fingerprints.

Jan. 17, 2003: Indonesia protests new measures by the U.S. immigration authorities.

Jan. 21, 2003: Indonesian police recommend prosecutors charge Abu Bakar Ba'asyir, with treason (for plotting to assassinate President Megawati Sukarnoputri) and for a series of bomb attacks on Christmas Eve in 2000.

Jan. 23, 2003: U.S. Senate votes 61-36 to defeat an amendment barring funding for Indonesians in the U.S. International Military Education and Training (IMET), thereby making Indonesian military officers eligible for IMET.

Jan. 28, 2003: U.S. Commerce Department finds Vietnam guilty of dumping catfish on the U.S. market. Vietnamese imports could face tariffs if ruling is upheld by U.S. government.

Feb. 3, 2003: Indonesia Lt. Gen. Erwin Mappaseng announces arrest of Mas Slamet Kastari, leader of the Singapore branch of JI, and Noor Din, a citizen of Malaysia.

Feb. 6, 2003: Nobel Peace Prize laureate Aung San Suu Kyi is awarded \$1 million Al Neuharth Free Spirit of the Year prize for her advocacy of democracy in Burma by the U.S.-based Freedom Forum Foundation.

Feb. 6, 2003: Malaysian PM Mahathir announces there will be no early general election before his retirement in October.

Feb. 11, 2003: President Gloria Macapagal-Arroyo orders Philippine troops to suspend fighting with Muslim rebels after seven militants and one soldier were killed in renewed clashes on the southern island of Mindanao. Clashes erupted after the army sent 3,000 soldiers into the area to confront about 1,000 Moro Islamic Liberation Front (MILF) fighters.

Feb. 15, 2003: The Philippines asks Malaysia for help in restarting peace talks with the MILF despite clashes in Mindanao.

Feb. 21, 2003: The U.S. announces that 350 Special Operations forces, supported by additional troops offshore, will be sent to the Philippines to conduct joint operations with Filipino combat patrols fighting Muslim rebels in the southern Philippines.

Feb. 22, 2003: Philippines presidential spokesman announces that U.S. troops coming to the island of Jolo to help local forces fight Muslim rebels will be barred from engaging in offensive combat operations.

Feb. 25, 2003: The UN charges former Indonesian armed forces chief, Gen. Wiranto, six other military officers, and the former Indonesian governor of East Timor, Abilio Soares, with crimes against humanity for violence surrounding East Timor's 1999 vote for independence. The charges carry a maximum penalty of 25 years' imprisonment under East Timorese law.

Feb. 28, 2003: U.S. Defense Secretary Donald Rumsfeld meets with Philippines Defense Secretary Angelo Reyes, announces that no U.S. combat troops will be sent to the Philippines to help fight Muslim rebels.

Feb. 28, 2003: Philippine President Macapagal-Arroyo orders military to defeat the Abu Sayyaf within 90 days, while chief of the armed forces announces that commanders who fail to perform will be replaced.

March 4, 2003: A bomb explodes near a crowded shelter outside an airport in the southern Philippines, killing 21 (including one American) and injures 144 (including three Americans). A second bomb explodes outside a nearby health center in Tagum, killing one and injuring three.

March 5, 2003: President Macapagal-Arroyo announces, despite the terrorist bombing, there will be no combat role for U.S. troops in the southern Philippines.

March 6, 2003: Indonesia's Parliament passes antiterror law issued by President Megawati after the Bali bombings. The regulations allow police to use intelligence data as the basis for arrests.

March 9, 2003: A group of 100,000 participate in a peaceful demonstration in Surabaya, organized by the country's largest Islamic organization, Nahdlatul Ulama (NU), against military action in Iraq.

March 12, 2003: Indonesian Brig. Gen. Noer Muis is sentenced to five years in prison for failing to prevent massacres of 1,000 civilians during East Timor's vote for independence in 1999.

March 13, 2003: President Macapagal-Arroyo announces postponement of planned April 2-5 visit to the U.S., because of the Iraq war.

March 17, 2003: The UN and Cambodia reach agreement in Phnom Penh, to establish a special court to try those most responsible for the Khmer Rouge genocide in which an estimated 1.7 million people died in the 1970s. The agreement must now be approved by the United Nations General Assembly and by the Cambodian legislature.

March 18, 2003: Indonesia Security Minister Susilo Bambang Yudhoyono announces that Indonesia calls on the UN Security Council to hold an emergency meeting on Iraq, and on the international community to continue work toward a peaceful solution.

March 20, 2003: President Megawati announces Indonesia's opposition to the U.S.-led attack on Iraq and calls for an urgent UN meeting.

March 20 2003: Malaysia's Deputy PM Abdullah Ahmad Badawi calls the U.S.-led attack on Iraq "a black mark in history" and further states "the world now seeing might is right," during a national address.

March 21, 2003: 7,000 demonstrators protest the U.S.-led invasion of Iraq in Malaysia and burn British and U.S. flags and effigies of the two countries' leaders in Kota Bharu city, the capital of Kelantan state.

March 21, 2003: Philippine prosecutors file graft charges against former Vice President Salvador Laurel, who served in 1986-1992 under former President Corazon Aquino.

March 21, 2003: U.S. government suspends official travel to Vietnam and advises U.S. citizens to put off non-emergency travel to Vietnam because of the severe acute respiratory syndrome (SARS).

March 24, 2003: Malaysian PM Mahathir condemns U.S. and Britain for invasion of Iraq, in a speech to the Malaysia Parliament.

March 24, 2003: UN Human Rights Envoy Paulo Sergio Pinheiro announces departure from Burma two days early after finding a hidden microphone while meeting political prisoners at the Insien jail.

March 27, 2003: UN Human Rights Envoy Pinheiro accuses Burmese military junta of making “absurd” excuses to detain more than 1,200 political opponents and called for all prisoners to be released immediately.

March 30, 2003: Peaceful march by 100,000 Indonesians to U.S. Embassy in Jakarta to protest Iraq war.

China – Southeast Asia Relations: Focus is Elsewhere, but Bonds Continue to Grow

by Lyall Breckon*
Senior Analyst, CNA Center for Strategic Studies

The quarter saw a relative lull in China's intense Southeast Asian diplomacy. This was understandable in light of Beijing's preoccupation with crises in Iraq and North Korea, and the formal transfer of power in March to a new generation of Chinese leaders. It signaled no decline in China's keen interest in expanding ties with its southern neighbors. Leaders of the two Southeast Asian countries closest to Beijing, Thailand and Burma, visited China before the leadership transition for talks with Hu Jintao and members of his team as well as Jiang Zemin, Zhu Rongji, and other leaders relinquishing senior party and state positions. Chinese commentary directed toward Southeast Asia strongly backed the anti-Iraq war stance of most ASEAN nations. China's observer at the Kuala Lumpur Nonaligned Movement (NAM) summit in February called for opposition to "unipolarity" and unilateralism, i.e., U.S. leadership, in international affairs. Trade and investment, and the benefits to be gained by China's neighbors from China's growing economic power, continued to be major themes in China's dialogue throughout the region, encountering broad agreement and occasional flashes of dissent and concern.

Reaction to the War in Iraq and Terrorism in Southeast Asia

China's state media gave prominent play to negative Southeast Asian reactions to U.S. diplomacy on, and preparations for, war in Iraq, but little mention of support for the United States from the Philippines and Singapore. Chinese media comment argued that the war would lead to an oil price shock, require the return of the million and a half Philippine workers in the Middle East – with a huge loss in foreign exchange remittances – and increase terrorism in the region, themes that resonate in other Southeast Asian capitals as well as Manila. Vice Foreign Minister Wang Guangya, representing Beijing at the February 20-25 Kuala Lumpur summit of the NAM, demanded the "democratization" of international relations, a dominant role for the United Nations, and an end to unilateralism and threats of the use of force – all codewords for reducing U.S.

* CNA Corporation is a non-profit research and analysis organization. The opinions expressed in this article are those of the author.

influence. (If his audience sensed any irony arising from China's own unilateral refusal to renounce force in dealing with Taiwan, it went unreported.)

Beijing immediately condemned the March 4 terrorist bombing in Davao, in the southern Philippines, that killed 21 persons, and continued otherwise to take a generally supportive stance on the campaign against international terrorism.

Priority on Trade and Investment

Attempting to rebut fears that the rapid growth of Chinese consumer exports to Southeast Asia, as well as China's success in winning new foreign investment, would severely damage ASEAN economies, China released figures during the quarter that showed large increases in its imports from Southeast Asia in 2002 over 2001. According to Ministry of Foreign Trade data, ASEAN exports to China rose 34 percent, while imports from China increased 28 percent. China remains a net importer of capital from Southeast Asia, however. According to Chinese sources, for example, total PRC investment in Thailand stood at \$223 million by 2001, whereas direct Thai investment in China was more than \$2 billion, nine times as much. Singapore investors continue to favor China – among other sectors they are moving heavily into a booming residential housing market spurred by rising levels of home ownership there.

Change in this pattern may eventually come from China's efforts to diversify its sources of oil and natural gas beyond the Middle East, which now supplies 40 percent of its energy imports. Chinese officials say they will concentrate new energy investment in the developing world, and in particular in Southeast Asia. The Chinese business press reported in early March that the Industrial and Commercial Bank of China (ICBC), China's leading lender, is considering buying into Indonesian banks as a means of financing gas and oil production in that country by Chinese companies.

China hosted another meeting with ASEAN officials Feb. 25 in Guilin to seek further agreement on details of its proposed China-ASEAN Free Trade Agreement (FTA). Most ASEAN responses continue to be favorable, although the Philippines announced March 6 that it would not join the FTA's proposed "early harvest" of lower tariffs on farm products. Philippine farmers are reportedly already under growing pressure from smuggled agricultural goods from China.

Thailand and China: "Relatives and Brothers"

Demonstrating the strength of his support for expanding relations with China, Thai Prime Minister Thaksin Shinawatra visited Beijing Feb. 18-20 to congratulate the new leaders even before the formal transition. Thaksin reportedly startled his hosts by breaking with protocol and referring openly to Hu Jintao's elevation to the presidency before it occurred, prompting some chuckles from the Chinese side but surely doing no harm to future relations with a Hu-led government. Thaksin and his party were greeted warmly as "relatives and brothers" by Chinese leaders. Outgoing Chinese President Jiang Zemin told Thaksin there were no outstanding issues between the two countries, "only

friendship and cooperation.” Thaksin pledged in return that Thailand would forever remain China’s most sincere friend.

The Chinese sought and received Thaksin’s agreement that war in Iraq should be avoided through further multilateral diplomacy, but – at least for the record – did not press him to curtail Thailand’s extensive but low-key support for U.S. military presence in the region and beyond.

Some Thai media comment criticized Thaksin for his “passionate” courtship of China to the exclusion of other Asian relationships still critical for Thailand’s economy, notably Japan, still the largest source of foreign investment in Thailand. Thai press comment also pointed out that there are downsides to China’s growing regional power. These include China’s development plans for the upper Mekong River, which some Thai see as threatening downstream interests ranging from environmental damage and destruction of fisheries to potentially critical alteration of water flows that could lead to massive shortages in the future.

Philippines: South China Sea Issues Still Contentious

Differences arising from overlapping territorial claims in the South China Sea continued to trouble the Philippines-China relationship. Manila still holds 22 Chinese fishermen arrested last year for fishing off Palawan in waters claimed by the Philippines. Philippine Navy reports claim that Chinese boats comprise the majority of the many hundreds of fishing vessels sighted each year in areas claimed by Manila. In January, Philippine intelligence reports surfaced revealing new Chinese markers on Philippine-claimed islets. The reports predate the adoption of a “Declaration on Conduct of Parties in the SCS” between China and the 10 ASEAN countries last November, however. Philippine sources believe that China has not built new structures in the contested area since that declaration, but report that there have been substantial improvements in existing military posts.

Vietnam: Border Affairs Again Dominate Relations

The troubled process of demarcating the land border between China and Vietnam made some progress during the quarter, as China announced in January that it had completed a four-month program to clear land mines in 1 million sq. kilometers of territory on its side of the Quangxi Zhuang Autonomous Region. The two countries placed additional boundary markers in that sector.

China’s news agency reported with satisfaction that the extensive, and largely unregulated, land border trade between the two countries had shifted from food and general merchandise to higher-end consumer goods. To expand this trade, 170 Chinese businesses have set up shop at one of the major crossing points, with help from the Yunnan provincial government. Vietnam announced plans to increase exports to China by 15 percent in 2003, largely in primary commodities and food, but noted with a hint of

asperity that China's "ever-changing trade regulations," lack of banking facilities for small enterprises, and corruption posed obstacles to this objective.

No progress was reported in resolving differences over the China-Vietnam maritime border, but China reported March 5 that Hainan Island would significantly reduce its fishing fleet under an agreement on fishery cooperation in the Tonkin Gulf/Beibu Bay. The province will remove 570 fishing boats from service, and transfer 12,800 fishermen to employment in non-fishing sectors of the island's economy.

China and Burma

Senior Gen. Than Shwe, chairman of Burma's ruling State Peace and Development Council (SPDC), visited China Jan. 6-11 with a large entourage that included SPDC Secretary 1 Gen. Khin Nyunt and seven Cabinet ministers. Hu Jintao pledged to maintain and strengthen close relations with Burma. China announced a \$200 million preferential loan for development assistance during Than Shwe's visit, and signed agreements with Burma on economic and technology cooperation, public health, and sports. Jiang Zemin told the Burmese visitors that every nation has the right to choose its own path without any outside interference, suggesting that Than Shwe's Chinese hosts made no effort to persuade Burma to take steps to meet Western human rights concerns.

Than Shwe's visit was followed immediately by Chinese Vice Premier Li Lanqing's trip to Rangoon. Li brought proposals for further assistance to Burma and partial relief of earlier maturing Chinese loans to Burma.

Reporting by Chinese and Burmese media on these visits did not mention antinarcotics cooperation. Given China's alarm at the flood of narcotics into southern China in recent years, including methamphetamines and opium-based drugs, Chinese leaders may have pressed Burma's junta leaders privately to work harder at curtailing the trade.

Taiwan and Southeast Asia: Overreaching and Another Embarrassment

A proposed trip to Thailand by a group of Taiwan lawmakers led by Legislative Yuan Vice President P. K. Chiang foundered Jan. 18, one day before the delegation was scheduled to depart, when Bangkok refused to issue visas to the party on grounds that China's Vice Premier Li Lanqing would be arriving at nearly the same time. A Taiwan Foreign Ministry spokesman said the incident reflected "Bangkok's servility to Beijing," and senior Democratic Progressive Party (DPP) leaders urged that Taiwan again halt acceptance of new guest workers from Thailand, as it did last year over a similar visa issue. The Thai government said Chiang could come another time. Chiang did proceed with planned visits to Malaysia and the Philippines, asserting that Taiwan legislators needed to visit countries in which Taiwan businesses are heavily invested in order to "get first-hand information about their problems and difficulties."

Philippine Secretary of Labor and Employment Patricia Santo Thomas met with President Chen Shui-bian in Taipei March 20 to renew an agreement on Philippine

workers in Taiwan. Numbers of Philippine workers have declined from a high of 120,000 in 1996 to about 69,000 today. In another foray under Taiwan's "go south" campaign, Economics Minister Lin Yi-fu led a delegation to Vietnam in late January to discuss expanding investment in that country.

Chronology of China-Southeast Asia Relations January-March 2003

Jan. 6-11, 2003: Senior Gen. Than Shwe, chairman of Burma's ruling State Peace and Development Council, visits China with SPDC Secretary 1 Gen. Khin Nyunt and seven Cabinet ministers. China announces a \$200 million preferential loan for development assistance.

Jan. 18, 2003: The 19-member Taiwan delegation led by Vice Speaker Chiang Pin-kung is cancelled one day before leaving to Thailand, after failing to receive visas.

Jan. 22, 2003: Vietnamese media report that Lt. Gen. Kui Quansheng from China's Chengdu military zone visited Vietnam's northern military zones as a guest of the Vietnam People's Army to boost friendship and mutual understanding.

Jan. 23, 2003: Chairman of the National People's Congress Li Peng tells visiting Philippine House Speaker Jose Venecia that China will work with the Philippines as Manila hosts the fourth annual meeting of Asian Parliaments for Peace later this year. Venecia lauds Philippine-China cooperation, and awards Li the Philippine Congress Medal of Achievement.

Jan. 24-25, 2003: Chinese Vice Premier Li Lanqing meets H.R.H. King Bhumibol Adulyadej and senior members of the Thai government, during a visit to Bangkok. Li thanks PM Thaksin for his country's "one China" policy, and urges him to maintain vigilance against attempts by Taiwan to impose "one China, one Taiwan" on the international community.

Jan. 26, 2003: Speaking in Indonesia, Singaporean Minister for Trade and Industry George Yeo acknowledges that China is a fierce competitor with ASEAN in some sectors, but avers that "as always in history," China's growth and prosperity will benefit Southeast Asia. He expresses confidence that ASEAN's long history in advanced manufacturing will remain competitive as trade barriers are lowered.

Jan. 30, 2003: China says it is "gravely concerned" after rioting Cambodians, angered by a report that a Thai movie star had claimed that Angkor Wat belonged to Thailand, burned the Thai Embassy in Phnom Penh Jan. 29. Vice Foreign Minister Wang Yi meets with ambassadors of the two countries in an effort to resolve the issue.

Feb. 5, 2003: An Indonesian Navy ship sinks a Chinese boat reportedly fishing illegally in Indonesian waters off the coast of Papua. One crewman was killed, and 24 others arrested.

Feb. 18-19 2003: Thai PM Thaksin visits Beijing to congratulate the new leaders before the formal transition, meets Hu Jintao and PRC President Jiang Zemin.

Feb. 18, 2003: A Chinese court hands down stiff sentences to 10 Indonesians for piracy. They had seized a Thai tanker in Malaysian waters and brought it to China, where they planned to sell the vessel and its cargo. Chinese authorities returned the ship and the proceeds of sale of the diesel fuel to the owners.

Feb. 22, 2003: Chinese Communist Party Standing Committee Member Huang Ju meets in Beijing with the Secretary General of Thailand's ruling Thais Love Thais party, Suriya Juangrungrangkit. Huang tells his guest that "China and Thailand are one big family," and that China's Communist Party wants to expand relations with major political parties in Thailand.

Feb. 24, 2003: Chinese Vice FM Wang Guangya represents Beijing at the 13th Summit of the Nonaligned Movement (NAM) in Kuala Lumpur and states the importance of promoting democracy in international relations and the role of the UN.

Feb. 24, 2003: China's Huadien Engineering Company signs an agreement with two Indonesian firms to build up to 30 power plants on Java, to meet the island's growing power requirements. Indonesia has been seeking foreign investment in the power sector to avert blackouts over the next few years. The Chinese firm plans to concentrate on hydroelectric plants, but may build plants using other technologies including coal- and gas-fired and geothermal facilities.

Feb. 25, 2003: China hosts a high-level symposium with ASEAN officials in Guilin to further discuss details of the proposed China-ASEAN Free Trade Agreement (FTA).

Feb. 26, 2003: Philippine Ambassador Josue Villa says in Beijing that his country wants more investment from China. He notes that the Philippines achieved a positive trade balance with China for the first time in 2002, with bilateral trade reaching \$5.2 billion. Chinese companies are welcome to invest in infrastructure, agriculture, and the information industry.

Feb. 27, 2003: Malaysian PM Mahathir, interviewed by China's *Renmin Ribao*, notes in response to the "China threat theory" propagated in the West that although China's military strength will increase, this does not imply that China will use that force on other countries. He and Foreign Minister Syed Albar point out that ASEAN trade and investment will benefit from the enormous potential of the China market.

March 1, 2003: A relic of the Sakyamuni Buddha from China, loaned to Thailand by the PRC in December to mark the 75th birthday of King Bhumibol Adulyadej, departs for home. Some 70,000 people reportedly visited the relic each weekday, and 120,000 per day on weekends.

March 5, 2003: China announces Hainan Island will significantly reduce its fishing fleet under a China-Vietnam fishery cooperation agreement in the Tonkin Gulf/Beibu Bay.

March 6, 2003: China strongly condemns the terrorist bombing in Davao, Philippines.

March 20, 2003: Philippine Secretary of Labor Patricia Santo Thomas meets with President Chen Shui-bian in Taipei to renew an agreement on Philippine workers in Taiwan.

March 27, 2003: Vietnam reports that China has invested \$2 million in agricultural projects in that country. China is a major importer of Vietnamese farm products. Total imports from Vietnam stood at \$1.5 billion in 2002, including seafood, rubber, tea, and vegetables.

China-Taiwan Relations: Chen Adopts A More Cautious Approach

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

The first flight of a Taiwan aircraft to China in over 50 years at the time of the Lunar New Year highlighted the growing need for direct travel and the continuing political constraints on accomplishing it. Absorbed in the transition to its fourth generation leadership, Beijing has adhered to the Taiwan policy parameters set forth at the 16th Party Congress, including the active encouragement of closer economic links with Taiwan. Within Chen Shui-bian's administration, opinion has now shifted noticeably from the slogan "active opening, effective management" adopted in 2001 to a more cautious approach to policy on economic ties and direct travel to the mainland. Economic concerns and electoral positioning have played a role in this shift. Meanwhile, Taiwan's delay of major arms purchases from the U.S. is creating strains in U.S.-Taiwan relations, and these strains have become more public this quarter.

Cross-Strait Charter Flights

During January, six Taiwan airlines were able to obtain approvals from both Taipei and Beijing for charter flights to Shanghai during the Lunar New Year. Taipei required the flights to take a long circuitous route via Hong Kong or Macau and required the planes to land briefly at these airports. Nevertheless, the arrival of the first China Airlines plane in Shanghai on Jan. 25 was a symbolic step after more than 50 years in which air traffic between Taiwan and the mainland had been suspended.

As the travel time and costs for these flights were essentially the same as for alternative transportation, only 16 charter flights were flown and these were only 70 percent booked. However, that these flights took place at all is evidence of the economic and social needs of growing populations on both sides of the Strait for more efficient travel. The time and political capital expended and the convoluted arrangements required are reflections of the continuing political constraints on achieving direct cross-Strait travel. What received less attention was the New Year's travel via Kinmen and Matsu. With ferry service now operating between these islands and the mainland, Taiwan business people in China were able to fly to Xiamen, ferry to Kinmen, and fly to Taiwan for the holidays.

Following the outbreak of the war in Iraq, Taiwan airlines began exploring the possibility of diverting Europe-bound flights away from the Middle East by flying through Chinese airspace. Both Taipei and Beijing authorized such flights, and a first CAL flight from Taipei to Europe over China occurred March 26. With two circumstances in which Taiwan flights have operated in China, a next step would be for Taipei to permit PRC airlines to make initial charter flights to Taipei, flying routes that do not create security concerns for Taiwan.

Steady Course for PRC Cross-Strait Policy

On the anniversary of former Chinese President Jiang Zemin's Eight Points in January, Vice Premier Qian Qichen hewed carefully to the policy line adopted at the 16th Party Congress last November: peaceful unification on the basis of the "one China" principle and the "one country, two systems" formula, with no mention of time tables or threats. Qian particularly emphasized Beijing's desire to promote cross-Strait economic relations and to open direct trade and travel. During the Lunar New Year, Beijing played up the historic significance of the first charter flights and continued to press Taipei for progress on direct links.

The 10th National People's Congress (NPC) in March provided more evidence of policy continuity in a period of political transition to China's fourth generation leadership. Despite an uncharacteristic slip of the tongue reference to China and Taiwan as "two countries" rather than "two sides," outgoing Premier Zhu Rongji's last work report contained a standard restatement of PRC policy. The *People's Daily* official report on a meeting incoming President Hu Jintao had with NPC delegates similarly had him closely following the party line and emphasizing the promotion of direct ties. Incoming Premier Wen Jiabao's initial press conference at the conclusion of the NPC was noteworthy for what commentators in Taipei saw as his moderate tone. When asked the expected question on Taiwan, Wen, who was relaxed throughout the press conference, deftly quoted a poem by a mainland poet in Taipei about his longing for the motherland. This provided the backdrop for his expression of optimism about the long-term goal of unification. That Wen made no threats and set no deadlines was to be expected but was also noted and welcomed.

How Taiwan policy will be coordinated at the highest levels of the PRC leadership remains unclear. While there appears to be consensus on the party line with respect to Taiwan, it is inevitable that issues and challenges will arise. How the respective roles of Hu and Jiang will play out remains unclear. Vice Premier Qian has played a crucial role in articulating and coordinating policy. His replacement as vice chair of the Leading Small Group on Taiwan Affairs has not been announced.

Taipei Adopts more Cautious Approach

In Taipei, the year began on an auspicious note. President Chen Shui-bian's New Year statement pointedly reaffirmed the four "no's" from his inaugural address of May 2000 and spoke of building economic ties as a framework for long-term engagement with

China. The fact that these commitments were repeated and that there was no mention of Chen's August remarks about "one country on each side" of the Strait was reportedly intended to send a signal of reassurance. Beijing took notice and there was considerable speculation on how positively the signal should be interpreted.

However, this positive signal was not a harbinger of new policy initiatives from Taipei on cross-Strait relations. The charter flight arrangements were implemented but there has been no follow-up. When asked, government spokesmen say that the Mainland Affairs Council (MAC) is in the process of drafting a policy assessment on the "three links." In January, visiting Americans were told the MAC report was nearly complete and included a 40-page executive summary. At the end of March, the report had still not been released. The behind-the-scenes struggle over the report has been reflected in contradictory public statements by various officials. On the one hand, Vice President Annette Lu has been publicly quoted as saying that Taiwan would pay a huge price for opening direct links and as urging all government departments to come forward with their concerns about opening direct trade and travel so that these can be taken into account. On the other side, business community supporters of Chen and some government economic officials have continued to make the economic case for expanding ties with the mainland.

The delay of the MAC report is one sign of a shift toward a more cautious approach to cross-Strait economic ties in the Chen administration. Other signs have come in President Chen's repeated statements this winter that his goal for cross-Strait relations is to maintain the peace and stability that now exists and not to achieve new breakthroughs in what will be the final year of this presidential term. Chen has also repeatedly said that direct ties are not a cure-all for Taiwan's economic problems. Last spring, Chen indicated that Taipei could allow designated private groups to negotiate cross-Strait air links. By contrast, this winter the administration did not press for early Legislative Yuan (LY) action on the amendments to the Statute on Cross-Strait Relations that were proposed last summer and that are needed to authorize private groups to conduct those negotiations. Rather, the administration has been urging the LY to adopt a National Technology Protection Law that aims to control the flow of technology and technical personnel to the PRC.

At the same time, the implementation of cross-Strait economic policy has slowed. There is little one could cite as evidence of the "active opening" policy adopted at the 2001 Economic Development Advisory Conference (EDAC). The "effective management" part of the policy has been more apparent. The handling of the decision to authorize Taiwan firms to invest in eight-inch wafer plants in China gives indications of how the policy is being implemented. Very restrictive policy guidelines for eight-inch wafer plant investments were adopted in late 2001. In the fall of 2002, Taiwan Semiconductor Manufacturing Corporation (TSMC) applied for permission to make the first investment under the policy. Before acting on TSMC application, the government first issued fines to Taiwan companies that had jumped the gun back in 2000 and invested in eight-inch wafer plants in Shanghai. In January, TSMC was given a preliminary approval for its proposal, but with the stipulation that subsequent approvals will be required for each stage of its investment program.

Why this shift in Chen's approach? Two factors seem relevant. The continued rapid growth of Taiwanese investment in the PRC and the island's growing reliance on the mainland export market are an increasing concern for officials in the Democratic Progressive Party (DPP) and Chen's administration. Second, government officials frequently cite opinion polls commissioned by the MAC which show that, while 70 percent support opening direct travel, a majority believes the opening should be accomplished carefully. As the presidential election campaign has begun, Chen seems to be swayed by opinion among his supporters and by his reading of public sentiment.

International Struggle and SARS

The flexibility the mainland has shown on some cross-Strait issues has not changed its implacable opposition to Taiwan internationally. In January, the PRC objected to NGOs from Taiwan participating in an International Telecommunication Union (ITU)-sponsored preparatory meeting for the World Summit on Information Society. When the Conference of Presidents of the European Parliament extended an invitation to Chen Shui-bian to speak, Beijing acted swiftly to oppose European governments issuing visas to Chen. This forced Chen to say that he appreciated the invitation but would be unable to attend.

The World Health Organization (WHO) emergency alert concerning Severe Acute Respiratory Syndrome (SARS) came in the midst of Taiwan's annual campaign for observer status at the WHO. The PRC, a member of the WHO, handled the outbreak last fall of what the WHO now confirms is the same disease in Guangdong province with typical secrecy – a secrecy that deprived other WHO members of the advance medical information needed to undertake protective measures against the spread of an infectious disease. Health emergencies in Guangdong are of particular concern to Taiwan because of the large number of Taiwanese businesspersons there. When SARS cases occurred in Taiwan, the WHO had to work directly with health authorities in Taiwan. It did so by asking the U.S. Centers for Disease Control and Prevention (CDC) to dispatch personnel to Taiwan on its behalf. When the WHO published information on the global spread of SARS, it chose to refer to Taiwan as "Taiwan (China)," terminology that was acceptable to Beijing but politically offensive to Taipei. The ironies of these circumstances have not changed the politics of the issue. The spread of SARS to Taiwan has not ameliorated Beijing's opposition to any Taiwan involvement with the WHO. Nor is the outcome of this year's debate likely to be any different.

Strains in U.S.-Taiwan Relations

President George W. Bush's strong support for Taiwan's security has led many to say that U.S.-Taiwan relations have never been better. While accurate, signs of friction in this relationship have emerged, for example over trade and intellectual property and on cross-Strait economic issues. Most recently, U.S. concern and frustration over the slow pace of Taiwan's arms purchases has moved from private consultations into open public discussion.

Administration concerns were voiced publicly at the United States-Taiwan Defense Industry Conference Feb. 12-14, 2003 in San Antonio, Texas. DoD Deputy Assistant Secretary for Asia and the Pacific Richard Lawless told the conference that Taiwan should not consider U.S. support “a substitute for investing the necessary resources in its own defense.” Lawless commented that Taiwan is losing its qualitative edge as PRC military modernization proceeds. State Department Deputy Assistant Secretary Randall Shriver expressed U.S. hopes that both Beijing and Taipei would expand ties and reduce cross-Strait tensions. At the same time, he urged Taipei to take the necessary steps to acquire defensive weapons sufficient to address the growing PRC threat. Subsequently, former American Institute in Taiwan (AIT) Chairman Richard Bush was more direct in telling an audience in Taipei that the LY should move faster to procure the weapons needed for Taiwan’s defense. In mid-March, one of Lawless’ subordinates visited Taiwan for a week of discussion on defense issues, including Taiwan’s procurement of radars and anti-missile systems authorized by Washington several years ago.

Economics

Cross-Strait economic ties continue to expand rapidly. Beijing’s statistics show cross-Strait trade for January through November 2002 up 38 percent over the previous year. Taiwan was the second largest source of PRC imports, after Japan, and those imports from Taiwan represented 14 percent of total PRC imports for that period. Full year statistics from Taiwan’s Board of Foreign Trade show cross-Strait trade increased 37 percent in 2002 to reach \$41 billion. Taiwan’s exports to the PRC were \$33.1 billion and Taiwan’s export dependence on the mainland increased from 19.6 percent in 2001 to 25.3 percent in 2002. The surge in Taiwan exports to the PRC last year was part of a regional pattern that saw the PRC become the largest export market for Japan and South Korea, as well as for Taiwan.

According to Taiwan statistics, which are indicative of trends, Taiwan investment in the mainland grew 35 percent in the first 11 months of 2002. In January 2003, these investments jumped an astounding 120 percent.

The War in Iraq

President Bush’s decision to go to war in Iraq without UN Security Council support is already reshaping attitudes in Asia toward the U.S. Beijing has criticized Bush’s decision; Taipei has cautiously offered its endorsement. The way the U.S. prosecutes the war and the shape of postwar Iraq will undoubtedly influence the international context in which cross-Strait relations occur, but just how will only be apparent with time.

Chronology of China-Taiwan Relations January-March 2003

Jan. 1, 2003: Taiwan President Chen Shui-bian reiterates “Four No’s” from 2000 inaugural statement.

Jan. 2, 2003: State Department confirms U.S. has told Israel to limit strategic sales to PRC.

Jan. 6, 2003: Vice President Annette Lu says direct travel to PRC will harm Taiwan.

Jan. 11, 2003: Mainland Affairs Council (MAC) Chair Tsai Ing-wen calls for caution on three links.

Jan. 12, 2003: Former President Lee Teng-hui calls for a new constitution for Taiwan.

Jan. 14, 2003: PRC blocks Taiwan NGO participation in International Telecommunication Union-sponsored meeting.

Jan. 15, 2003: Vice Premier Qian Qichen addresses national conference on Taiwan affairs.

Jan. 17, 2003: At inter-parliamentary meeting in Taipei, Chen urges Asian cooperation to promote democracy in China.

Jan. 17, 2003: Taipei fines three companies for computer chip investments in Shanghai.

Jan. 18, 2003: Democratic Progressive Party (DPP) official Chen Chung-shin begins private trip to China.

Jan. 20, 2003: President Chen tells U.S. visitors not to expect early progress on three links.

Jan. 23, 2003: Taiwan Semiconductor Manufacturing Company gets preliminary approval for investment in PRC.

Jan. 24, 2003: Vice Premier Qian urges early opening of direct travel.

Jan. 25, 2003: China Airlines makes first Taiwan charter flight to Shanghai.

Jan. 25, 2003: Washington nixes Taiwan invitation to U.S. Under Secretary of State John Bolton.

Jan. 27, 2003: President Chen urges business to invest in Taiwan before mainland.

Jan. 27, 2003: PRC dissident seeks asylum in Taiwan.

Jan. 30, 2003: Chinese Petroleum Corp. and China National Offshore Oil Corporation report both government's approval of oil exploration plan.

Feb. 6, 2003: MAC Vice Chair Liu Johnnason Liu warns against risks of direct travel.

Feb. 12-14, 2003: United States-Taiwan Defense Industry Conference 2003 is held in San Antonio, Texas.

Feb. 14, 2003: Kuomintang (KMT) and People's First Party (PFP) sign agreement to cooperate in presidential election.

Feb. 14, 2003: MAC welcomes Singapore University's joint invitations to Straits Exchange Federation's (SEF) Koo Chen-fu and Association for Relations Across the Taiwan Straits (ARATS) Wang Daohan for a conference on 10th anniversary of Koo-Wang talks.

Feb. 27, 2003: President Chen tells DPP group that full-fledged direct travel is out of question.

Feb. 27, 2003: Former American Institute in Taiwan (AIT) Chairman Richard Bush's speech questions Taiwan's delay in arms purchases.

March 4, 2003: Chinese Premier Zhu Rongji's final National Petroleum Council (NPC) report repeats standard PRC policy on Taiwan.

March 4-18, 2003: The 10th National People's Congress (NPC) convenes in Beijing to approve the new leadership, including incoming President Hu Jintao and new Prime Minister Wen Jiabao.

March 9, 2003: Press reports DoD official Mary Tighe, National Intelligence Officer for East Asia, in Taipei for talks on missile defenses.

March 11, 2003: Chinese Vice President Hu Jintao discusses Taiwan issue with NPC delegates in standard terms.

March 15, 2003: Former President Lee proposes changing name to "Republic of Taiwan."

March 15, 2003: Beijing protests European Parliament invitation to Chen Shui-bian.

March 16, 2003: President Chen expresses appreciation but declines invitation.

March 17, 2003: Taipei Board of Foreign Trade expresses concern that 25 percent of Taiwan's exports went to PRC and Hong Kong in 2002.

March 18, 2003: Chinese Premier Wen adopts moderate tone on Taiwan in his first press conference.

March 18, 2003: Premier Yu Shyi-kun tells Legislative Yuan (LY) that changing name would be destabilizing.

March 20, 2003: Taipei criticizes World Health Organization (WHO) for not aiding Taiwan with Severe Acute Respiratory Syndrome (SARS) emergency.

March 22, 2003: *Taipei Times* says PRC adopts new regulations requiring Taiwan Association officials in China to support “one China” principle.

March 25, 2003: SEF Chairman Koo says he will attend Singapore anniversary conference if Beijing permits ARATS Chairman Wang to attend.

March 27, 2003: PRC authorizes overflights by Taiwan airlines during war in Iraq.

March 30, 2003: Lien Chan accepts KMT nomination; says, if elected, he will open direct trade and make “journey of peace” to mainland.

March 31, 2003: President Chen says a trip by Lien would be a “journey of surrender.”

North Korea-South Korea Relations: A Bumpy Road Ahead?

by Aidan Foster-Carter
Leeds University, UK

Inter-Korean relations in the first quarter of 2003 were a curious mixture. The now familiar forms of interaction, re-established in the preceding quarter after more than a year of on-off hiatus, continued. Ministerial talks, economic dialogue, family reunions, semi-official civic events, and others were all held. On a non-official level, business and aid contacts went ahead as is now normal. If all this suggests marking time, there was at least one breakthrough: the partial opening of two temporary roads across the demilitarized zone (DMZ), breaching the heavily armed border for the first time in half a century. In happier times this would have made headlines and been an occasion for rejoicing as a further step toward reunification.

But these are not happy times in Korea, and rejoicing was muted. The Peninsula has indeed made headlines – for the escalating North Korean nuclear crisis, as Pyongyang unleashed one provocation after another: quitting the Nuclear Non-Proliferation Treaty (NPT), restarting its nuclear reactor (but not yet the reprocessing plant) at Yongbyon, shadowing a U.S. spy plane, test firing two short-range missiles, and more. Most of that is beyond the scope of this article, if only because North Korea insists that the nuclear issue is no business of Seoul's – despite the December 1991 joint declaration on denuclearization of the Peninsula, which says otherwise.

Inevitably, nuclear concerns formed a somber backdrop to all inter-Korean intercourse this quarter. The South raised them at every opportunity, but made no headway. Nor was this the only dark cloud, as revelations emerged to cast a pall on past inter-Korean progress. During former President Kim Dae-jung's final weeks in office, it was admitted that the June 2000 summit with Kim Jong-il, for which Kim Dae-jung won that year's Nobel Peace Prize, had been preceded by a secret payment of at least \$500 million by the Hyundai business group to North Korea. The further investigations now under way pose a delicate challenge for South Korea's new president, Roh Moo-hyun, who comes from Kim's Millennium Democratic Party (MDP) and is pledged to continue the Sunshine Policy approach, albeit now renamed as "policy for peace and prosperity."

But it takes two to engage. North Korea marked Roh's inauguration with a missile test. As always, it objected to annual joint U.S.-ROK war games. When Roh backed the U.S. on Iraq, and after an erroneous report that South Korea had raised its defense alert status, Pyongyang pulled out of talks due in the last week of March; it went on to cancel

Cabinet-level talks set for early April. It was not immediately clear if this was a limited protest, or if it presaged a general suspension of official inter-Korean dialogue, as was the case during most of 2001 and 2002. All this points to a bumpy ride for Roh, and, despite those first tiny holes in the border, no obvious roadmap for a broad highway going forward.

Out on a Lim

As the year began with North Korea's nuclear intransigence making global headlines, South Korea was one of a number of states seeking to mediate and pull Pyongyang back from the brink. For its part, the North clearly did not see blood as thicker than water. In late January, Lim Dong-won – architect of the Sunshine Policy, then a special adviser to Kim Dae-jung – went to Pyongyang, only to find Kim Jong-il out of town. As the Dear Leader had just met a Russian envoy for six hours of talks, this was seen in Seoul as a snub; Lim was reportedly furious. He did meet the titular head of state Kim Yong-nam and Party Secretary Kim Yong-sun, but had clearly expected to hold top-level talks, as in the past. This may be a brush-off to South Korea in general, or to an administration on its way out in particular, although the entourage did include Lee Jeon-seok, a member of Roh Moo-hyun's transition team.

A Nuclear North: Better than Collapse?

Despite Pyongyang's refusal to discuss the nuclear issue bilaterally, how to respond to this – and to do so in sync with the U.S. – is a major challenge for Roh Moo-hyun. In February, Yoon Young-kwan – then a member of Roh's transition team, now ROK foreign minister – caused consternation in Washington for allegedly preferring a nuclear North to a collapse scenario. Though he later claimed he was just saying that some in Seoul hold this view, this was widely taken as illustrating an ostrich pacifist position. Coupled with Roh's oft-repeated insistence – plainly intended to become a self-fulfilling prophecy – that a military solution is unthinkable, this raised fears of a one-sided approach: all carrot, apparently with no stick no matter what.

[Senior Editor's Note: As one who attended the Washington meeting in question, I can attest that Yoon was seriously misquoted and unjustly maligned; he spoke that evening about strident attitudes – in response to a direct question – and did not imply that this was his view or the view of the incoming government. –RAC]

In office, Yoon visited Washington again; but his plea for a bold U.S. opening to Kim Jong-il (à la Nixon and Mao) got short shrift. In early April, on the eve of the UN Security Council's debate on North Korea, he was still preferring a non-UN solution. Yet elsewhere there were signs of a more robust ROK position. Pyongyang's call for pan-Korean anti-U.S. struggle had no takers in Seoul as the negative impact of the nuclear threat sunk in, not least for a slowing economy: Moody's Feb. 11 two-notch downgrade of the ROK's credit ratings outlook served to concentrate minds. On March 13, at the 10th CSCAP North Pacific Working Group meeting in Berkeley, CA (which North Korea also attended, encouragingly), South Korea's position – officially the personal views of Moon

Hayong, policy planning director at the ROK Foreign Ministry – took a firm line: not only that “North Korea’s nuclear development can never be condoned,” but also on the “benefits of a multilateral approach” (the subtitle of his paper.) Roh Moo-hyun’s bold support of the U.S. in Iraq, though unpopular both at home and with North Korea, implies awareness of the need to prioritize and mend the US-ROK alliance.

Cabinet and Economic Talks: Marking Time

The nuclear issue naturally overshadowed the ninth inter-Korean ministerial talks since the June 2000 summit, held in Seoul days before Lim’s abortive visit to Pyongyang. Northern delegates resisted discussing the nuclear issue, and the final joint press statement mentioned it only perfunctorily. Partly for this reason, there was no great progress on other matters, either. Basically the two sides agreed to keep on keeping on, and meet again in Pyongyang in April. These ministerial talks were originally monthly, but now seem to have become quarterly.

It was a similar story at the inter-Korean Economic Cooperation Committee, whose fourth meeting was held in mid-February, again in Seoul. (This, and the ministerial talks, alternate between the two capitals). Again the South emphasized nuclear concerns, and again the North insisted these were not on the agenda. Nor was there concrete progress on matters economic: not even the implementation of rules for inter-Korean business first agreed over two years ago in December 2000, yet never ratified. But it was agreed to expedite road and rail links, as well as joint surveys of the Imjin river, and to fix a date for ground-breaking at the proposed Kaesong Industrial Complex, just north of the DMZ not far from Seoul. In a theme shared by other donors to the DPRK, the South also asked for better monitoring of the use of food, materials, and equipment that it provides; the North “said it understood the view.”

Breaching the Border

One area where there was a real advance on the ground, literally, was in cross-border links. After months of stalling, to make a political point denying the authority of the United Nations Command (UNC) in the two new trans-DMZ corridors, North Korea switched to full steam ahead. In quick succession, technical working talks in Pyongyang were followed by the crucial military green light: an “Interim Agreement to Provide Military Assurances for Transit of the Temporary Roads Inside the South-North Administration Areas in the East and West Zones,” signed at Panmunjom at colonel level on Jan. 27. Article 2 explicitly states the authority of the 1953 Armistice, as well as of more recent UNC-KPA and North-South agreements.

That cleared the way for border crossings to begin on two temporary roads – railways and full-scale highways are due later – in the Kyongui and Donghae corridors, on the west and east sides of the Peninsula, respectively. Actual usage so far remains highly restricted, and is mostly in the easterly corridor that opens a land route to the North’s Mt. Kumgang resort. First to cross, on Feb. 5, was an 87-strong advance team from Hyundai Asan, which runs the Mt. Kumgang tours; Korea National Tourism Corporation (KNTC),

whose subsidies enable it to do so; and the government. Having established that a new liaison office handling customs, immigration, and quarantine worked smoothly, this was followed on Feb. 14 by an official opening ceremony, on the Southern side only, and a larger convoy of almost 500 dignitaries. Most spent two nights at Mt. Kumgang, returning on Feb. 16, Kim Jong-il's 61st birthday.

First Overland Family Reunions

The first ordinary South Koreans to use this route, a week later, were the elderly participants in the sixth round of family reunions since the 2000 summit; the first since last September. For some months Red Cross talks had not gone smoothly, for two reasons: the South raised the sensitive matter of Northern abductions, and the two also disagreed on details of building a permanent reunion center at Mt. Kumgang. Talks in January made some headway on the latter, while postponing the former (officially described as "those unaccounted for during the [Korean] War") and finalizing a further round of reunions for the following month.

Accordingly, in late February on the now familiar pattern, 100 lucky people from each side met, briefly and this once only, with such kin as the other side had been able to track down. Seoul does better at this, finding 461 relatives to meet the 100 (mostly elite) Northerners; whereas its own 100 candidates, chosen by lottery, met only 191 Northern relatives. As ever, much of this was shown in South Korea as live reality TV: moving or intrusive according to taste. Despite the bumpy unpaved mountain road, the ROK Red Cross was relieved to have this swifter access for medical care if necessary, compared to the former lengthy sea voyage. Hyundai too had high hopes for this land route, which may at last make its Kumgang venture profitable. These were promptly dashed, however, when after just three tour groups had gone in overland, North Korea abruptly closed the road indefinitely for unspecified realignments.

Kaesong Remains the Same

Hyundai's other hoped-for money-spinner, the Kaesong industrial complex, remains a bare site. The western trans-DMZ corridor, essential for this, has so far seen even less traffic than the eastern route. On Feb. 21 a 37-strong team from Hyundai and its parastatal partner Korea Land Corporation (Koland) tested this route for a brief site survey, returning to Seoul the same day. But a date for groundbreaking has yet to be set. In March, a pro-DPRK paper in Japan reported a reorganization of Kaesong city, which, like its official gazettement as a special zone last year, raises hope that North Korea does mean business. The question is how soon.

Also using this route and raising hope were working talks at Kaesong in mid-March, which agreed to push ahead with laying track for railways in both corridors. But planned inspection trips across the border later in March by Southern technical teams appear not to have gone ahead after North Korea's cancellation on March 21 of other upcoming meetings. Despite the opening of temporary roads, the railway and road project is already

months behind schedule. In the present climate it is hard to be optimistic that progress will be other than fitful.

Was the June 2000 Summit Bought?

The inauguration of cross-border routes was overshadowed, however, by a growing scandal in South Korea which cast doubt even on the supposed achievements of the Sunshine Policy to date – and the role of Hyundai in particular. No sooner had Hyundai group Chairman Chung Mong-hun returned from mid-February's inaugural run of the land route to Mt. Kumgang, than he confirmed rumors that Hyundai had secretly sent as much as \$500 million to North Korea just before the June 2000 North-South summit. Chung insisted this payment had no political overtones, but was to secure monopoly rights for Hyundai in seven fields: railways, telecommunications, airports, electricity, a dam, a reservoir, and tourism. The secrecy, he claimed, was at Pyongyang's insistence, and also to steal a march on German and Japanese competitors.

Given the invisibility of these seven projects, or of any rush by German or Japanese firms into North Korea, this account was not widely believed. Allegations that illicit payments preceded the summit were first made last September by the opposition Grand National Party (GNP), in the run-up to December's presidential election. They were stoutly denied, and did not prevent Roh Moo-hyun's narrow victory. In the new year the matter rumbled on, with probes by the Board of Audit and Inspection (BAI) and state prosecutors. On Jan. 30, the BAI stated that \$200 million of a \$359 million loan from state-owned Korea Development Bank (KDB) to Hyundai Merchant Marine had gone to North Korea three days before the summit, but said it could not determine the purpose. On Feb. 3, the prosecution dropped its own inquiries on grounds of national interest, prompting an outcry and charges of political pressure on the judiciary.

The plot thickened and pace quickened with claims that the National Intelligence Service had been the bagman, delivering the cash in dollars via Macau. After a long silence – first denial, then claiming the matter was “supra-legal” – finally on Feb. 14 Kim Dae-jung apologized for the fuss, but insisted that these payments – confirmed by Lim Dong-won as \$500 million – were Hyundai's alone. All this posed a dilemma for Roh Moo-hyun, who in his first two days was unable to appoint a Cabinet until the GNP, which controls the National Assembly, passed a bill to empower a special prosecutor to investigate the whole matter. Despite pressure from the MDP old guard to veto this, on March 14 Roh gave his assent. On March 26, a lawyer, Song Doo-hwan, was appointed, reportedly after other candidates had turned down the job.

Without preempting a case still *sub judice*, even the facts admitted so far cast a shadow over the summit and the Sunshine Policy. While (absurdly) all North-South contact is technically illegal, since the ROK has yet to repeal its National Security Law, nonetheless by now there are established guidelines, which these payments – whosoever they were – clearly breached. The suggestion that Kim Jong-il received financial inducement (to put it no more strongly) for the June 2000 summit bolsters criticisms that this was a stunt and

photo opportunity, boosting both leaders and winning one a Nobel prize, rather than a solid sincere political breakthrough.

Sunshine: A Preliminary Verdict

Whatever happened in 2000 – and the coming months should reveal more, perhaps messily for politics in Seoul – the end of Kim Dae-jung’s presidency is an occasion to reflect on his Sunshine Policy overall. History’s verdict may well be kinder than that of his compatriots currently. After decades of Cold War hostility punctuated by brief bursts of dialogue, Kim was the first ROK president to stand foursquare for engagement with the DPRK, and to stick with that stance despite provocations from Pyongyang and criticism at home and (since Bush) abroad – although, the U.S. apart, the world has applauded. The tangible fruit, as we detailed last time, is a far greater intensity of North-South interaction than ever before – with private and business contacts continuing even when the two governments are not talking. If not yet friends, the two Koreas are no longer strangers. That is progress, and that much is irreversible.

Yet criticism is also in order. While one can see the “loss-leader” argument for front-loading benefits to North Korea to build trust, the lack of reciprocity or substantial progress is a warning that Kim Jong-il may be milking Seoul as a cash cow and taking it for a ride. That at least is widely felt in South Korea, where Kim Dae-jung failed to build solid support for his approach. He leaves a society divided, above all by generation. The old remain as suspicious as ever of Northern intentions, while many of the young seem naively pacifist in their view that brother would never threaten brother, and that it is only the U.S. that is stirring tension.

The Challenge for Roh Moo-hyun

Having been elected largely on a surge of such sentiment, South Korea’s new president now faces the harsh realities of office at an anxious moment both locally and globally. It is early days yet, but already Roh Moo-hyun is backtracking, at least on the U.S. front: affirming the necessity of the U.S. troop presence in Korea, and even boldly backing the campaign in Iraq. Yet he also signalled the continuity of the Sunshine Policy – albeit now rebranded as “peace and prosperity” – by keeping on Unification Minister Jeong Se-hyun, the only member of Kim Dae-jung’s Cabinet to retain his post. He further insists, with a frequency that is clearly meant to become a self-fulfilling prophecy, that it is inconceivable for the U.S. to attack North Korea.

Yet Pyongyang is unimpressed (one wonders about Washington, too). Testing a missile on the eve of Roh’s inauguration was hardly an olive branch. The North may judge him as weak, or be unclear where he really stands. In February, just before Roh was installed, his new national security adviser, Ra Jong-yil, met in Beijing with an unnamed senior DPRK leader – on what authority remains unclear. The news was leaked and badly handled. Even more unfortunate was a widely reported remark by the Blue House spokeswoman on March 20 that the ROK had raised its defense alert status. Although promptly denied (such a step was considered, it seems, but not in fact implemented), this

gaffe gave Pyongyang a further pretext – on top of Roh’s support for the “cash for peace” probe, the hardy perennial of ongoing U.S.-ROK war games, and assorted other grievances real or imagined – to pull out of two rounds of working-level economic talks set for late March. At the time of writing it was not clear whether the 10th round of ministerial talks, due in Pyongyang in early April, would be cancelled also.

Hostage to Fortune

Looking ahead, in the short run North-South relations will remain hostage to the nuclear issue and thus to the U.S.-DPRK relationship (or lack of one). How the latter plays out may hinge in turn on the fortunes of war in Iraq: a swift allied victory raising risk in Korea, and vice versa. In other words, despite Roh Moo-hyun’s best intentions, for the time being inter-Korean ties look set to be a dependent variable: subordinate to events beyond Seoul’s control, whose outcome is impossible to predict. It promises to be a bumpy ride, and a steep learning curve.

On March 25, a Northern fishing boat drifted into Southern waters. The ROK Navy, finding the intruder had no navigation equipment, gave it a compass that was gratefully received. Roh Moo-hyun may hope to do the same for Kim Jong-il, but first he must set his own course.

Chronology of North Korea - South Korea Relations January-March 2003

Jan. 8, 2003: South Korea’s President-elect Roh Moo-hyun calls for the North Korean nuclear crisis to be solved by diplomacy.

Jan. 10, 2003: South Korean Foreign Ministry calls on North Korea to cancel its decision, announced earlier that day, to withdraw from the Nuclear Non-Proliferation Treaty (NPT).

Jan. 17, 2003: North Korea expresses gratitude for South Korea’s provision of 400,000 tons of grain, nominally on loan terms, whose delivery was recently completed.

Jan. 21-24, 2003: The ninth inter-Korean ministerial talks are held in Seoul, with no result.

Jan. 22, 2003: The third inter-Korean Red Cross working-level talks, held at Mt. Kumgang, end in agreement to hold the sixth round of separated family reunions there during Feb. 20-25.

Jan. 22-25, 2003: A second round of working-level talks, held in Pyongyang, agrees on various practicalities in relinking roads and railways in two cross-border corridors.

Jan. 27, 2003: At a military working-level meeting at Panmunjom, South and North Korea adopt an interim agreement on military guarantees for the use of temporary roads across the demilitarized zone (DMZ).

Jan. 27-29, 2003: Lim Dong-won, Kim Dae-jung's senior advisor on unification, visits Pyongyang as a special presidential envoy to try to break the nuclear deadlock. His failure to meet with Kim Jong-il, as on previous visits, is seen in Seoul as a snub.

Jan. 30, 2003: South Korea's Board of Audit and Inspection reports that over half of a \$359 million loan from a state bank to a Hyundai affiliate was sent to North Korea, three days before the June 2000 North-South summit, for purposes that are not clear.

Feb. 1-8, 2003: North and South Korean athletes march together in the opening and closing processions of the fifth Winter Asian Games, held in Aomori, Japan. Letters are exchanged for future sports cooperation, including for 24 DPRK skaters to visit the ROK in April.

Feb. 3, 2003: Citing national interest, ROK prosecutors drop their investigation of alleged illicit payments by Hyundai to North Korea, provoking criticism of political pressure.

Feb. 5, 2003: PM Kim Seok-soo states that the ROK will deal with the DPRK nuclear issue and inter-Korean economic cooperation in tandem. The Ministry of Unification (MOU) announces an improved loan system for the South-North Korean Cooperation Fund.

Feb. 5-6, 2003: Eighty-seven ROK government, tourist, and Hyundai officials test the new east coast overland route, going to Mt. Kumgang via a temporary road.

Feb. 11, 2003: Moody's Investors Services downgrades South Korea's credit rating outlook by two notches, from positive to negative, specifically citing the North Korean nuclear crisis.

Feb. 11-14, 2003: The fourth meeting of the Inter-Korean Economic Cooperation Promotion Committee is held in Seoul. No agreements are reached, except to meet again. The South warns that deepening economic cooperation depends on resolving the nuclear issue.

Feb. 12, 2003: MOU reports that during Kim Dae-jung's five years as president, South Korea has sent humanitarian aid worth \$462 million to the North. Of this, \$272 million was governmental, with the remainder from nongovernmental organizations and the private sector.

Feb. 14, 2003: Kim Dae-jung apologizes regarding Hyundai's transfer of funds (\$500 million, his security adviser Lim Dong-won confirms) to North Korea just before the June 2000 summit.

Feb. 14-15, 2003: Talks are held at Mt. Kumgang on building a permanent center for family reunions. The North says the overland route may be used for the sixth round, due shortly.

Feb. 14-16, 2003: After a ceremonial opening of the east coast cross-border temporary road, a second 498-strong pilot tour group, mainly dignitaries, travels overland to Mt. Kumgang.

Feb. 16, 2003: Chung Mong-hun, chairman of the Hyundai group, admits that Hyundai sent \$500 million covertly to North Korea in 2000, but insists it was for seven business projects.

Feb. 17, 2003: Ministry of National Defense (MND) and ROK-U.S. Combined Forces Command announce that the annual RSOI (Reception, Staging, Onward Movement, and Integration) and “Foal Eagle” joint military exercises will be held March 19-26 and March 4-Apr. 2 respectively.

Feb. 20, 2003: North Korean MiG-19 fighter flies 13 km into Southern airspace over the Yellow Sea, but retreats after two minutes when ROK fighters are scrambled to intercept it.

Feb. 20, 2003: Ra Jong-yil, soon to be named Roh Moo-hyun’s national security adviser, has a secret meeting with DPRK officials in Beijing. The news leaks on March 4.

Feb. 20-25, 2003: The sixth round of separated family reunions is held at Mt. Kumgang. 561 elderly South Koreans travel overland, for the first time, to meet 290 of Northern kin.

Feb. 21, 2003: A 37-strong team from Hyundai Asan and Korea Land Corporation (Koland), partners in the Kaesong Industrial Zone project, uses the west coast temporary trans-DMZ road to enter North Korea for an advance survey of the site, returning home the same day.

Feb. 21, 2003: North Korea and Hyundai Asan agree to dedicate a large gymnasium which Hyundai has built in Pyongyang on March 25-30 with cultural events and a basketball contest.

Feb. 23, 2003: A 204-strong tourist group becomes the first ordinary South Koreans to visit Mt. Kumgang by the new overland route. On March 6 North Korea closes the route, citing the need for road realignments.

Feb. 23, 2003: Roh Moo-hyun’s senior secretary says Roh is willing to visit Pyongyang if invited, but hopes Kim Jong-il will visit South Korea.

Feb. 24, 2003: North Korea test-fires a short-range antiship missile over the East Sea (Sea of Japan) with prior warning, but overshadowing Roh’s inauguration.

Feb. 25, 2003: Roh Moo-hyun sworn in as ROK president, succeeding Kim Dae-jung. His inaugural address pledges aid if the North abandons its nuclear program.

Feb. 26, 2003: South Korea's opposition-controlled Parliament delays approval of new Cabinet until a bill is passed appointing a special counsel to probe the "cash for peace" issue.

Feb. 27, 2003: ROK Unification Minister Jeong Se-hyun, the only minister from the Kim Dae-jung administration to keep his portfolio, pledges to enhance engagement with the North.

March 1-3, 2003: A 105-strong delegation of Northern civic and religious leaders visits Seoul for a joint meeting commemorating the March 1, 1919 anti-Japanese popular uprising.

March 2, 2003: Four North Korean fighter jets (two MiG-29s and two MiG-23s) buzz a U.S. RC-135S reconnaissance plane in international air space off the east coast of the Peninsula.

March 3, 2003: The two Koreas begin a new round of talks on building a permanent family reunion center at Mt. Kumgang. A Northern religious delegation returns home from Seoul.

March 9, 2003: The DPRK Asia-Pacific Peace Committee issues a lengthy statement detailing and defending its ties with Hyundai Asan, and attacking ROK plans to investigate this.

March 7, 2003: ROK MND condemns North Korea military for a series of provocations, in the first such criticism since Roh became president.

March 10, 2003: North Korea again test-fires a short-range missile to the east of the Peninsula.

March 12, 2003: After three days of talks in Kaesong, North and South agree to start relinking two trans-DMZ railways from late March. An ROK technical team will go north to inspect the Kyongui (western) line on March 20-22, and the eastern (Donghae) line on March 24-26.

March 13, 2003: North Korea attends the 10th CSCAP North Pacific working group meeting in Berkeley, CA.

March 14, 2003: Despite pressure from his own party, Roh decides not to veto the opposition bill appointing a special counsel to investigate the "cash for peace" scandal.

March 14, 2003: The aircraft carrier *USS Carl Vinson* arrives in Pusan for “Foal Eagle” exercise and replaces the *USS Kitty Hawk* which has been sent to the Persian Gulf for the Iraq war.

March 14, 2003: ROK Agriculture Minister Kim Young-jin says Seoul will send 1.3 million tons of rice from its stockpile to North Korea over three years. This is not cleared with the Unification Ministry, which a week later announces more modest plans.

March 14, 2003: The North’s Asia-Pacific Peace Committee claims that the South’s opposition anticommunist Grand National Party sent a secret envoy to Pyongyang last year, offering aid if the party won the presidential election. The GNP dismisses this as “groundless lies.”

March 19, 2003: MOU reports that inter-Korean trade in Jan.-Feb. rose 58 percent year on year, to \$88.74 million. Seoul sent goods worth \$52 million, while importing Northern goods worth \$37 million.

March 20, 2003: MOU says Seoul will accelerate humanitarian aid to North Korea, including 100,000 tons of corn worth \$18 million dollars via the UN World Food Program.

March 20, 2003: Blue House Spokeswoman Song Kyoung-hee is quoted as saying the ROK has raised its defense readiness level from Watchcon 3 to 2. This is denied by other officials.

March 21, 2003: North Korea cancels upcoming economic and maritime talks, accusing the South of “pointing a sword” at it by raising Watchcon and holding wargames with the U.S.

March 23, 2003: Lee Sang-soo, secretary general of the ruling Millennium Democratic Party (MDP), says Kim Dae-jung may be questioned regarding secret funds sent to North Korea.

March 26, 2003: Song Doo-hwan, a lawyer, is appointed as special counsel to investigate the “cash for peace” scandal.

China-Korea Relations:

Regime Change and Another Nuclear Crisis

by Scott Snyder

Korea Representative, The Asia Foundation

“Regime change” has been the order of the day not only in Iraq, but also (in more orderly form) in China and South Korea this quarter. “Axis of evil” charter member Kim Jong-il appears as intransigent and entrenched as ever, however. This is the case despite North Korea’s withdrawal from the Nuclear Non-Proliferation Treaty (NPT) and escalation by Pyongyang of an apparent nuclear “breakout” strategy. The Chinese “fourth generation” leadership under new President Hu Jintao is committed to perpetuating a stable atmosphere for economic development, and should welcome the vision of economic regional cooperation in Northeast Asia espoused by their counterparts in South Korea under newly-elected President Roh Moo-hyun. Burgeoning bilateral trade and investment anchors the China-South Korea economic relationship and underscores mutual interests in a diplomatic approach to North Korea that peacefully bounds North Korean nuclear threats and introduces gradual economic reforms to the North.

North Korea remains an economic and political drag on Beijing, but Pyongyang’s nuclear escalation means that China can no longer afford to ignore this problem. U.S. President George W. Bush himself has made numerous calls in the past three months to China’s leadership to discuss North Korea’s escalatory maneuvers on the nuclear front. Dealing with Pyongyang’s rapid steps toward an unambiguous nuclear weapons capacity was one of the first issues that Bush raised in his congratulatory call to China’s new president, Hu Jintao. Those calls are placing pressure on China to use its leverage to bound North Korea’s nuclear efforts, creating an unprecedented new dilemma (and opportunity?) for Beijing: should it lean toward Washington or Seoul in shaping its policies toward Pyongyang? This quarter we focus primarily on recent developments in the China-North Korea relationship, and whether the People’s Republic of China can use its leverage to effectively check North Korea’s nuclear weapons.

North Korea Goes Back to the Brink

Despite its prior experience and generally constructive role behind the scenes in helping to bring North Korea to heel in the 1993-1994 nuclear crisis, policymakers in Beijing have been least eager to see a reprise of that face-off. The return of North Korea’s nuclear development efforts has thrown into sharp relief dilemmas and apparent conflicts in the PRC’s policy toward the Korean Peninsula and the global nonproliferation regime.

During the past decade, Beijing's influence with Pyongyang has lessened considerably and the development of a specialized nonproliferation cadre in the Chinese bureaucracy in Beijing has created choices for China's fourth generation leadership as it tries to build its influence as a regional leader in Asia. The stakes attached to these choices are underscored by the logic of a chain of potential nuclear proliferators in Northeast Asia: the hypothesis is that the emergence of an unchallenged nuclear North Korea would lead to overt steps toward nuclear weapons development in Japan, South Korea, and even Taiwan. Such a development would be a disaster for the nonproliferation regime and would diminish China's security and status as East Asia's only nuclear power.

While Pyongyang's escalatory path thus far has been virtually identical to the steps that it took a decade ago during the first nuclear crisis, there have been many changes in Beijing, Seoul, and the United States that are shaping a potentially very different response to Pyongyang's challenge. Most strikingly, South Korea's President Roh Moo-hyun seems firmly committed to peace with Pyongyang despite his assertion that a North Korean nuclear weapons program is intolerable, compared to the frosty inter-Korean relationship under former ROK President Kim Young-sam. President Bush's post-Sept. 11 policies of preemption imply zero tolerance for a North Korea with capacity to produce and export plutonium or other weapons of mass destruction (WMD) components to nonstate terrorist actors, despite zero leverage short of the threat of military conflict for compelling Pyongyang to take such a course. This dilemma has led President Bush, for the moment, to downplay the North Korean challenge and to deflect its bid for bilateral negotiations while characterizing North Korea's nuclear pursuits as a "regional problem," challenging Beijing and others to share ownership and responsibility for bounding North Korean nuclear pursuits.

Forcing Hard Choices on China

For Beijing and others in the region, the rapid escalation of North Korea's nuclear weapons program has posed some very hard questions and exposed underlying dilemmas about China's role and responsibilities as part of the future regional security order in East Asia. It also highlights the extent to which China's own economic transformation has changed expectations for China's role in regional politics and security. The luxury of China's rhetorical attachment to the principles of peaceful co-existence and noninterference in the internal affairs of others is not sustainable as China takes on greater regional security roles and responsibilities: will China's fourth generation be up to handling the increased responsibilities and burdens of political leadership in a way that enhances and extends its own security and inspires confidence among its neighbors? The hardest current scenario for China is undoubtedly that which has been posed in recent months by North Korea.

South Korea Between “Lips and Teeth”

There is no question that the “lips and teeth” relationship between Pyongyang and Beijing has been obscured by the dynamic double-digit growth in China-South Korea trade and investment over the past decade. South Korea is now the key partner on the Peninsula for Beijing as it pursues its own security and economic interests. The \$38 billion China-South Korea relationship in 2002 outpaced the \$728 million worth of China-North Korea trade by a factor over 50, yet China was North Korea’s largest trading partner, with over 30 percent of North Korea’s \$2.23 billion in recorded trade. China has consistently provided one-quarter to one-third of its foreign assistance budget to North Korea, and is by far the single most important provider of fuel and food to North Korea in recent years. About one-quarter of China’s exports to North Korea consists of crude oil. Despite annual visits to China in 2000 and 2001, Kim Jong-il turned toward Russian President Vladimir Putin in recent years, perhaps as a way of lessening North Korea’s overwhelming dependence on China. (Likewise, the growth of inter-Korean trade has somewhat lessened the North’s dependence on China.)

Bush Pushes Beijing

Beijing’s focus on North Korea has been driven primarily by the urging of the United States, and has been sharpened by U.S. concerns with North Korea’s WMD in the post-Sept. 11 context of U.S.-PRC cooperation in the war on terror. The Crawford, Texas summit last October was initially intended to be primarily a ceremonial nod and capstone visit marking the end of Jiang Zemin’s term as the PRC’s president, but an early October confrontation in Pyongyang over North Korea’s covert highly enriched uranium (HEU) program put North Korean nuclear weapons pursuits on the summit agenda. Jiang achieved a long-sought visit to Pyongyang only days prior to Sept. 11, 2001, but whatever results might have come from that visit were derailed by the global response to Sept. 11. Despite several personal meetings with Kim Jong-il, Jiang himself was unable to provide reassurance either about Kim Jong-il’s intentions or the PRC’s capacity to keep North Korea under control. When asked by President Bush whether Kim Jong-il is a “peaceful man,” Jiang replied, “Honestly, I don’t know.” Proliferation on the Korean Peninsula has become a litmus test and opportunity for closer cooperation in China-U.S. relations.

President Bush has actively sought coordination with and assistance from Beijing as North Korea escalated its nuclear pursuits. Following a mid-December decision by the Korean Peninsula Energy Development Organization to halt shipments of heavy fuel oil (HFO) in response to the discovery of North Korea’s HEU program, North Korea rapidly took escalatory actions by moving to restart its nuclear reactor and other facilities at Yongbyon. Presidents Jiang and Bush consulted in late December regarding PRC attempts to halt North Korea’s nuclear brinkmanship through a message delivered by Foreign Minister Tang Jiaxuan to the DPRK Embassy; however, North Korea flouted this Chinese diplomatic initiative and embarrassed Beijing by announcing that it would withdraw from the Nuclear Non-Proliferation Treaty (NPT) on Jan. 10.

North Korea's NPT withdrawal announcement precipitated another telephone consultation between the two leaders. *Xinhua* publicly reported that Jiang "disagreed" in his conversation with President Bush with North Korea's decision to leave the NPT, a clear expression of the PRC's frustration with North Korea's continued escalatory tactics. A Feb. 7 telephone conversation between the two leaders focused primarily on Iraq, but included discussion of North Korea. Subsequently, China voted on Feb. 12 for an IAEA resolution to refer North Korea's nuclear noncompliance for discussion at the UN Security Council. Secretary Powell's visit two weeks later offered further opportunities for discussion, but made little public progress in winning China over to a tougher stance with the United States. Rather, the PRC press spokesman reiterated the importance of U.S.-DPRK bilateral dialogue following Powell's visit. President Bush followed up with another call to Jiang Zemin on March 10 to discuss Iraq and North Korea, and North Korea was one of three key issues that President Bush discussed once again in a congratulatory call to Hu Jintao as he succeeded Jiang in the presidency one week later.

Subterranean Diplomatic Blues

PRC diplomacy with North Korea is obviously less visible, but there have been some tantalizing hints regarding what may lie below the surface now that the PRC has taken an active role on this issue. The flow of oil from the PRC to North Korea was reportedly halted in February for a few days for "technical" reasons, but has since restarted, a pointed message from China designed to remind North Korea of its economic dependence on Beijing. The PRC also appears to have taken an active role in indirect diplomacy between the United States and North Korea, according to reports that the Chinese have passed over 50 messages back and forth between Pyongyang and Washington. The offer in early January to host any dialogue designed to resolve nuclear issues with North Korea has now been backed up by diplomatic action – not through special envoys, but rather through the timely delivery of messages warning top North Koreans who have passed through Beijing in recent weeks, including DPRK Foreign Minister Paik Nam-sun and President Kim Yong-nam, not to push too hard.

The PRC's public position throughout has been that the U.S. and DPRK need to initiate a bilateral dialogue, although the PRC came to understand by mid-February that the Bush administration would not consider a bilateral dialogue and may well consider preemptive measures if North Korea were to go too far. Privately, the PRC now appears to recognize that multilateral dialogue will truly be the only diplomatic option acceptable to the Bush administration. In order to forestall a destabilizing U.S.-DPRK confrontation, the PRC is actively engaged in exchanging ideas on the issues, agenda, and participants in a multilateral dialogue setting. Such a dialogue might build on China's experience of Four Party Talks (albeit hopefully with far more success than those negotiations), but with a different agenda and an even more intractable set of challenges. This switch parallels a change in position by South Korea to endorse a multilateral dialogue as a way of addressing the North Korean nuclear issue. With the Chinese now on board as an indirect interlocutor between Pyongyang and Washington, Beijing will face some very challenging and interesting dilemmas as it considers how to effectively handle the relationships with Pyongyang, Seoul, and Washington.

Playing the Refugee Card?

As Beijing manages its relationship with North Korea in ways designed to limit North Korea's nuclear program, it must also manage the sensitive issue of refugees from North Korea. There is a rumor that Kim Jong-il threatened to unleash increased refugee flows in response to Chinese efforts to pressure Pyongyang, and it is not hard to imagine Kim taking a Castro-style approach and deliberately using refugees as political pawns. China's internal security efforts to stem the flow of North Korean refugees have driven those who can come to China further underground and have deterred all but the most desperate North Koreans. China stepped up its repatriation efforts last summer following high-profile cases through which North Korean refugees sought asylum in foreign embassies and consulates, and has detained humanitarian workers from Korea and Japan who have sought to assist North Korean refugees.

Most recently in January, a high-profile case in which refugee assistance groups tried to launch a boat passage to South Korea was scuttled, resulting in the detention of scores of refugees and several refugee assistance workers. Increased public security efforts in Chinese border areas have proved an effective deterrent to North Korean border crossings, but at a very high cost in human terms, as China's denial even of what Beijing terms "economic refugees" from North Korea contradicts the PRC government's long-held arguments that place a higher priority on economic and social rights than political rights.

Epilogue: Highlights in Sino-ROK Economic Relations

As China-Korea trade and investment relations continue to expand at double-digit rates, Chinese exports in higher-end products are gradually closing the competitive gap with South Korea, prompting concern as China takes South Korean market share in third country markets. China was the largest destination for Korean overseas direct investment, receiving \$1.72 billion in 2002. POSCO and Union Steel continue to aggressively invest in new steel plants in China, including plants located at Shunde, Qingdao, Dalian, and Zhangjiagang. Samsung and LG Electronics are moving production of plasma display panel (PDP) TV sets to China and Mexico this year.

The Korea Semiconductor Industry Association (KSIA) and the Korea Industrial Technology Foundation (KOTEF) warned that China is closing the quality and service gap in the semiconductor industry, projecting that the gap would be completely erased by 2010. A study by the Federation of Korean Industries projects that China will surpass Korea in almost all industrial fields within five years, with the exception of shipbuilding and construction. The share of Chinese imports into South Korea broke into double-digits for the first time at 11.3 percent of overall imports, and the share of transit cargo handled by South Korean ports continued to grow to over one-third of overall shipments on the strength of Chinese demand. Likewise, Incheon airport was fourth in the world in international cargo management strength of 30-plus percent growth in cargo flights to

China. Korean economic growth is increasingly becoming intertwined with and dependent on China's economic future.

China's Emergence and Influence on Peninsular Politics and Security

Washington has opened the door and motivated the leadership in Beijing to once again weigh in decisively on North Korea's nuclear weapons challenge. But the situation and China's orientation toward the two Koreas are drastically different from a decade ago, when China also was given credit for constructive efforts to curtail North Korea's nuclear adventurism. China is much closer in every way to Seoul than Pyongyang, and appears to be closer to Seoul even than South Korea's erstwhile allies in Washington. China currently appears to stand as an unofficial silent partner in the US-ROK alliance and seems to be gaining unprecedented leverage to shape the future influence and durability of the US-ROK alliance.

The PRC must be involved in bounding North Korea's nuclear weapons pursuits. But by casting this as a "regional" problem, has the Bush administration inadvertently offered Beijing an unprecedented long-term opportunity to marginalize the U.S. on the Korean Peninsula? Has it implicitly accepted and endorsed a vision for cooperative security in Northeast Asia that ultimately will require the United States and China to play leading cooperative roles rather than placing the entire impetus for assuring stability in the region on the United States as a benevolent hegemon? Is the United States so confident in its power that it can rely on coalitions of the willing and the "aura of inevitability" instead of long-standing partners to press its claims and achieve its global objectives? Policymakers in Seoul, Beijing, Washington, and Pyongyang are no doubt likely to take their cues from CNN, while the outcome of the battle for Baghdad holds lessons for the next stage of the nuclear showdown with Pyongyang, and for China's relations with both the United States and the Korean Peninsula.

Chronology of China-Korea Relations January-March 2003

Jan. 2, 2003: ROK Deputy FM Lee Tae-shik meets with Chinese Vice Minister of Foreign Affairs Wang Yi in Beijing to discuss diplomatic approaches to North Korea.

Jan. 10, 2003: KEPCO signs a Memorandum of Understanding with the Luoyang Shengsheng Power Company to build two thermal power plants.

Jan. 14, 2003: PRC and ROK immediately condemn Japanese PM Koizumi's visit to Yasukuni Shrine.

Jan. 20, 2003: Chinese police arrest 48 North Korean asylum-seekers and three aid workers in Shandong province.

Jan. 29, 2003: ROK Ministry of Construction and Transportation announces that it will positively consider forming a sea and air logistics link with China to promote the establishment of a tariff-free zone at Incheon International Airport.

Feb. 3, 2003: The Korea International Trade Association's "Trend and Outlook of China's Import Control Against Korean Exporters," reveals that China targets South Korea for import restrictions more than any other country.

Feb. 8, 2003: Kia Motors announces a month-to-month rise of 164 percent to almost 5,000 units in January on the strength of its new model for the Chinese market, the Qianlima.

Feb. 10, 2003: The Korea Small and Medium Business Institute announces the results of a survey of 178 small- to medium-sized enterprises, 72.2 percent of whom hope to invest in China within five years.

Feb. 11, 2003: China rejects U.S. calls for greater involvement in diplomacy to halt North Korea's nuclear weapons program stating, "the key to resolving this issue is the resumption of dialogue between the U.S. and North Korea."

Feb. 12, 2003: The Korea Automotive Research Institute announces that China has overtaken Korea as the sixth largest global producer of automobiles in 2002.

Feb. 12, 2003: Chinese Vice Premier Qian Qichen meets with members of ROK President-elect Roh Moo-hyun's team, and states importance of a stable Korean Peninsula.

Feb. 25, 2003: Vice Premier Qian leads Chinese delegation to Roh Moo-hyun's inauguration.

Feb. 27, 2003: Korea Trade-Investment Promotion Agency (KOTRA) officials meet in Beijing with Chinese and Japanese counterparts at the "Strategic Conference for Expanding Exports to Japan and China" as part of efforts to realize Korea's vision of becoming a regional hub in northeast Asia.

March 4, 2003: A 73-year-old Korean man by the name of Park who had been incarcerated in Harbin on drug trafficking charges was released and allowed to return to South Korea. Of 100 South Korean nationals held in Chinese jails at the end of 2002, 28 were being held on drug charges, and six have been sentenced to death.

March 4, 2003: Two of 10 refugees from North Korea arrived in Seoul, while the other eight were repatriated to North Korea from China, according to the Human Rights Coalition for North Korean Refugees.

March 6, 2003: Chinese Foreign Minister Tang Jiaxuan states that direct talks need to be held between the U.S. and North Korea in order to resolve the nuclear crisis, and that the PRC supports a denuclearized Korean Peninsula.

March 6, 2003: Korea Industrial Technology Foundation (KOTEF) and Shanghai Science and Technology Development and Exchange Center (STDEC) announce plans to hold an information-technology forum.

March 14, 2003: China's UN Ambassador Wang Yingfan states that efforts are being made to draw the U.S. and North Korea together for dialogue, and opposes Security Council involvement "at this stage."

March 24, 2003: KOTRA launches a special "China Business School" course designed to educate Korean businesses about specialized topics regarding trade and investment with China.

March 26, 2003: ROK PM Koh Gun meets with Chinese Ambassador Li Bin in Seoul to discuss strengthening bilateral cooperation vis-à-vis the North Korean nuclear issue.

March 26, 2003: North Korea's request for weapons to prepare for "the U.S. military threat," is turned down by China.

March 30, 2003: South Korea announces that it will send National Security Advisor Ra Jong-yil to China and Russia to gain support for peacefully solving North Korea's nuclear crisis.

Japan-China Relations: Cross Currents

by James J. Przystup
Senior Fellow, Institute for National Strategic Studies

The new year began with controversy. Territorial issues over the Senkaku/Daoyutai Islands resurfaced at the beginning of January and Japanese Prime Minister Koizumi Junichiro's visit to the Yasukuni Shrine followed in short order. Political reaction in Beijing to the Yasukuni visit again derailed planning for a Koizumi visit to China and also affected Japan's diplomacy toward North Korea, complicating efforts to secure Beijing's cooperation in dealing with Pyongyang's nuclear program.

Nevertheless, the two governments demonstrated an ability to work through practical problems posed by North Korean refugees in China (some Japanese nationals) seeking asylum in Japan. At the same time, economic relations continued to broaden and deepen. For the first time, Japan imported more from China than from the U.S., while Japanese exports to China increased 32 percent in 2002. And, with a new leadership coming to power in Beijing, there were signs of new thinking with respect to Japan and history.

Senkaku/Daoyutai Islands

The new year had barely begun before an old issue, territorial claims over the Senkaku/Daoyutai Islands, resurfaced in the Japan-China relationship. On Jan. 5, China's Vice Foreign Minister Wang Yi called in Japanese Ambassador Anami Koreshige to renew China's protest of a decision by Tokyo to lease three privately held islands in the Senkaku Island chain: Uotsurishima, Minami-Kojima, and Kita-Kojima. Wang declared the unilateral action by Tokyo to be "null and void" and urged Japan to "correct its mistake and avoid causing damage to Chinese territory."

The next day, China's ambassador to Japan, Wu Dawei, called on Vice Minister of Foreign Affairs Takeuchi Yukio, to protest the Japanese government's action as "illegal and void" and unacceptable to Beijing. Takeuchi replied history and international law supported Tokyo's claims to the Senkaku Islands as "Japan's inherent territory." Consequently, China's protest could not be accepted. Takeuchi urged Beijing to take a "cool-headed approach" to avoid damage to Japan-China relations. Afterward, the vice minister told reporters that it was Japan's wish that problems that from time to time arise between Japan and China should not adversely affect the overall bilateral relationship.

At the Foreign Ministry's press conference, Assistant Press Secretary Okuyama Jiro was asked why the government had decided to lease the land. Okuyama explained that, "This act has been in place for sometime now ... not something that happened overnight ... and it was our judgment that it might be a good idea to lease the land from the private owner, and that is what we are doing." Meanwhile in Beijing, Foreign Ministry Spokesperson Zhang Qiyue asserted that China's position is "consistent and clear" that the Daoyutai and adjacent islands "are an integral part of the Chinese territory and any unilateral actions taken by the Japanese side are null and void."

Back to Yasukuni

In 2001, Prime Minister Koizumi visited Yasukuni Shrine on Aug. 13, two days before ceremonies marking the end of the Pacific War. Last year, in an attempt to avoid the emotionally charged atmosphere surrounding Aug. 15, Koizumi visited the shrine in April. In both instances, the visits resulted in strong protests from China's leadership and a sharp downturn in political relations. Early in the new year, shortly before 2 PM on Jan. 14, the prime minister again visited the shrine. The fallout from the 12-minute visit was predictable.

In Tokyo, the assistant press secretary explained that he had watched the live broadcast of the visit as he was coming to the press center. Okuyama went on to say that, while he did not have the exact quote, he understood that the prime minister had remarked to the effect that "he was going with his determination and wish that war should never be repeated." Accordingly, Japan hoped that "his motive will be fully understood by the neighboring countries."

The hope proved to be short-lived. That afternoon, the Chinese Foreign Ministry made clear that Beijing "is strongly opposed to the visit by leaders of the Japanese government to the Yasukuni Shrine which has memorial tablets to class-A war criminals. Branding Koizumi's action as "erroneous," the commentary went on to note that the visit "seriously undermines the political foundation of China-Japan relations and hurts the feelings of the people of the victim Asian countries, including China as well." Vice Foreign Minister Yang Wenchang, expressing "intense frustration and indignation," used similar language with the Japanese ambassador, while in Tokyo, China's ambassador called on the Foreign Ministry to protest. On leaving the ministry, Wu labeled the explanations he received a "bunch of excuses."

Back at his official residence, Koizumi explained to reporters, "At the beginning of the new year, I truly appreciate peace, and, at the same time, I renewed my vow not to trigger a war again." His prayers at the shrine were offered "with respect and gratitude" to those who had lost their lives in the conflict. He went on to emphasize that "there has been no change in my determination to maintain friendly relations with China and South Korea. I respect every country..."

Liberal Democratic Party (LDP) officials quickly went into spin mode. Aso Taro, chairman of the Policy Research Council, told reporters that, “there should be no problem” for the prime minister to visit the shrine at the beginning of the new year. LDP Secretary General Yamasaki Taku felt that the visit grew out of the prime minister’s “belief.”

The *Asahi Shimbun* quoted one of Koizumi’s associates as explaining that if the prime minister were not to visit Yasukuni because China said not to go, his “personal image would be damaged” and he would lose the support of public opinion. Thus, the visit was “essentially a reflection of the prime minister’s attention to domestic affairs.”

On Jan. 16, the *Mainichi Shimbun* reported that an unnamed government official had observed that China’s reaction, compared to that which greeted Koizumi’s visit last year, was relatively restrained. However, the *Asahi* later reported that a fence-mending visit to China by the chief Cabinet secretary was under consideration. The next day, Foreign Minister Kawaguchi Yoriko told reporters that the dispatch of a special emissary was under consideration, though Chinese Foreign Ministry Deputy Spokesperson Zhang Qiyue had previously remarked that receiving a special emissary under the present circumstances would probably be asking too much.

At the end of January, Koizumi told a meeting of the Upper House Budget Committee of his intent to pay homage at Yasukuni again next year, that “as long as I stay prime minister, I will keep visiting Yasukuni Shrine every year.” As for the class-A war criminals, Koizumi explained that he thought “the notion of condemning the dead for sins they committed while they were alive and not forgiving them for those sins is not the Japanese way of thinking.” He hoped that other countries would “understand this sort of feeling.” In his policy speech to the Diet, Koizumi announced his intention to strengthen cooperation with China across the board; based on “mutual understanding and trust,” this will serve the realization of peace, stability, and prosperity in Asia and across the globe.

During a late January visit to Beijing, Director General of the Foreign Ministry’s Bureau of Asian and Oceanic Affairs Yabunaka Mitoji called on Vice Minister of Foreign Affairs Wang Yi and Asian Affairs Director General Fu Ying. Discussions touched on the North Korean nuclear issue and bilateral issues, including Yasukuni, the Senkakus, and refugees. While Yabunaka explained that there was “no change” in the prime minister’s intent to develop friendly relations with China, Wang made clear that China regarded the prime minister’s thinking on Yasukuni as “mistaken.” Nevertheless, a Jan. 27 *Mainichi* poll on the question of the prime minister’s visit to the shrine found the Japanese public evenly split – 47 percent approving and 43 percent against. Among LDP members, approval stood at 73 percent.

Fallout: North Korea & Summitry

At the same time, diplomatic sources in Tokyo, concerned with the nuclear threat posed to Japan by North Korea and focused on the need for trilateral Japanese, South Korean, and Chinese cooperation, bemoaned the Yasukuni visit as coming “at the worst possible

time.” Much as the Yasukuni visit in April last year made it “difficult” for Koizumi to visit China for ceremonies marking the 30th anniversary of normalization, the January visit threatened to scuttle Foreign Ministry efforts to arrange a Koizumi visit to China during Japan’s Golden Week holidays as well as a March visit by China’s new premier, Wen Jiabao.

The *Mainichi Shimbun* reported a government official lamenting that cooperation with China on North Korea was limited to Foreign Ministry channels at a time when “top-level communications are essential,” and, even with respect to Japan’s entreaties for Beijing’s assistance with North Korea, the paper noted that China’s diplomats did not hide their displeasure.

On Feb. 28, Foreign Minister Kawaguchi called her Chinese and Korean counterparts to ask their assistance in dealing with North Korea. China’s Foreign Minister Tang Jiaxuan told Kawaguchi that denuclearization of the Peninsula is critical and that China will work to resolve the issue through dialogue. Tang agreed on the need for close coordination and cooperation.

In Beijing on March 1, former Prime Minister Hashimoto Ryutaro told reporters that it was up to China to make sure that North Korean leader Kim Jong-il did not misunderstand divisions within the UN Security Council over Iraq. Hashimoto said that when he had made this point to China’s Defense Minister Chi Haotian and Vice Premier Qian Qichen, the thought seemed not to have registered among the Chinese. On March 4, Japan’s ambassador to China attended the LDP’s Foreign Affairs Joint Meeting and spoke about China’s position with respect to North Korea. The Ambassador told the legislators that while Beijing did have influence in Pyongyang, China was also subject to blackmail from North Korea. As a result, Beijing found itself in an “unpleasant” situation. The ambassador also noted that while North Korea practices crisis diplomacy, China was concerned that Pyongyang recently had entered a danger zone.

During the National People’s Congress, Foreign Minister Tang addressed the issue of high-level Japan-China contacts in a March 6 press conference in the Great Hall of the People. Responding to a question as to whether China-Japan summits would be resumed once China’s new leadership took office, Tang replied that for such meetings to be successful, “it is necessary to create the proper environment.” While Tang did not go into detail as to the conditions necessary to create the proper environment, he did refer to the problems caused by the prime minister’s official visit to the Yasukuni Shrine, observing that it reflects the attitude of Japanese political leaders toward the past. Learning proper lessons from history, he argued, will serve to develop the China-Japan relationship.

On March 13, Ambassador Wu called on Chief Cabinet Secretary Fukuda Yasuo. The coming 25th anniversary (August) of the Japan-China Peace and Friendship Treaty and the issues posed by the prime minister’s visit to the Yasukuni Shrine were agenda items. After the meeting, Wu took a line similar to that taken by Foreign Minister Tang at the National People’s Congress; namely that, if conditions were to be met, a Koizumi visit would be possible, but, given the present state of affairs, it is difficult to realize in the

near future. During the meeting Wu asked that Fukuda consider visiting China to commemorate the Friendship Treaty, signed when Fukuda's father was prime minister. Afterward, Fukuda told reporters that, given his responsibilities, it would be "difficult to be away from the prime minister's office."

On March 26, the *Mainichi Shimbun* reported that Foreign Minister Kawaguchi would visit China April 6-8 to meet with China's new leadership, including President Hu Jintao and the new foreign minister, Li Zhaoxing. North Korea and the prime minister's visit to Yasukuni promise to be major agenda items. One Japanese diplomatic source described Li as "a hardliner on the history issue."

North Korean Refugees

Despite the political turmoil surrounding the Yasukuni visit, Tokyo and Beijing did manage to work together effectively to deal with refugee-related issues involving North Korea. In January, it was reported that China had detained and was holding in protective custody Hirashima Fudeko, a 64 year-old Japanese national who had fled North Korea after living there since 1959 with her Korean husband. Also detained with Hirashima were two Korean nationals who arranged her escape and were reported as attempting to hold her hostage to extort ransom from Japan. Japanese officials then tipped Chinese authorities about the extortion scheme, and the Chinese responded by arresting the Koreans on kidnapping charges. On Jan. 29, after 44 years, Hirashima returned to Japan.

At the same time, Yabunaka Mitoji, director general for asian and oceanic affairs, informed the Diet that the Foreign Ministry had acted to place under its custody dozens of people, mainly Japanese citizens who had fled North Korea. Addressing the issue of China's role in the matter, Foreign Minister Kawaguchi explained that in dealing with the refugees, "We have to give heed to the position of the Chinese government and also the safety of the families concerned." She declined to provide specific information.

In mid-February, North Korean refugee issues again surfaced in the Japan-China relationship. On Feb. 18, four North Korean refugees entered a Japanese school in Beijing, managed by Japanese nationals who don't have diplomatic immunity. The refugees were seeking asylum to Japan. Embassy officials went to the school and escorted the refugees to the consular section of the embassy. Over a month later, on March 21, the refugees left Beijing and entered the Republic of Korea after passing through Singapore.

Six days later, it was reported that the Japanese Consulate in Shenyang had taken into custody a Japanese woman and her daughter who had fled North Korea. While hopes were high for an early departure from China for the Japanese national and daughter, two weeks later they were still in China. On March 9, the *Yomiuri Shimbun* reported that Tokyo's going public with refugee issues had negatively affected Beijing's relations with North Korea and that Beijing was concerned lest public knowledge invite a flood of North Korean refugees into China. As a result, the *Yomiuri* conjectured that China's

delay in repatriating the Japanese woman and her daughter reflected Chinese sensitivities over the refugee question.

Security

During his late February visit to China, former Prime Minister Hashimoto met with Xiong Guangkai, deputy chief of staff of the PLA. Afterward, Hashimoto told reporters that Xiong had sounded out the possibility of resuming the bilateral vice-ministerial security dialogue, which has been suspended since November 2000 as a result of Koizumi's visits to the Yasukuni Shrine and other history-related issues.

On March 6, during the National People's Congress, Finance Minister Xiang Huaicheng announced that military spending would increase 9.6 percent in FY 2003. The increase was the lowest in 14 years and marked a decline from the 17.6 percent increase in 2002. Japanese press commentary argued that the decline reflected Chinese concerns with the "China Threat" image that had emerged as a result of the string of double-digit growth rates of the past 15 years. Press commentary also pointed to continuing shortcomings with respect to transparency.

Trade and Economics

Trade statistics released Jan. 27 by the Trade Ministry underscored China's emergence as a global economic power and its growing importance to Japan.

For the first time since 1961, when comparable data began to be collected, Japan imported more from China than the United States, while Japan's exports to China increased 32 percent. Over the past decade, Japan's exports to China have grown from 9.6 percent of total exports to 15.7 percent, while exports to the U.S., 28.5 percent of total exports, showed little growth. At the same time, China surpassed Japan as the largest exporter to the U.S.

The *Nihon Keizai Shimbun* attributed the surge in Japan's exports to China in 2002 to China's admission into the World Trade Organization and growing domestic demand, which fueled the import of Japanese automobiles. Machinery, semiconductors, and other electronics parts also accounted for the increase in Japan's exports to China. As for imports from China, foodstuffs and chemicals surged; electronics parts and business machines also increased, while textiles and raw materials decreased.

On March 11, Beijing announced that over the first two months of 2003, China's industrial production, led by automobiles and electronics, grew at a record shattering 19.8 percent in comparison with January-February 2002. Two weeks later, Japan's Ministry of Trade announced that exports to China, led by automobiles, chips, and electronic equipment, increased 66.6 percent in February, while exports to the United States decreased 13.6 percent for the second consecutive month.

A Better Future?

On Feb. 21, the *Asahi Shimbun* reported on the publication of an essay “New Thinking on Relations with Japan” by Ma Lisheng, which appeared in the December 2002 edition of the Chinese opinion magazine *Strategy and Management* and later posted on the *People’s Daily* e-journal. Ma, it was noted, is known as a political critic on the staff of the Chinese Communist Party newspaper, *People’s Daily*, and the essay was drawn on his experiences while in Japan in January 2002.

Ma’s article related how a Chinese girl wearing a shirt with a pattern resembling that of the old Imperial flag met with insults and ridicule to the point where she was concerned with her personal safety and had to apologize. At the same time, Ma called attention to the postwar success of Japan – how a country poor in natural resources had become the world’s second largest economy, established democracy and the rule of law, and civilian control of the military had been effected.

The *Asahi* reported that the essay laid out the threat perceptions held by each country of the other as well as actual state of affairs. Ma told his Chinese audience that, while some of Japan’s political figures posed a threat to Japan’s democracy, the vast majority of Japanese are focused on advancing friendship with China. He went on to discuss how the apologies offered for the past by former Prime Minister Murayama Tomoichi and the visit by Prime Minister Koizumi to the Marco Polo Bridge indicated reflection and remorse on the part of Japan. A formal apology, he argued, is not necessary. Ma also cited Japan’s low-interest loans, which have helped spur China’s development. He urged his readers to abandon old thinking with regard to Japan and to begin to think in new ways.

Compared to Japanese criticism warning of China’s narrow nationalism, the *Asahi* found the article bold and daring. While comments on the essay labeled Ma a traitor, many readers expressed agreement with Ma’s critique of China’s own shortcomings. China’s Japan specialists, scholars, and media types were quoted to the effect that Ma’s opinions closely tracked their own but that Ma’s publication of them was “very brave.” The *Asahi* related the appearance of the article to China’s coming change in leadership.

According to Chinese sources, in an effort to determine the new leadership’s foreign policy direction, government, party leaders, and analysts last summer began a review of China’s bilateral relationships. At the time Ma’s article was published, there was a strong trend toward putting history-related issues on the backburner and emphasizing the future. But, beginning with the new year, the Senkakus dispute and Koizumi’s visit to Yasukuni again raised anti-Japanese sentiment, and on the Internet Ma was severely criticized for carrying Japan’s water.

Echoing some of Ma’s sentiments, China’s Ambassador Wu told a Tokyo audience Feb. 21 that Japan’s government and people had contributed significantly to China’s modernization and that Japan’s contribution was highly appreciated by the government and people of China. He expressed China’s gratitude for Japan’s yen loans and economic

cooperation. Without mentioning Yasukuni, Wu did remark that there were political issues that had to be resolved, even as economic cooperation is developing overall.

Overseas Development Assistance

On March 13, in conjunction with the government's review of Japan's official development assistance program, Tokyo announced plans to cut yen loans to China by 25 percent for FY 2002, with implementation to begin in 2003. This marked the second consecutive year of such large-scale cuts in the China ODA program. Again, the decision reflected concerns, in particular within the prime minister's party, over China's 15-year military buildup. In contrast to past infrastructure-related programs, emphasis will be on environment and human-resource development programs as has been the case since 2001. Press reported that the decision, based on Japan's own strained financial condition, had been previously communicated to Beijing and will be finalized before the fiscal year that ends on March 31.

Chronology of Japan-China Relations January-March 2003

Jan. 5, 2003: China's Vice Foreign Minister Wang Yi calls in the Japanese ambassador to protest Japan's leasing of privately held islands in the Senkaku/Daoyutai island chain.

Jan. 6, 2003: China's Ambassador Wu Dawei calls on Japanese Vice Foreign Minister Takeuchi Yukio to protest Senkaku activities.

Jan. 14, 2003: Prime Minister Koizumi Junichiro visits Yasukuni Shrine.

Jan. 14, 2003: China's Vice Foreign Minister Wang protests the Yasukuni visit to the Japanese ambassador.

Jan. 14, 2003: China's Ambassador Wu calls on Vice Minister Takeuchi to protest.

Jan. 17, 2003: Foreign Minister Kawaguchi Yoriko tells reporters that a special emissary to China is under consideration to deal with the Yasukuni issue.

Jan. 27, 2003: Japan's Trade Ministry releases 2002 trade statistics, which show that for the first time Japan's imports from China surpassed imports from the U.S.

Jan. 27, 2003: Foreign Ministry Director General for Asian and Oceanic Affairs Yabunaka Mitoji informs Diet that Foreign Ministry is working with China to deal with North Korean refugee issues.

Jan. 28, 2003: DG Yabunaka visits Beijing, meets with Vice Foreign Minister Wang and Asian Director General Fu Ying to discuss Yasukuni, Senkakus, refugees, and North Korean issues.

Jan. 29, 2003: Japanese national Hirashima Fudako, a refugee from North Korea, returns to Japan.

Jan. 29, 2003: Prime Minister Koizumi tells Diet of his intention to continue to visit Yasukuni Shrine.

Feb. 18, 2003: Four North Korean nationals enter Japanese school in Beijing and are taken into custody by Japanese diplomats.

Feb. 21, 2003: Chinese Ambassador Wu addresses Japan-China relations in a speech in Tokyo.

Feb. 21, 2003: *Asahi Shimbun* reports on essay by China's Ma Lisheng calling for new thinking on Japan and history.

Feb. 24, 2003: Japanese national and daughter flee from North Korea into China and are taken into custody by Japanese Embassy.

Feb. 27-28, 2003: Former Prime Minister Ryutaro Hashimoto visits China and meets with PLA Deputy Chief of Staff Xiong Guankai, Defense Minister Chi Haotian, and Vice Premier Qian Qichen.

March 4, 2003: Japanese Ambassador Anami Koreshige meets with Liberal Democratic Party's Foreign Affairs Joint Committee to discuss China and North Korea issues.

March 6, 2003: Foreign Minister Tang Jiaxuan addresses China-Japan relations during China's National People's Congress.

March 6, 2003: China's Finance Minister Xiang Huaicheng announces sharp decline in China's military spending for FY 2003.

March 12, 2003: Tokyo District Court dismisses compensation lawsuit for wartime forced labor filed by Chinese nationals.

March 13, 2003: Chinese Ambassador Wu calls on Chief Cabinet Secretary Fukuda Yasuo to discuss high-level political relations.

March 13, 2003: Japan announces 25 percent reduction in Overseas Development Assistance for China.

March 21, 2003: North Korean refugees leave Japanese Embassy in Beijing and, after passing through Singapore, enter the Republic of Korea.

March 24, 2003: Japan's Trade Ministry announces that exports to China surged 66.6 percent in February.

March 26, 2003: *Mainichi Shimbun* reports Foreign Minister Kawaguchi will visit China, April 6-8.

March 27, 2003: *Mainichi Shimbun* reports the Dalai Lama will visit Japan in November 2003, at the invitation of the Diet bipartisan group “League to Consider the Tibet Issue.”

Japan-Korea Relations: Contemplating Sanctions

by Victor D. Cha
D.S. Song-Korea Foundation Chair,
Director, Project on American Alliances in Asia
Director, American Alliances in Asia Project, Georgetown University

The quarter saw no major bumps in Japan-South Korea relations as the two countries awaited the transition to the new Roh Moo-hyun government in the ROK. North Korean provocations during the quarter had a unifying effect on Seoul-Tokyo ties. They also raise the question of exactly what Japan would do if the North undertook any of the actions associated with crossing the “red line.” Accordingly, we look at what Japanese sanctions against the North might look like.

Japan-ROK Relations: Feeling Each Other Out

The quarter saw a series of bilateral meetings between Japanese and South Korean officials. Although nothing substantive came of these contacts, they were quite important in firming up the ground as all awaited the transition to the new government in South Korea. In the period from January to February (prior to the inauguration on Feb. 25), a series of high-level officials from Japan, including former Premier Mori Yoshiro, Foreign Minister Kawaguchi Yoriko, Democratic Party head Kan Naoto, and Social Democratic Party leader Doi Takako traveled to Seoul to meet with President-elect Roh.

In early February, a special envoy delegation dispatched by President-elect Roh met with Prime Minister Koizumi Junichiro. Chyung Dai-Chul, the ROK delegation head, expressed Roh’s sincere desire to work closely and intimately with the government of Japan, and agreed to maintain close coordination of policies in dealing with the North Korean threat.

All of these preparatory contacts facilitated the first successful meeting between the two heads of state in late February. Following the inauguration ceremony, Roh and Koizumi held a 50-minute meeting. Following a well-advised outline of staying at the broad and positive level for the new South Korean president’s first meeting with a foreign leader, the discussion deftly avoided specific reference to issues like Koizumi’s Yasukuni Shrine visit (discussed below) and the launching of a short-range missile by the North into the

Sea of Japan. Roh and Koizumi agreed to pursue “future-oriented” relations, the conclusion of a bilateral free-trade agreement, and cooperation in dealing with North Korea. They agreed to invite Roh for a summit in Japan in the near future.

The cohering factor for all of these meetings was North Korea’s withdrawal from the Nuclear Non-Proliferation Treaty (NPT) and restarting of the 5-megawatt reactor in January. To avert any negative ramifications for Seoul-Tokyo ties from the crisis with North Korea, Japanese officials also gave several well-placed interviews to major South Korean dailies to assure the South Korean public of Japanese intentions. In an interview with the *Chosun Ilbo*, the new Japanese ambassador to the ROK (Takano Toshiyuki) affirmed his personal commitment to maintain strong bilateral ties to deal with the North Korean threat. In an interview with the *Joongang Ilbo*, Japanese Defense Agency head Ishiba Shigeru responded to popular speculation about Japan’s “nuclear card” by stating that Japan had no intention of a “self-help” nuclear option *even* if there were a nuclear North Korea.

Trilateral Coordination and Oversight Group (TCOG) meetings during the period reflected the same preoccupation with provocative North Korean actions. The January meeting of the group in Washington was marked by intensive discussions on strategy vis-à-vis North Korean provocation. The three countries released a joint statement calling on Pyongyang to come into prompt and verifiable compliance with its nonproliferation obligations and supported the Jan. 6 IAEA resolution condemning North Korean actions.

Bilateral relations encountered a minor spat over the visit to Yasukuni Shrine by Prime Minister Koizumi. This was the third trip during his premiership to honor Japan’s war dead. The reaction in Korea was predictable with a statement by the Foreign Ministry expressing concern over the Jan. 14 visit. But the conflagration over this was not nearly as grave as in the past. In part, this stemmed from the many other things occupying South Korea’s attention, including its economic problems, the new government, North Korean intransigence, and repairing the U.S.-ROK alliance. There is also a growing realization in South Korea that the problem of Yasukuni Shrine visits will never go away. The shrine visits are as much a domestic political issue as they are a part of a Japanese affirmation of national identity. For these reasons, the visits will never stop and the sooner Koreans realize this and ignore them, the better.

Japan-DPRK Relations: Missiles and Satellites

North Korean attempts at coercive bargaining during the quarter to rattle the Bush administration and force it into dialogue with Pyongyang predictably had negative effects on Japanese security. In late-February and early-March, North Korea flew two antiship cruise missiles toward Japan. Japan tried its best to downplay the events, saying in the first instance that the 90-km test did not technically violate the ballistic missile testing moratorium, and in the second instance that Tokyo had received advance notification of the test. Nevertheless, the threat was obvious. The Japanese Nikkei closed at its lowest level since March 1983 after the second missile test. Tokyo Gov. Ishihara Shintaro

tapped into the unspoken sentiments of some Japanese when he stated on March 24 that Japan should rearm itself against the threat.

Although Japan is a long way from fulfilling Ishihara's mandate for self-defense against the North Korean threat, Japan took a major step this quarter toward at least monitoring the threat. At the end of March, Japan launched its first two military satellites into orbit from Japan's space center on Tanegashima. The satellites are the first two of four planned satellites to be used for about five years. The proximate cause for the ¥250 billion (\$2 billion) surveillance program was the 1998 North Korean *Taepodong* launch over Japan, which shocked the Japanese as to how vulnerable and incapable they were at dealing with such a problem, and was aptly referred to thereafter as Japan's "Sputnik." With these imagery satellites, Japan hopes to monitor North Korean missile tests and other dangerous activities. Some technical experts argue that the resolution of these satellites will still not rival that of the United States and therefore will not rid Japan of its total dependence on the U.S. for overhead intelligence.

North Korea predictably strongly opposed the launch and threatened to counter with a missile test launch of its own. Indeed at the end of March, there were unconfirmed reports of a third DPRK short-range missile test on the west coast of the Peninsula. The Japanese Defense Agency initially fumbled this report, first announcing a test and then retracting the announcement. The information, however, was not picked up by the newly launched satellites as they will not be operational until June.

Contemplating Sanctions

The most important message, though, to take away from the satellite launch is not whether Japan is any more or less dependent on the U.S. for intelligence, but that the country is making deliberate and concerted efforts to defend itself against the threat posed by North Korea. This last point naturally raises the question of what else Japan might do if Kim Jong-il continues with more threatening behavior. Many experts predicted that with the start of the U.S. war against Iraq, that North Korea would cross any one of three "red lines": 1) reprocessing weapons-grade plutonium; 2) testing a long-range ballistic missile; 3) declaring itself a nuclear weapons state (with a test of some sort). Any of these actions would constitute an extremely grave threat to Japanese security and it is inconceivable that they would not institute some form of sanctions.

Were Japan to implement sanctions against North Korea, they would likely come in three types according to Ministry of Economy, Trade and Industry (METI) officials and other experts. The first would relate to sanctions on military goods. Japan might announce an embargo on missile and arms-related exports with North Korea as well as tighten export controls on any items that might have dual-use capability. Such actions, though important if they were formally announced, would be largely symbolic as Japan does no such trade with the North and already monitors dual-use technology flows. Other sanctions in this category that would have some teeth include active Japanese participation in the interdiction of North Korean vessels suspected of carrying missiles other military-related arms. Such an interdiction effort might resemble what the United States and Spain

undertook with the North Korean freighter bound for Yemen. As a general rule this effort would be easier to accomplish on the sea rather than in the air (which would require Chinese restriction of airspace). But for Japan, the difficult issue, according to government officials, would be whether it would participate in such action absent a UN resolution calling for sanctions.

A second form of sanction would relate to a more general embargo of trade with North Korea beyond military-related goods. Government officials are careful to note that humanitarian-related goods might be exempt from such a wider embargo, but effectively Japan has already taken steps in this direction. Previously one of the largest donors to the World Food Program appeals for North Korea, Japan has since stopped all contributions from 2002. (Why do you think Kim Jong-il invited Koizumi to Pyongyang in September 2002?) Moreover, after the raid of the pro-DPRK *Chosen Soren* headquarters on Nov. 30, 2001 (see “On Track and Off Course (Again),” *Comparative Connections*, Vol. 3, No. 4, January 2002 and “The World Cup and Sports Diplomacy,” *Comparative Connections*, Vol. 4, No. 2, July 2002) and the banking scandal, Japanese authorities have maintained quiet pressure of sorts on the Ashikaga Bank to stop allowing pro-DPRK residents to send remittances back to North Korea. There are claims that such remittances are now getting to North Korea through banks in Macau, but the fact remains that the primary outlet for such activity through this privately owned bank in Japan has undergone much closer scrutiny.

A third type of sanction would involve deliberate measures to monitor and curb the activities of pro-DPRK activities in Japan. In many ways, this would be the most precedent-setting actions. During the 1970s and 1980s, despite the severest South Korean protests to crack down on the pro-DPRK groups in Japan, Tokyo refused to do so if such groups could not be proved to have engaged in illegal behavior. Even in 1974 when an assassination attempt by Mun Se Kwang, a pro-DPRK resident of Japan, against Park Chung Hee killed the South Korean president’s wife, the government of Japan refused to launch a pervasive crackdown against all *Chosen Soren* activities in violation of their civil liberties.

The likely target of such sanctions would be the ferry *Mangyongbong-92*, which runs between Niigata and Wonsan on a biweekly basis. The 1,000-ton cargo on this vessel (and the 200 passengers) in the past have not undergone the strictest scrutiny. And one would imagine that sanctions at their extreme would stop this ship, and to a lesser degree, entail detailed inventory and inspection of the cargo. Although the *Mangyongbong-92* has not been traveling regularly in winter months, it is expected to set sail again in April and officials note that there are already plans for closer surveiling of this ship. Indeed, this past quarter saw Japanese lawmakers introducing legislation to restrict, and if necessary, ban port visits by DPRK ships (meaning the *Mangyongbong-92*) suspected of illicit activities.

Another measure along these lines might entail a crackdown by domestic police authorities on the illicit activities conducted by North Koreans in drugs, human

trafficking, and counterfeiting. Japan might also restrict the activities of the “study groups” associated with the *Chosen Soren*. These groups operate underground and are composed of individuals with affiliations to the Korea Workers’ Party in the North.

Engagement with North Korea is about as welcome in Japan right now as a bull in a china shop. The public outrage at the abductions revelations still remains so high that Japanese riot police reportedly remain deployed in front of the *Chosen Soren* facilities to prevent attacks. Japanese protesters demonstrated at Niigata, the port of the *Mangyongbong-92* vessel demanding the return of the families of the five abductees currently in Japan. Beyond this past quarter, the Japanese government and public have responded with growing firmness to North Korean agitations. Firing on an intruding DPRK ship, followed by the sinking of another such ship, followed by the launch of Japan’s first military intelligence satellites are all sure signs that Japan’s postwar pacifist tradition does not exclude military actions in self-defense. Given this recent precedent, would Japan enact sanctions against the next North Korean provocation, be this a ballistic missile test or reprocessing? If one looks carefully, they already have started.

Chronology of Japan-Korea Relations January-March 2003

Jan. 7, 2003: Trilateral Coordination and Oversight Group (TCOG) meets in Washington, D.C. The U.S., Japan, and ROK focus on the escalating nuclear crisis in North Korea and endorse an IAEA resolution mandating “serious consequences, not unlike Iraq,” if North Korea continues to pursue nuclear weapons.

Jan. 10, 2003: North Korea formally withdraws from the Nuclear Non-Proliferation Treaty (NPT) and ends its nuclear safeguards agreement with the IAEA in order “to protect the sovereignty of the country and the nation.”

Jan. 11, 2003: Japanese Vice FM Takeuchi and an envoy from Kim Dae-jung, Yim Sung-joon, meet in Tokyo to discuss the DPRK’s withdrawal from the NPT.

Jan. 13, 2003: Former Japanese PM Mori Yoshiro travels to Seoul and meets with ROK President Kim Dae-jung. Mori also meets with President elect Roh, and the two reaffirm the need for their countries and the U.S. to cooperate in dealing with North Korea.

Jan. 14, 2003: PM Koizumi makes a third controversial visit to the Yasukuni Shrine, honoring Japan’s war dead. While he claims the act served to “reaffirm our antiwar position,” reaction in Korea is predictably negative.

Jan. 14, 2003: Japanese Sports Minister Toyama Atsuko repeatedly uses a derogatory colonial-era abbreviation for North Korea (“hoku-sen”). The gaffe came as she welcomed the North’s notification it would send a delegation to the upcoming Winter Asian Games in Aomori Prefecture. She later issued a correction.

Jan. 15-16, 2003: FM Kawaguchi visits Seoul, meets with President Kim and President-elect Roh. ROK Foreign Minister Choi expresses deep regret over the shrine visit.

Jan. 15, 2003: Japanese protesters meet the North Korean *Mangyongbong-92* ferry at the port of Niigata, holding up a banner saying, “Give us back the families of the five,” referring to the five Japanese abducted by North Korea. Members of the pro-DPRK General Association of Korean Residents in Japan (Chongnyon) argued with the protesters.

Jan. 24, 2003: Takano Toshiyuki replaces Terada Terusuke as Japan’s ambassador to Seoul. Takano assisted in drafting the 1997 U.S.-Japan Defense Guidelines that called for greater Japanese involvement in the event of a contingency on the Korean Peninsula.

Jan. 24, 2003: FM Kawaguchi and U.S. Under Secretary of State John Bolton meet in Tokyo to discuss a unified response to the nuclear crisis.

Jan. 26-28, 2003: Chyung Dai-chul heads delegation to Japan, as an envoy of President-elect Roh to discuss North Korean nuclear crisis.

Feb. 5, 2003: Controversy erupts over the French Ministry of Defense’s use of the term “East Sea” in addition to “Sea of Japan” to describe the sea between Japan and South Korea in its most recent nautical charts.

Feb. 6-9, 2003: Special envoy Chyung, senior policy adviser to President-elect Roh, holds talks with PM Koizumi on the North Korea nuclear issue.

Feb. 7, 2003: A Japanese environmental group urge the South Korean government to halt development of a wetlands area in North Jolla Province. “Because of its bio-diversity, Saemanguem is important not only in Asia, but also in the world, providing a habitat for migrant birds between Korea and Japan,” the coalition group said.

Feb. 7, 2003: Japanese LDP lawmakers initiate legislation to ban port visits by vessels engaged in espionage. In particular, the bill targets the *Mangyongbong-92* passenger and cargo ship. A Diet vote is expected in June.

Feb. 9-10, 2003: President of the opposition Democratic Party of Japan Kan Naoto and Social Democratic Party leader Doi Takako meet in Seoul with President-elect Roh. The visit was intended to warm relations following PM Koizumi’s Yasukuni Shrine visit.

Feb. 14, 2003: Japan Defense Agency head Ishiba Shigeru said Tokyo would use military force as “a self-defense measure” if it was sure North Korea planned to launch missiles against Japan.

Feb. 14, 2003: In an interview with the *Choson Ilbo*, Ambassador Takano affirms importance of strong Japanese-Korean relations in order to deal with North Korea's nuclear ambitions.

Feb. 25, 2003: Roh Moo-hyun is sworn in as the ninth president of Korea, with PM Koizumi and Secretary of State Colin Powell in attendance.

Feb. 25, 2003: North Korea launches an improved Silkworm antiship missile toward Japan. The cruise missile traveled approximately 90 km before crashing into the Sea of Japan/East Sea. Japanese officials downplayed the event, stating that the launch of the short-range missile did not violate North Korea's pledged moratorium on missile tests.

Feb. 28, 2003: PM Koizumi urges calm after North Korea restarts the 5 MW(e) nuclear reactor at Yongbyon.

March 9, 2003: North Korea launches second antiship cruise missile into the Sea of Japan.

March 10, 2003: Japanese officials downplay launch; Pyongyang had warned Tokyo of the launch several days before.

March 19, 2003: Japanese Chief Cabinet Secretary Fukuda Yasuo warns that North Korean provocations might cause Tokyo to abandon the Pyongyang Declaration. The September 2002 bilateral agreement sought DPRK compliance with nonproliferation agreements and normalization of relations between Japan and North Korea.

March 19, 2003: Spokesman for President Roh announces that Cho Se-hyung, the current ambassador to Japan, will be replaced.

March 20, 2003: South Korea and Japan voice support for coalition forces in the war against Saddam Hussein.

March 24, 2003: Citing the threat posed by North Korea, Tokyo Gov. Ishihara Shintaro calls for Japan to rearm to protect itself. Moreover, he advocates cutting aid to the North and calls for "revenge" against the DPRK's kidnapping of Japanese citizens.

March 25, 2003: Japanese Supreme Court rules the Japanese government is not obligated to compensate "comfort women" forced into sexual slavery during World War II, arguing that the Diet alone has authority to authorize such compensation.

March 27, 2003: In an interview with the South Korean daily *JoongAng Ilbo*, JDA head Ishiba stressed Japan has no intention of procuring nuclear weapons, even if North Korea becomes a nuclear power. Ishiba points out that Japan could be a prime target for DPRK ballistic missiles.

March 28, 2003: Japan launches the first two of four imagery satellites despite heavy criticism from Pyongyang, which threatens to abrogate its moratorium on ballistic missile tests. The electro-optical (EO) satellite has a resolution of 1 meter, and the radar satellite has a 4-meter resolution.

March 31, 2003: South Korean FM Yoon Young-kwan and his Japanese counterpart meet in Tokyo to discuss diplomatic options for defusing the North Korean nuclear crisis.

March 31, 2003: In Seoul, South's Defense Minister Cho Young-kil briefs his Japanese counterpart Ishiba on the ROK's "peace and prosperity" policy toward North Korea. Ishiba supported the new attempt at engagement, and forswore a unilateral Japanese strike against DPRK nuclear or missile facilities.

China-Russia Relations: At the Dawn of a Unipolar World

by Yu Bin
Associate Professor, Wittenberg University

For Russia and China, the first quarter of 2003 may well be the last few months before their preferred world – multilateralism for Iraq and bilateralism for the Democratic People’s Republic of Korea (DPRK) – began to fade into one of unilateralism. Amid unprecedented diplomatic activities regarding Iraq and Korea, relations between Moscow and Beijing were quietly entering a new phase as China’s leadership change was taking definitive shape.

Getting to Know New Leaders in Beijing

The election of Hu Jintao and Wen Jiabao as China’s president and premier at the 10th National People’s Congress (NPC, March 5-18), though widely described as the smoothest power transition in PRC history, produced perhaps the most indigenous generation of leaders (compared with that of Mao Zedong, Deng Xiaoping, and Jiang Zemin). Despite their technocrat background, neither has any extended experience living/studying abroad. Both served long years in China’s interior – and certainly poorest – provinces before getting to the central government.

Changes at the ministerial level were also a mixed bag for Russia. China’s new Foreign Minister Li Zhaoxing, though co-chairman of the Russian-Chinese antiterrorism group after Sept. 11, 2001, is a U.S. hand with many years of service in the U.S.

Moreover, the fourth generation of Chinese leaders has perhaps little to do with the once enduring “Russian factor” of the previous generations of Chinese leaders, either as China’s friend or foe. Neither were they instrumental in launching the relatively recent China-Russia strategic partnership, which was the brainchild of Jiang’s generation. Publicly, Russian officials welcomed China’s “very positive and smooth process of power transfer.” “Some innovations,” however, were expected, according to Russian Deputy Foreign Minister Alexander Losyukov. Engaging the new faces in China, therefore, was a top priority for Russian President Vladimir Putin and his colleagues.

In early January, the two sides publicized their intentions to have all three Chinese leaders – Chinese Communist Party secretary general, National People’s Congress chairman, and the State Council premier – to visit Russia in 2003. Russian Foreign Minister Igor Ivanov’s February visit to Beijing finalized Hu Jintao’s first official visit

abroad – to Moscow and St. Petersburg – on May 25-27 at the invitation of Putin. The two heads of state would also meet twice at multilateral fora within the year: the Shanghai Cooperative Organization (SCO) summit in Almaty (Kazakhstan) from May 28-29 and the annual Asia Pacific Economic Cooperation (APEC) meeting in late fall. Additionally, Premier Wen would join the annual prime ministerial meeting in Moscow in the fall.

This least internationalized generation of Chinese elite happened to come to office at the dawn of a sea change in world politics. From Iraq to North Korea, from London to Washington, the era of preemption and unipolarity is soon to descend upon the world. Despite the awkward linkage of Iraq and the DPRK as part of the “axis of evil,” Washington’s vastly different approaches – unilateralism for Iraq and multilateralism for the DPRK – are equally destabilizing, if not dangerous, for Moscow and Beijing.

“Russia and China will work to deepen relations of strategic partnership,” stated Foreign Minister Ivanov in his February visit to Beijing. “Lately, the coordination of the two sides’ efforts in the international arena has markedly increased,” declared Ivanov. In addition to finalizing high-level exchanges with his Chinese counterpart Tang Jiaxuan, Ivanov’s primary mission was to exchange views with the Chinese concerning Iraq and the Korean Peninsula. Meanwhile, the two sides did expect certain progress in some specific areas such as SCO activities and border issues. The Russian foreign minister brought with him Deputy Foreign Minister Losyukov, the presidential SCO envoy and Vitaly Vorobyev, top negotiator on border issues with China.

More Tangible Interests

For Moscow and Beijing, the Iraqi crisis constituted more than a turning-point for their preferred multipolar world order. More tangible interests were at stake. Both became “addicted” to oil, though for different reasons. As one of the largest oil exporters in the world, Russia’s recovery depends heavily on its own “oil dollars.” For China to sustain its high growth rate, reliable oil imports are vital as the country becomes the world’s third largest consumer of oil and gas after the United States and Japan.

By February, Russian companies had invested \$1.25 billion in the Iraqi oil industry since the beginning of the UN oil-for-food program, and both sides were interested in expanding that cooperation. China also participated in the same UN program. Although oil from Iraq amounts to only a fraction of Chinese imports (about 1 percent), half of Chinese total imports of 70 million tons came from the Middle East and Persian Gulf region, where socio-political stability would be seriously affected by the war.

As the quarter progressed, there was a growing sense of urgency and even crisis among Russian and Chinese leaders regarding the unfolding crises around the world. The two sides intensified their exchanges and coordination, in both bilateral and multilateral fora, to postpone or avoid the final showdown. The Iraqi issue dominated almost all high-level meetings and exchanges. On Feb. 19, Putin and then Chinese President Jiang spoke over

the phone and exchanged opinions on Iraq. Both supported continuing inspections in Iraq to fulfill Resolution 1441 of the UN Security Council and finding a diplomatic solution for the crisis. They stressed the importance of coordinating the actions on Iraq and other international issues.

A week before the U.S.-UK ultimatum for Iraqi compliance, Chinese Ambassador to Moscow Zhang Deguang went to the Kremlin to meet Russian Security Council Secretary Vladimir Rushaylo, calling for settling the Iraq crisis through political and diplomatic means. Meanwhile, a separate consultation was taking place in Beijing where Director of the Mid-East and North Africa Department of the Russian Foreign Ministry Mikhail Bogdanov was meeting Foreign Minister Tang on the Iraqi crisis.

Orchestrating with Discordance

Russia's and China's positions on Iraq and on the Korean Peninsula "largely" or "virtually" "coincide," claimed Foreign Minister Ivanov in Beijing several times in late February. There was no question that both Moscow and Beijing preferred multilateralism for the Iraqi case and bilateralism (U.S.-DPRK) for the Korean crisis. Ivanov's carefully chosen phrases, however, reflected some visible nuances in their approaches to U.S. unilateralism.

Beijing was clearly more hesitant to take the lead in opposing Washington, but chose to echo the joint effort by the French-German-Russian "axis." Neither did China threaten to veto the U.S.-UK bill in the UN Security Council before the final showdown. Russia, however, indicated several times its willingness to exercise its veto. In the Korean case, Russia abstained from voting on the International Atomic Energy Agency decision to submit the DPRK's non-compliance to the UN Security Council on Feb. 12, while China simply went along. On Jan. 14, China's Foreign Ministry spokeswoman even publicly disagreed with the DPRK's decision to pull out of the Nuclear Non-Proliferation Treaty (NPT).

China's low profile regarding Iraq and the DPRK reflects its more disadvantageous position in the world. As a member of the Western community of democracies, Russia, like France and Germany, could afford to go to a greater length in challenging Washington. China, however, does not have that political "capital" to spend. Many analysts in China therefore believe that Washington would react stronger to similar behavior (criticizing the U.S.) by the non-Western, un-democratic China, possibly by pushing the Taiwan "button."

Despite the publicized principle that Sino-Russian strategic partnership does not target any third party, many Russian liberals believe that relations with China are, and should be, subject to Russia's relations with the West in general and with the U.S. in particular. Viktor Kremenyuk, deputy director of the Institute of the USA and Canada and who was visibly angered by the U.S. unilateralism, went as far as to say that if U.S. unilateralism continued, Moscow would have to completely restructure its foreign policy by

developing closer links with China, Iran, and the DPRK. For Kremenyuk, China belongs to the same category of states as Iran and the DPRK, states that Russia could selectively choose to have closer relations with, depending on how much Russia intends to impress the West and the U.S. Developing a relationship with China for its own sake, therefore, remains a secondary quest at best.

In terms of relations with Iraq and the DPRK, Russia seemed to have more leverage with Baghdad and Pyongyang. As the new year started, Russian officials publicly stated that Russia had “no proof of North Korea’s military nuclear program” (Deputy Foreign Minister Losyukov conducted a mini “shuttle diplomacy” between Pyongyang, Beijing, and Moscow, including a six-hour “successful and substantive” meeting with Kim Jong-il), and that the DPRK’s decision to withdraw from the NPT, as the Russian defense minister put it, “is not a threat to the security of Russia.”

Russian confidence may not be mere diplomatic rhetoric. Kim Jong-il has had three summits with Putin but made only one official visit to China. Two months before the current nuclear crisis, the North Korean leader traveled to Vladivostok to meet Putin, who was the only Russian/Soviet head of state to have visited the DPRK (in 2001). Even during the height of the crisis, DPRK officials were talking about building more nuclear power reactors, possibly with Russia’s help.

China did not seem so sure about the DPRK. Right after the new year, the People’s Liberation Army (PLA) conducted an unusually early military exercise. Unlike previous large-scale exercises usually aimed at the Taiwan Strait and occurring in early spring, the PLA this time emphasized cold-weather operations and capability for both ground and naval forces. To be sure, China and the DPRK are not adversaries and the DPRK itself is NOT a threat to China’s security. The unfolding crisis, if it continues to deepen, would constitute a threat to China’s vital interests, however.

Record Trade, to be Lubricated with Russian Oil

Not everything was in crisis for Russia and China. Bilateral trade reached a record level in 2002, totaling almost \$12 billion as a result of a near 12 percent increase over the previous year. The current trade volume, though at a record high, is far from its potential. Toward the quarter’s end, years of mutual effort to promote more trade finally got a major boost when Russia made the final decision March 14 to lay an oil pipeline from Angarsk to the Pacific port of Nakhodka with a spur line to Daqing in China.

For almost nine years, the two sides had worked on the possibility and feasibility of an oil pipeline to China. Russia’s final decision, however, was a compromise and combination between the original Angarsk-Daqing line and a “pro-Japan” Angarsk-Nakhodka route.

It was clear that the final decision was made by the highest authorities in Russia. Its compromised nature reflected Russia’s overall post-communist foreign economic policies, which aim at maximizing Russia’s economic, political, and strategic interests.

Whatever the case, Russia seems more careful with its oil “weapon” than selling arms to others, including China.

Beyond the huge oil input, China and Russia debuted several other projects for economic and scientific development, including cooperation in developing integrated circuits (IC), in designing, assembling, and delivering civil aviation equipment, in making heavy Ural trucks, and constructing a railroad between Ussuriisk, Primorye, and China’s Dongning (Heilongjiang Province) for exporting up to 20 million tons of Dongning’s coal through the Russian port city.

Putin’s China Policy: Starting from Home

China was Russia’s “strategic partner,” said President Putin in late January to a Russian Federation State Council meeting. In contrast, the Russian president defined the United States and the European Union as Russia’s “trusted partners.” In the age of a proliferation of various kinds of partnerships in Moscow’s diplomatic vocabulary, perhaps only Putin knows the differences between these terms. This rare juxtaposition of the two types of partnership, however, did separate Russia’s Western partners from the one in Asia.

Putin’s remarks, however, were made, not in the context of the unfolding crises in Iraq and the DPRK, nor in regard to Moscow’s delicate relations with Washington. Rather, they were made in response to the “grave and serious concern” of Viktor Ishayev, the governor of far eastern Khabarovsk territory, regarding China’s “active expansion into Russia.” Ishayev called for a long-term adjusted strategy in dealing with an “expanding” and “threatening” China. In his moderate response, Putin reminded the audience that Russia does have a long-term strategy for relations with China, which is the friendship treaty. It was therefore important to take joint decisions “on the basis of consensus and mutually taking into account the two countries’ interests.”

It is not clear if Putin was able to persuade the local bureaucrats. Their alarmist views about China actually represent a steadily growing perception of a “China threat” among Russia’s nationalistic and liberal circles, as well as among the general public. China’s fast rise simply reinforces this anxiety.

Russia’s Vision vs. the Lost World

At a time of international fluidity, Moscow has every reason to stabilize relations with Beijing. For this purpose, a good start with new leaders in Beijing is paramount. “Russia’s military-political objective is to turn an enemy into a competitor, a competitor into a neutral party, a neutral party into a partner, and a partner into an ally,” stated Anatoly Kvashnin, chief of staff of the Russian Armed Forces, on Jan. 18. It was remarkable for a top brass of the former superpower to have such a nonmilitary strategy of turning adversaries to allies. Like Putin, the Russian chief of staff singled out the U.S., European Union, and China as three “power centers” to be seriously dealt with by Russia’s foreign and defense policies. Curiously, the Russian chief of staff did not

include Japan in his ideal world order, a nation that was grossly and fatally underestimated 100 years ago by the czar's generals.

The real world, however, is traveling away from the Russian and Chinese vision of an ideal world order of several more or less equally rated major powers. Not only is the existing world system being abandoned by a lone superpower that favors superiority over equilibrium, but it is also being undermined by nonstate actors ranging from transnational terrorists to multinational corporations.

If that is not enough, nuclear deterrence – one of the key factors that contributed to the so-called “long peace” during the Cold War – is being replaced by the doctrine of preemption and first-use. Meanwhile, the fast descending unipolar world is also unleashing another, and perhaps worse, nightmare. The nonproliferation regime is, ironically, being taken apart by both so-called “rogue states” (the DPRK, Iran, and others) toying with nukes on one hand, and the world's only constitutionally “pacifist” nation (Japan), on the other.

The latter, the first and only victim of nuclear weapons, has been actively encouraged since January by such prominent U.S. figures as the former Secretary of Defense William Cohen and Sen. John McCain to arm itself with nuclear weapons. On March 28, Japan successfully launched its first spy satellites, a first step toward independence in gathering intelligence, which is the basis for making its own decisions regarding war and peace. A day before the satellite launch, Director General of Japan's Defense Agency Ishiba Shigeru suggested in testimony to the Diet that Japan acquire longer-range missiles. Ishiba is also a leading advocate for a possible preemptive strike against the DPRK if the latter “expresses the intention to demolish Tokyo and starts fueling its missiles.” If the current impasse between Washington and Pyongyang continues, the Korean Peninsula – not Iraq, or Afghanistan – would become, like 100 years ago, the beginning of a real “lost world.”

Chronology of China-Russia Relations January-March 2003

Jan. 1, 2003: Russian-China bilateral trade in 2002 totaled \$11.93 billion, up 11.8 percent from 2001. Russian exports rose 5.7 percent to \$8.41 billion and imports were up 29.8 percent to \$3.52 billion. Machinery, including military hardware, was Russia's biggest export to China, accounting for a 19.6 percent share and totaling \$1.5 billion.

Jan. 4-7, 2003: Alexander Yakovenko, director of the Russian Foreign Ministry Department of Information and the Press, hold talks with Chinese Deputy Foreign Minister Liu Guchang for cooperation in the field of information exchange and news service for the general public.

Jan. 10, 2003: Putin signs the federal law ratifying the Shanghai Convention on Combating Terrorism, Separatism, and Extremism adopted by the State Duma on Dec. 20, 2002 and approved by the Federation Council on Dec. 27, 2002.

Jan. 15, 2003: Russian Aerospace Agency First Deputy General Director Valery Voskoboinikov reveals that Russia and China are setting up working groups for designing, assembling, and delivering civil aviation equipment.

Jan. 17-21, 2003: Russian Presidential Special Envoy and Deputy Foreign Minister Aleksandr Losyukov travels to Beijing (Jan. 17-18 and 21-22) and Pyongyang (Jan. 18-21) following the DPRK Jan. 11 decision to pull out of the Nuclear Non-proliferation Treaty. Vice Foreign Minister Yang Wenchang met with Losyukov during his stopovers Jan. 17 and 21.

Jan. 20, 2003: Chinese FM Tang Jiaxuan and Russian counterpart Igor Ivanov hold talks at the UN on bilateral relations, tensions over Iraq, and the Korean Peninsula.

Jan. 20–23, 2003: Shanghai Cooperative Organization (SCO) coordinators meet in Almaty, Kazakhstan to discuss SCO financial problems and its rules/regulations.

Feb. 19, 2003: Presidents Putin and Jiang Zemin speak over the phone and exchange opinions on Iraq. Both support continuing inspections in Iraq to fulfill UNSC Resolution 1441 and finding a diplomatic solution for the Iraq problem.

Feb. 26-28, 2003: Russian Foreign Minister Ivanov visits China at the invitation of FM Tang. Ivanov meets with Jiang Zemin and Hu Jintao. Ivanov and Tang issue joint communiqués regarding the Iraqi and Korean crises.

Feb. 28-March 3, 2003: SCO's National Coordinators Council holds a regular meeting in Beijing. The meeting discusses preparations for SCO's next summit and the setup and operation of the permanent steering bodies of the organization – the working secretariat in Beijing and the Region Anti-Terrorist Organization in Bishkek. No agreement is reached on SCO enlargement.

March 4, 2003: The Interfax-China information agency, a member of the Interfax Group, launches new real-time information product: the China News Russian-language news-wire, including: Interfax China IT&Telecom Report; Interfax China Metals Report Weekly; Interfax China Energy Report Weekly; Interfax China Business Report Weekly; Interfax China Business News. All are created by Interfax journalists and editors in Shanghai, Hong Kong, Beijing, and Moscow.

March 7-11, 2003: Russia's First Deputy Minister for Atomic Energy Igor Borokov signs protocol with Chinese Academy of Engineering Physics to cooperate in the field of laser technologies and creation of electro-physical installations.

March 14, 2003: After years of feasibility studies (since 1994), Russian government makes final, and compromised, decision to build the Angarsk-Nakhodka oil pipeline to the Pacific port of Nakhodka (for Japan) with a spur line to China's city of Daqing (North-Eastern China).

March 17, 2003: China's new Foreign Minister Li Zhaoxing and Russian FM Ivanov talk on the phone about Iraq.

March 18, 2003: President Putin congratulates Hu Jintao on his election to the Chinese presidency. The two leaders discussed Russian-Chinese relations.

March 23, 2003: Russian and Chinese Foreign Ministers Ivanov and Li call for an immediate end to military actions in Iraq. The foreign ministers said that "only the UN Security Council can make decisions about restoration of Iraq and settlement of the Iraqi problem in line with UN Security Council resolutions." Moscow and Beijing "will make vigorous efforts to bring this about."

About The Contributors

Richard W. Baker is Special Assistant to the President at the East-West Center in Honolulu, Hawaii. Previously, he served as Adjunct Senior Fellow and as Director of Studies, coordinating the East-West Center's research program, served as a career officer in the United States Foreign Service from 1967-1987 in Singapore, Indonesia, and Australia, as well as at the Department of State in Washington. Among his publications, he was the principal editor of "*Indonesia, the Challenge of Change*" published by the Institute of Southeast Asian Studies (Singapore) in 1999 and has been a co-editor of the annual "Asia Pacific Security Outlook" series. He holds a BA in Politics and Economics from Yale University and a Master of Public Affairs degree (in international relations) from the Woodrow Wilson School at Princeton University.

Lyall Breckon is Senior Analyst at the Center for Naval Analyses. Prior to joining CNA, he was a member of the U.S. Senior Foreign Service with assignments in East Asian and European affairs, international security, and arms control negotiations. He served as Deputy U.S. Representative to the Conference on Disarmament in Geneva during the final negotiation of the Chemical Weapons Convention, 1990-93; and as Deputy U.S. Representative to the negotiation on Conventional Armed Forces in Europe, 1986-89. Mr. Breckon has held posts in Saigon, Bangkok, Madras, and Kuala Lumpur, Malaysia, where he was Charge/Deputy Chief of Mission of the U.S. Embassy from 1979-1983. He was Director of Vietnam, Laos, and Cambodia Affairs in the State Department 1983-86, and worked on East Asian matters on the Policy Planning Staff of the Department 1978-79. Mr. Breckon is a graduate of Harvard College, and was a fellow at the Woodrow Wilson School of Public and International Service, Princeton University, 1975-76.

David G. Brown is Associate Director of the Asian Studies Department at The Johns Hopkins School of Advanced International Studies. His thirty-year diplomatic career focused on Asia and included assignments in Tokyo, Beijing, Taipei, Hong Kong, and Saigon as well as tours in Vienna and Oslo. After leaving government, Mr. Brown served as Senior Associate at the Asia Pacific Policy Center, a non-profit institution in Washington, where he was a writer, speaker and consultant on a wide variety of Asian issues. Mr. Brown serves concurrently as the Chair of the East Asian Area Studies course at the State Department's Foreign Service Institute. He has a degree in East Asian Studies from Princeton University.

Victor D. Cha is Associate Professor in the Dept. of Government and School of Foreign Service, Georgetown University, Washington, D.C. and Director of a new project at Georgetown on the Future of America's Alliances in Asia. He is the author of the book, *Alignment Despite Antagonism: The United States-Korea-Japan Triangle*, winner of 2000 Masayoshi Ohira prize for best book on East Asia. Dr. Cha is a two-time recipient of the Fulbright (Korea) and MacArthur Foundation Fellowships. He is formerly a John M. Olin National Security Fellow at Harvard University's Center for International Affairs and postdoctoral fellow at the Center for International Security and Arms Control, Stanford University. In 1999, he was the Edward Teller National Fellow for Security,

Hoover Institution on War, Revolution and Peace at Stanford University and a recipient of the Fulbright Senior Scholar Award for Korea. Dr. Cha is an independent consultant to various branches of the U.S. government. His current research projects include a book on strategic culture and military modernization (Korea) and models of engagement in U.S. policy toward Asia.

Ralph A. Cossa is President of Pacific Forum CSIS in Honolulu. He manages Pacific Forum's programs on security, political, economic, and environmental issues. He sits on the steering committee of the Multinational Council for Security Cooperation in the Asia Pacific and serves as executive director of the U.S. Committee of CSCAP. He is also a board member of the Council on U.S.-Korean Security Studies. Cossa is a political-military affairs and national security strategy specialist with over 25 years of experience in formulating, articulating, and implementing U.S. security policy in the Asia-Pacific and Near East-South Asia regions. He is a retired USAF Colonel and a former National Security Affairs Fellow at the Hoover Institution. He holds a B.A. in international relations from Syracuse University, an M.B.A. in management from Pepperdine University, and an M.S. in strategic studies from the Defense Intelligence College.

Joseph Ferguson is Director of Northeast Asia Studies at the National Bureau of Asian Research. Previously, he was a fellow at the Johns Hopkins University Nitze School of Advanced International Studies in Washington, D.C. and a visiting Fulbright Fellow at the Russian Academy of Sciences' Institute of World Economy and International Relations. He has also received a *Monbusho* Fellowship from the Japanese government to research Japanese-Russian relations in Tokyo. From 1995-99, Mr. Ferguson worked as an analyst with the Strategic Assessment Center of Science Applications International Corporation (SAIC) in McLean, VA. He holds an M.A. in Asian Studies and International Economics from SAIS, and a B.A. in European Studies from Pomona College.

Aidan Foster-Carter is an honorary senior research fellow in sociology and modern Korea at Leeds. He is also a freelance analyst and consultant: covering the politics and economics of both South and North Korea for, amongst others, the Economist Intelligence Unit, Oxford Analytica, and BBC World Service. Between 1971 and 1997 he lectured in sociology at the universities of Hull, Dar es Salaam (Tanzania), and Leeds. A prolific writer on and frequent visitor to the Peninsula, he has lectured on Korean and kindred topics to varied audiences in twenty countries on every continent. He studied classics at Eton, Philosophy, politics, and economics at Balliol College Oxford, and sociology at Hull.

Vivian Brailey Fritschi is research associate at Pacific Forum CSIS. She holds an M.A. in Foreign Affairs from the University of Virginia and received her bachelors degrees in International Relations and in French Literature from Tufts University in Medford, Massachusetts. She was also a research fellow at the Graduate Institute of International Studies in Geneva, Switzerland and studied at the University of Paris (IV)-La Sorbonne in Paris, France.

Bonnie S. Glaser has been a consultant to the U.S. government on Asian affairs since 1982 and is currently a consultant to the Office of the Secretary of Defense, Sandia National Laboratories and other agencies of the U.S. government. Ms. Glaser also served as a member of the Defense Policy Board China Panel in 1997. Her recent publications include “China’s Pragmatic Posture toward the Korean Peninsula” in *The Korean Journal of Defense Analysis*, “Chinese Apprehensions About Revitalization of the U.S.-Japan Alliance,” in *Asian Survey* and “Chinese Perspectives on Nuclear Arms Control” in *International Security*. Bonnie Glaser received her B.A. from Boston University in political science and her M.A. from The Johns Hopkins School of Advanced International Studies with a concentration in international economics and Chinese studies.

Brad Glosserman is the Director of Research for the Pacific Forum CSIS in Honolulu and a contributing editor to *The Japan Times*, writing extensively on policy issues and international affairs. Previously, Mr. Glosserman was on the Editorial Board and the Assistant to the Chairman for *The Japan Times* concurrently. For the past two years, he has lectured at the Institute for the International Education of Students in Tokyo. Mr. Glosserman holds a J.D. from The George Washington University and an M.A. from the School of Advanced International Studies of the Johns Hopkins University, both in Washington, D.C.

Donald G. Gross serves as Adjunct Professor in the Graduate School of International Studies at Yonsei University and is an international lawyer currently practicing in Seoul. From 1997 until June 2000, Mr. Gross was Senior Adviser in the Office of the Under Secretary for Arms Control and International Security Affairs in the Department of State. Mr. Gross previously served as Counselor of the U.S. Arms Control and Disarmament Agency (ACDA). Mr. Gross was Director of Legislative Affairs at the National Security Council in the White House. He served as Counsel to a congressional subcommittee and was an Adjunct Professor of Law at American University in Washington, D.C. Mr. Gross is a 1997 graduate of the Program for Senior Executives in National and International Security at Harvard University’s Kennedy School of Government. Mr. Gross graduated magna cum laude from Cornell University and holds a law degree from the University of Chicago, where he also did graduate studies in Political Science.

James J. Przystup is a Senior Fellow and Research Professor in the Institute of National Strategic Studies at the National Defense University. Previously, he was Director of the Asian Studies Center at The Heritage Foundation, a staff member on the U.S. House of Representatives’ Subcommittee on Asian and Pacific Affairs, and Director for Regional Security Strategies on the policy Planning Staff in the Office of the Secretary of Defense. He also worked in the private sector at Itochu and IBM World Trade Americas/Far East Corporation. Dr. Przystup graduated from the University of Detroit and holds an M.A. in International Relations and a Ph.D. in Diplomatic History from the University of Chicago.

Scott Snyder is the Asia Foundation's representative in Korea. Previously he served as an Asia specialist in the Research and Studies Program of the U.S. Institute of Peace and an Abe Fellow, a program administered by the Social Sciences Research Council. While at USIP he completed a study as part of the Institute's project on cross-cultural negotiation entitled *Negotiating on the Edge: North Korean Negotiating Behavior*. Snyder has written extensively on Korean affairs and has also conducted research on the political/security implications of the Asian financial crisis and on the conflicting maritime claims in the South China Sea. Snyder received his B.A. from Rice University and an M.A. from the Regional Studies-East Asia Program at Harvard University. He was the recipient of a Thomas G. Watson Fellowship in 1987-88 and attended Yonsei University in South Korea.

Yu Bin is Assistant Professor of Political Science at Wittenberg University and concurrently a faculty associate of the Mershon Center of the Ohio State University. Previously, he was a fellow at the East-West Center in Honolulu and president of Chinese Scholars of Political Science and International Studies. He was a MacArthur fellow at the Center of International Security and Arms Control at Stanford University and a research fellow at the Center of International Studies of the State Council in Beijing. Dr. Yu earned a B.A. degree from the Beijing Institute of Foreign Studies, M.A. at the Chinese Academy of Social Sciences, and Ph.D. at Stanford University.