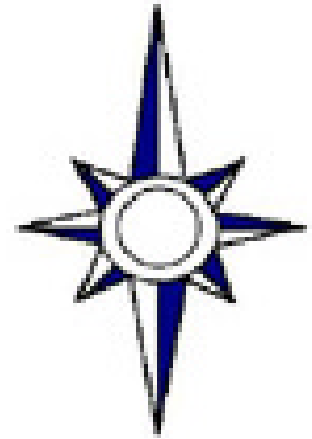




Pacific Forum CSIS

Comparative Connections



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

edited by

Ralph A. Cossa
Rebecca Goodgame Ebinger

January 2000 – Vol. 1, No. 3
4th Quarter 1999

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Pacific Forum CSIS

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

An international Board of Governors guides the Pacific Forum's work; it is chaired by Brent Scowcroft, former Assistant to the President for National Security Affairs. The Forum is funded by grants from foundations, corporations, individuals, and governments, the latter providing a small percentage of the forum's \$1.2 million annual budget. The forum's studies are objective and nonpartisan and it does not engage in classified or proprietary work.

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A Quarterly Electronic Journal on East Asian Bilateral Relations

Bilateral relationships in East Asia have long been important to regional peace and stability, but in the post-Cold War environment, these relationships have taken on a new strategic rationale as countries pursue multiple ties, beyond those with the 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 Ralph A. Cossa and Rebecca Goodgame Ebinger, was created in response to this unique environment. *Comparative Connections* provides timely and insightful analyses on key bilateral relationships in the region, including those involving the U.S.

We cover 12 key bilateral relationships that are critical for the region. While we recognize the importance of other states in the region, our intention is to keep the core of the e-journal to a manageable and readable length. Because our project cannot give full attention to each of the relationships in Asia, coverage of U.S./ASEAN and China/ASEAN countries consists of a summary of individual bilateral relationships, and may shift focus from country to country as events warrant. Other bilateral relationships may be tracked periodically (such as various bilateral relationships with North Korea or Australia's significant relationships) as events dictate.

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

Table of Contents

Regional Overview: Seattle Wake-Up Call: Will Washington Answer?1 **By Ralph A. Cossa**

The city of Seattle seems destined to go down in history as the site of one of President Clinton's finest hours in his administration's management of U.S. relations with Asia . . . and as the venue of one of America's worst moments as well. Unfortunately, the finest hour came more than six years ago, when Mr. Clinton hosted the first ever Asia-Pacific Economic Cooperation (APEC) Leaders' Meetings. The smiles and kudos in abundance in Seattle in 1993 have been transformed into scowls and complaints in the wake of the ill-fated World Trade Organization meeting, which ended in disarray both inside the conference halls and out on the streets. Just as the U.S. Senate's earlier rejection of the Comprehensive Test Ban Treaty had raised questions about America's desire and ability to lead the global non-proliferation movement, so to has Seattle raised questions about America's economic leadership. The one consolation: those who keep lamenting about America's unilateral control over global events as a result of its "sole superpower" status should rest a bit easier.

U.S.-Japan Relations: Not Bad for Auto-Pilot.....9 **By Michael Jonathan Green**

The U.S.-Japan Alliance continues to hum along. During the last quarter there were irritants and problems, as usual, but also unexpected signs of strength. One of the most surprising sources of good news came from the U.S. presidential primary campaigns. Usually Japanese diplomats grit their teeth and brace for a shellacking from the new crop of contenders, but in the current contest, Japan has thus far heard nothing but sweet music. Meanwhile, things were still hot between the U.S. Trade Representative and the Ministry of International Trade and Industry over steel, dumping, telecommunications, and insurance, and Japan's ballooning trade deficit in October set the stage for more contentious dialogue on trade. So far none of these issues has become a significant political problem however, largely due to the strength of the U.S. economy and Japan's difficulty restarting a sustainable recovery. It is hard to kick Japan when the economy is down -- unless, of course, the U.S. economy is also down. And that is one important variable that could change.

U.S.-China Relations: Progress Amidst Persisting Deep Suspicions.....14 **By Bonnie S. Glaser**

The U.S. and China signed two important agreements in the final quarter of 1999 that will likely aid in stabilizing the bilateral relationship after a rocky period following the accidental bombing of the Chinese embassy in Belgrade last May. The first, a bilateral accord on the terms under which China will enter the World Trade Organization, represents an important milestone for Sino-U.S. ties and signals a reaffirmation of China's commitment to market liberalization and economic reform. The second, an agreement settling the issue of compensation for damage to their respective diplomatic property stemming from the accidental embassy bombing, constitutes an important step in the tortuous, unfinished process of restoring normalcy to the bilateral relationship. While the initial steps toward restarting military contacts were recently taken, bilateral dialogues on arms control and human rights have yet to be resumed and strains continue to increase in both areas as well as on the Taiwan issue.

U.S.-ROK Relations: Never Better! . . .But Can It Last?23

By David G. Brown

Washington and Seoul share a sense that their bilateral relations have never been better. Similar approaches toward North Korea have overcome their different priorities, and the Kim and Clinton administrations have found ways to manage many potentially contentious bilateral issues. While Seoul is looking for progress on North-South issues and Washington is focused on missile and nuclear issues, the two capitals are pursuing mutually compatible policies vis-à-vis Pyongyang that are sustained by effective coordination through high level visits and through the Trilateral Coordination and Oversight Group (TCOG), which also includes Japan. These compatible policies toward Pyongyang are a key component in the current excellent bilateral relations. But, if relations cannot get better, when will they come under strain again?

U.S.-Russia Relations: Exit Yeltsin.....27

By Toby Trister Gati

The Yeltsin era is over. True to his mercurial ways, Boris Yeltsin unexpectedly resigned as President of the Russian Federation on New Year's Eve, 1999. "Russia must enter the new millennium with new politicians, with new faces, with new, smart, strong, energetic people," Yeltsin said as he dramatically handed over all power to the Prime Minister and now Acting President, Vladimir Putin. The U.S. must now find a way to deal with a Russia without Yeltsin. This will likely mean the final end of bilateral relations based on personal rapport, as defined by the "Boris - Bill" relationship. It will mean handling a country that is tired of being told what to do and whose population cares little for U.S. warnings about Chechnya and other international issues. And it will mean dealing with a leader whose popularity depends on asserting his authority and the power of the Kremlin in the international arena as well as at home.

U.S.-ASEAN Relations: Riots in Seattle and Tensions Elsewhere34

By Sheldon Simon

Many events signaled a downward slide in U.S. relations with ASEAN members this quarter including Southeast Asian accusations of U.S. mismanagement leading to the failure of the WTO Seattle summit and difficulties in important bilateral relationships. Philippine nationalist sensitivities brought about by a visit from a U.S. nuclear powered submarine and the prospect of joint exercises led to unsteady progress in Philippine-U.S. military relations. Indonesian-U.S. relations remained fraught with ambivalence in this quarter as the U.S. warmly endorsed the democratic proclamations of President Abdurrahman Wahid's new government while expressing concern about the Indonesian military's (TNI) refusal to accept responsibility for the depredations in East Timor.

China-ASEAN Relations: Consolidating Long-Term Regional Relations 39

By Carlyle A. Thayer

China-ASEAN relations in the final quarter of the year were dominated by four major events: a four-nation swing through Southeast Asia by Chinese Premier Zhu Rongji, China's participation, alongside Japan and South Korea, in an informal summit with ASEAN (ASEAN Plus Three), a visit to Beijing by Abdurrahman Wahid, newly elected President of Indonesia, and the signing of a treaty on the land border between China and Vietnam. Also during this period China stepped up its military relations with Cambodia. China's diplomatic initiatives stand in contrast with the lack of strategic vision in U.S. policy toward Southeast Asia.

China-Taiwan Relations: Across the Strait, Across the Years47

By Gerrit Gong and Ralph Cossa

Fortunately, the final quarter of the year lacked the major shocks to the system that had featured so prominently in the Taiwan-China relationship in the previous quarter, which started with Taiwan President Lee Teng-hui's controversial "special state to state" comment. Nonetheless, cross-Strait relations continue to struggle and the turnover of Macao to China seems to have stoked the flames. Reports of a Chinese missile build-up across the Strait added to the tensions, as did the possibility of Taiwan developing a counter-missile capability. Beijing also continues to strongly protest any potential Taiwan participation in U.S. led theater missile defense (TMD). The PRC has thus far refrained from employing heavy-handed attempts, a la 1996, to influence the upcoming Taiwan Presidential election, but the Beijing leadership remains capable of overreacting to any new real or perceived Taiwan provocation as election day draws closer.

China-ROK Relations: Deepening Intimacy and Increased Economic Exchange54

By Scott Snyder

The steadily deepening Sino-South Korean relationship in the last quarter of 1999 was marked by a relaxed and intimate round of "spa diplomacy" during the Chinese foreign minister's visit to South Korea. President Kim Dae-jung also joined Chinese Premier Zhu Rongji and Japanese Prime Minister Keizo Obuchi for an unprecedented three-way breakfast meeting at the ASEAN Plus Three meetings in Manila. The three leaders primarily discussed new opportunities for regional economic exchange and cooperation. With the South Korean economy in full recovery from its financial crisis, this quarter also saw renewed emphasis on South Korean investment in China, with a mixed but cautiously positive response in Seoul to near-term opportunities that may accrue from the successful conclusion of U.S.-China WTO negotiations.

Japan-China Relations: A Search for Understanding60

By James J. Przystup

The last quarter of 1999 featured a series of high-level visits between Tokyo and Beijing, aimed at managing this critical, but difficult, bilateral relationship. Invariably, Chinese concerns over missile defense and the U.S.-Japan Defense Guidelines and Japan's focus on China's military modernization framed the official dialogue. Over the period, the Japanese press reported on China's foreign policy and national security objectives toward Japan and China's suspected strategy of using Japan as a way of exerting leverage on the U.S.; they viewed China's policy toward the U.S. as marked by continuing suspicions of U.S. intentions and efforts to constrain Washington's unipolar activism. China's military modernization continued to receive attention - in particular the prominent display of military muscle at the PRC's 50th anniversary on October 1. Meanwhile, statements by the Parliamentary Vice Minister of Defense about nuclear weapons and remarks made by the Governor of Tokyo during a visit to Taiwan drew Beijing's ire.

Japan-ROK Relations: DPRK Dialogue: A Little Luck the Fourth Time Around?66

By Victor D. Cha

Japan-South Korea relations remained on an even keel, still riding the waves of success from the past two Kim-Obuchi summits and from the trilateral cooperation precedents set by the Perry review. The most noteworthy activities for this past quarter were not in Japan-South Korea relations but on the Japan-DPRK dyad. Events during the period marked the first serious discussions on normalization since 1992. This dialogue, while preliminary and far from

conclusive, was welcomed by both Seoul and Washington, and indeed from a U.S. perspective falls in line with the comprehensive engagement strategy toward the DPRK outlined by the Perry process. The success of future Japan-DPRK normalization dialogue will depend on resolution of a number of issues, all of which are far from minor.

Japan-Russia Relations: Weathering War, Elections, and Yeltsin's Resignation71
By Joseph Ferguson

The arrival in Moscow of Japan's new ambassador to Russia, former Deputy Foreign Minister Minoru Tamba, one of the chief architects of former Prime Minister Ryutaro Hashimoto's "Eurasian Diplomacy," is a clear sign that Tokyo is still intent on achieving some sort of peace agreement by the end of the year 2000. Though few believe that this goal is realistic, Tokyo appears determined to keep the pressure on. The arrival of Hashimoto on an unofficial visit to Moscow in November further underscored this desire. However, the sudden resignation of Boris Yeltsin over the New Year's holiday may put to rest all hope in Japan that a treaty can be signed during the upcoming year. Meanwhile, with a war on in Chechnya and the Duma elections in December, Russia's top leaders had more pressing matters on their mind than Japan.

China-Russia Relations: Back to the Future 76
By Yu Bin

On the eve of the new millennium, Moscow and Beijing continued to deepen their "strategic partnership." The last quarter of the year started with much fanfare to commemorate the twin 50th anniversaries of the PRC's founding and Russian (Soviet)-PRC diplomatic relations. This culminated with Boris Yeltsin's visit to Beijing -- before his "grand exit" at the year's end -- for another "informal" summit with his Chinese counterpart, where symbolism and substance interplayed against a backdrop of perceived Western pressure led by the United States.

Occasional Analysis: North Korea: Making up Lost Ground, Pyongyang Reaches Out.....82
By Aidan Foster-Carter

On January 4, 2000, Italy became the first G7 nation to establish full diplomatic relations with North Korea. This new year gift is the first fruit of a new bid to mend diplomatic fences and forge fresh partnerships. That effort may well net further catches soon. However, any gains must be seen in the context of the serious reverses, some self-inflicted, which the DPRK has experienced internationally, especially during the past decade. In that sense, Pyongyang is mostly making up lost ground rather than charting new pastures. Moreover, the symbolic value of chalking up new ties with lesser powers is no substitute for the need to make substantive progress with the five countries that are central to North Korea's interests: the U.S., Japan, China, Russia, and of course South Korea. While this year may well see a few more countries recognizing the DPRK, most of the remaining holdouts will probably refrain unless and until Pyongyang shows itself more inclined towards peace and reform...and we have yet to see tangible signs that the Pyongyang leopard has changed its spots.

About the Contributors 89



Regional Overview: **Seattle Wake-Up Call: Will Washington Answer?**

by Ralph A. Cossa

The city of Seattle seems destined to go down in history as the site of one of President Clinton's finest hours in his administration's management of U.S. relations with Asia . . . and as the venue of one of America's worst moments as well.

Unfortunately, the finest hour came more than six years ago, when Mr. Clinton hosted the first ever Asia-Pacific Economic Cooperation (APEC) Leaders' Meetings, raising hopes that his administration would be focusing its attentions constructively on the Asia-Pacific region. However, the smiles and kudos in abundance in Seattle in 1993 have been transformed into scowls and complaints in the wake of the recent Seattle mis-adventure, the ill-fated World Trade Organization meeting, which ended in disarray both inside the conference halls and out on the streets as the past quarter and old millennium were fast drawing to a close.

As we noted last quarter, the schisms evident in the August 1999 APEC meeting in Auckland did not bode well for Seattle. Where many once saw APEC as a force for inspiring or instigating change in the global economic arena, this year it was a bellwether of things to come. While the embarrassment was global, many Asian countries--including some of our closest allies within ASEAN--were particularly upset by America's handling of the meeting; Thailand's Deputy Prime Minister (and WTO heir-apparent) Supachai Panitchpakdi could only hope that Seattle would serve as a "wake-up call for the West that the interests of developing countries must be seriously taken into account."

As Sheldon Simon points out, the failure of the Seattle WTO meeting was just one of a series of events that signaled a downward slide in U.S.-ASEAN relations this past quarter. Nationalistic reactions to the Visiting Forces Agreement in the Philippines and U.S. pressure on the Indonesian government to hold its military accountable for Timorese atrocities created frictions for Washington in other ASEAN capitals as well. (The latter could prove counterproductive. Of greater concern today is the Indonesian military's future cohesion and ability to effectively deal with a myriad of internal security issues within present constitutional constraints.)

Meanwhile, just as the U.S. Senate's earlier rejection of the Comprehensive Test Ban Treaty (CTBT) had raised questions about America's desire and ability to lead the global non-proliferation movement, so to has Seattle raised questions about America's economic leadership. This has led many in Asia to conclude that there is little to be gained from serious negotiation with the current lame duck administration. The one consolation: those who keep lamenting about America's unilateral control over global events as a result of its "sole superpower" status should rest a bit easier.

Two of the states most concerned about perceived American unilateral tendencies, China and Russia, have shown little indication of resting easy, however. This was very much in evidence during then-President Boris Yeltsin's visit to China in early December when he once again proclaimed that "a multipolar world is the basis of everything. It will be as we agreed with Jiang Zemin. We will dictate how to live, not [Clinton]." Toby Trister Gati predicts that this strong nationalistic undercurrent and commitment to a strong Sino-Russian strategic partnership will continue under Yeltsin's chosen successor, Vladimir Putin, although she sees some hope of a less contentious U.S.-Russia relationship if Putin, as expected, wins the March Presidential election.

Yu Bin agrees that the China-Russia strategic partnership will continue to deepen under the new Russian leadership as it has during the past quarter, which marked the 50th anniversary of Sino-Russian/Soviet relations (as well as China's 50th anniversary as a communist state). He believes that many in the West underestimate the depth and breadth of the evolving partnership, one that appears destined to deepen further given their mutual concern over "unrestrained and unopposed" U.S. power. (This, despite the fact that both must realize that neither can afford an openly antagonistic relationship with Washington.)

The third leg of this strategic triangle, U.S.-China relations, remains the most unstable. True, some progress has been made in smoothing over contentious issues during the past quarter: the U.S. and China finally agreed to the terms of China's accession into the WTO and settled the compensation issue relating to damage to their respective diplomatic properties (which has been a thorn in both sides since the May accidental bombing of China's Belgrade Embassy and its violent aftermath). However, as Bonnie Glaser points out, this progress has been made amidst persisting deep suspicions on both sides.

The U.S. Congressional debate over granting China permanent normal trade relations (as called for under the WTO agreement) is likely to be even more contentious during an American election year, especially if attempts are made to tie this legislation to the Taiwan Security Enhancement Act. And, while Washington is eager to move beyond Kosovo-induced frictions, Beijing is still calling for a "satisfactory account" of the incident and punishment of the "perpetrators." As long as China continues to use this tragic incident as a vehicle to promote Chinese nationalism and anti-Western sentiments, real rapprochement between the two sides will be impossible.

The news has not been all bad for the U.S. during the past quarter. Relations with its two most important Northeast Asia security allies, Japan and the Republic of Korea, remain on steady ground, as the Trilateral Coordination and Oversight Group (TCOG) process has helped to keep all three countries generally in synch when dealing with their most contentious common concern, North Korea. As I have argued elsewhere, this bodes well for the development of a "virtual alliance" among the three states, characterized by strengthened U.S. bilateral ties with the ROK and Japan and a closer, more trusting, cooperative relationship between Tokyo and Seoul.

Michael Green notes that, in terms of the U.S.-Japan leg, there are actually unexpected signs of strength in the bilateral relationship. Witness a recent *Yomiuri Shimbun*/Gallop poll which, for the first time in 12 years, showed that more than 50 percent of respondents in both countries believe bilateral relations are good. An even greater percentage expressed faith in the

credibility of the U.S.-Japan security alliance. Some rough spots loom on the horizon, however, both over the working out of the fine details regarding Okinawan base issues and over the impending debate about Japan's funding support to U.S. bases. The U.S. could, of course, take the moral high road and agree in advance to a symbolic one percent cut in what the U.S. calls host nation support in recognition of Japan's economic difficulties (and our own continuing boom), but what are the odds of the Pentagon being that forward thinking?

There is another trend in Washington that is sure to put future strains on the U.S.-Japan Alliance. The Senate's October rejection of the CTBT and the administration's treats to abandon the Anti-Ballistic Missile (ABM) Treaty if Russia does not agree to significant revisions are ringing alarm bells in Tokyo, where the commitment to nuclear disarmament and arms control runs deep. Vigorous U.S. pursuit of national missile defense (NMD) -- which is seen as undermining the ABM Treaty -- could threaten Japanese support for the less contentious (to them) theater missile defense (TMD) program. A growing tendency to lump the TMD and NMD programs together is further complicating Washington's and Tokyo's relations with both Moscow and Beijing, as well as potentially with one another.

Meanwhile, U.S.-Korea relations, according to David Brown, have never been better. Both sides have done amazingly well in defusing several potentially explosive issues: revelations regarding the apparent killing of Korean civilians by American soldiers during the early, confused days of the Korean War; controversy over the reported use of Agent Orange in the DMZ in the late 1960s; disagreements over the ROK's desire to develop an enhanced offensive missile capability that could exceed Missile Technology Control Regime range limitations; and such old stand-by issues as the U.S.-ROK status of forces agreement and the U.S. military's use of prime Seoul real estate. In addition, trade disagreements were generally submerged in the broader multilateral WTO negotiations. However, this is no time for complacency. Any of the above issues could turn ugly and the current coincidence of views regarding pursuit of a generally soft approach toward North Korea could change, either due to domestic politics in either country or as a result of future North Korean behavior.

The good news is that Pyongyang has been on its best behavior (relatively speaking), as North Korea apparently attempts to mend diplomatic fences and forge new relationships worldwide. As Aidan Foster-Carter notes in his guest commentary on DPRK relations, however, progress in this area is expected to be limited and slow and there are no signs yet that the leopard has truly changed its spots. While Pyongyang may be testing the diplomatic waters, opening ties does not equate to opening up in a deeper sense. Nonetheless, there is at least some hope that North Korea's current diplomatic activities represent a small step in the right direction.

Nowhere has North Korea's diplomatic activity been more dramatic in the past quarter than with Japan. As Victor Cha notes, steadily improved Japan-ROK relations, and President Kim Dae-jung's continued encouragement for Japan (and others) to move more aggressively in improving relations with Pyongyang, have helped open the door for the most recent round of cautious diplomacy. The December visit by a suprapartisan delegation headed by former Prime Minister Tomiichi Murayama is a small but significant step down what is sure to remain a long and torturous road toward eventual normalization of relations. Japan and North Korea have been down this path three times before, however, and there is no reason yet for exuberant optimism. For the time being, however, at least there is hope.

There continues to be good and bad news for Japan when it comes to relations with its two larger neighbors as well. While the rest of the world seemed to breath a collective sigh of relief when Mr. Yeltsin suddenly announced his resignation on New Year's Eve, Joseph Ferguson points out that this was seen as one more (final?) nail in the coffin as far as Tokyo's dying hopes of achieving some kind of peace agreement with Moscow during the year 2000 are concerned. Acting President Vladimir Putin's strong pronouncement that he would not allow a fragmentation of Russia under his rule, while directed at Chechnya, no doubt also signals a lack of flexibility on the Northern Territories issue, the treaty agreement's primary stumbling block.

Japan-China relations, meanwhile, remained generally cordial, with both sides pursuing diplomatic initiatives aimed at improving their always-difficult relationship. But, as James Przystup points out, there are growing suspicions in some quarters in Japan that Beijing's recent "softening" is part of a larger Chinese strategy to involve Tokyo in its efforts to constrain the U.S. while fostering multilateralism. This is a game that Tokyo will be careful not to play, even as it seeks the obvious benefits of better ties with Beijing.

The most potentially significant Sino-Japanese contact of the past quarter was the unprecedented trilateral breakfast meeting in Manila involving Prime Minister Keizo Obuchi, Premier Zhu Rongji, and President Kim Dae-jung. This meeting--and the ASEAN Plus Three gathering that brought the three leaders together--was highly touted in the Asian and international media, but largely ignored by the U.S. press; Americans apparently being too preoccupied with Thanksgiving weekend football results to pay it much heed.

The three-way meeting was apparently an Obuchi initiative that Kim enthusiastically embraced and Zhu reluctantly agreed to as long as it was not designated a summit and covered economic issues only, the latter caveat ostensibly to keep Korean Peninsula developments off the table in order to avoid further stressing Beijing's bilateral ties with Pyongyang. Despite its unofficial nature and limited economic agenda, the meeting marked a significant step forward in establishing trilateral cooperation among these three Northeast Asian states. I have long argued that a similar breakfast meeting approach, in the shadows of either an APEC or ASEAN Regional Forum meeting, and including the U.S., Russia, and perhaps Mongolia and Canada as well, could serve as a stimulus for a broader Northeast Asian security dialogue forum.

The Manila minilateral non-summit also served to underscore the steady progress in China-ROK relations over the past quarter. Scott Snyder notes that the ROK and PRC foreign ministers decided to take "shirt sleeve diplomacy" (as previously practiced by President Yeltsin and Prime Minister Hashimoto) to the next level, engaging in "spa diplomacy" during Tang Jiaxuan's December visit to Seoul. Tang also visited Pyongyang earlier in the quarter (presumably fully clothed), demonstrating some Chinese shuttle diplomacy aimed at carefully balancing PRC relations with both Koreas. Beijing also welcomed the return of South Korean direct foreign investment (and tourists) to China, while relaxing visa restrictions in order to make Chinese visits to the ROK easier as well.

For its part, Seoul has aggressively pursued improved relations with Beijing. However, President Kim has wisely avoided being drawn into any zero-sum game while simultaneously improving relations both with Beijing and Washington (as well as with Tokyo and Moscow). In this light, I would argue that steadily improving Sino-Korean relations serve American security interests as well. I would further maintain that it is America's continued security commitment with

South Korea today (and with a reunified Korea at some unpredictable date in the future) that makes it possible for Seoul to simultaneously seek improved relations with all its neighbors, rather than having to choose sides to avoid being swallowed up.

China has also worked hard at improving its various bilateral relationships throughout Southeast Asia during the last period, as evidenced by Premier Zhu's four nation swing through ASEAN in conjunction with the ASEAN Plus Three meeting. Carlyle Thayer points out that, while concern over Chinese intentions and inflexibility in the South China Sea remain in the back of most ASEAN minds, Zhu's trip must nonetheless be deemed a success as China reinforced its image as a major power who cares about Southeast Asia.

Unfortunately for China (and for the rest of us), the bilateral relationship that matters most in terms of immediate regional security saw no improvement in the last quarter, as continued disagreements over "special state-to-state" relations kept China-Taiwan tensions high. President Jiang added some heat during the Macao handover ceremony in December when he proclaimed that "the Chinese government and people are confident and capable of an early settlement of the Taiwan question and complete national reunification." Fortunately, both sides have refrained from overly harsh rhetoric in recent months, and Beijing thus far has avoided the type of heavy-handed actions (including missile launches) that proved so counterproductive in advance of the 1996 Taiwan elections. Nonetheless, there are fears in Beijing (and Washington) that President Lee Teng-hui may have another "shock" in store as the March 2000 Taiwan presidential election draws closer.

My own view is that President Lee will be increasingly preoccupied between now and election day (March 18) with domestic politics -- his number one priority being to keep ruling party defector James Soong from becoming President. The next "shock" is most likely to come if Soong is elected, as the ruling Kuomintang (most likely with Democratic Progressive Party support) will no doubt try to institutionalize Lee's "special state-to-state relations" dictum prior to inauguration day (May 20) to reduce Soong's flexibility in cutting a deal with the Mainland. This could bring a harsh PRC response.

In short, this is no time for complacency or benign neglect when it comes to addressing continuing Asia-Pacific foreign policy challenges. The United States needs to make a concerted effort to recover ground lost as a result of the debacle in Seattle; Washington must convincingly demonstrate its willingness and ability to address or contain some of the negative trends surrounding its bilateral relations with many states in the region. First priority, as always, should go to alliance maintenance, a task made easier in Northeast Asia through the continued effective functioning of the TCOG. Insulating U.S.-China and U.S.-DPRK relations from partisan politics will be even more challenging, especially if Beijing or Pyongyang (or Taipei) takes steps that add fuel to the fire. The big question: will Washington answer the wake-up call?

Regional Chronology **October - December 1999**

Oct 1: The People's Republic of China celebrates its 50th anniversary.

Oct 2: U.S. and Russian energy officials sign an agreement on cooperation in the monitoring and safeguarding of nuclear materials.

Oct 3-4: General Henry H. Shelton, chairman of the U.S. Joint Chiefs of Staff, spends two days meeting with Foreign Ministry, military, and defense officials in Japan.

Oct 5-9: PRC Foreign Minister Tang Jiuquan visits the DPRK.

Oct 13: U.S. Senate votes 48 to 51 against ratifying the Comprehensive Test Ban Treaty.

Oct 18: Vietnamese Vice Defense Minister Tran Hanh visits his counterpart, Park Yong-ok, in the ROK and the two agree that three ROK warships will travel to Ho Chi Minh City in November.

Oct 20: Russia rejects a U.S. proposal to amend the Anti-Ballistic Missile (ABM) Treaty.

Oct 20: Indonesian parliament elects Abdurrahman Wahid president.

Oct 21: Indonesian parliament elects Megawati Sukarnoputri vice president.

Oct 23: ROK Prime Minister Kim Jong-pil and Japanese Prime Minister Keizo Obuchi meet.

Oct 25: Japanese Foreign Minister Kono meets with ROK President Kim Dae-jung in Seoul.

Oct 26-29: Thomas Pickering, Undersecretary of State for Political Affairs, visits Mongolia and China.

Nov 1: The USS O'Brien moors in Hong Kong, the first U.S. warship to do so since the accidental bombing of the Chinese Embassy in Belgrade.

Nov 2: Russian President Yeltsin sends President Clinton a warning of "extremely dangerous consequences" if the U.S. proceeds with its antimissile plans.

Nov 4-10: Mongolian Prime Minister Rinchinyamiin Amarjargal makes official visits to the DPRK, China, and the ROK.

Nov 3: Secretaries Albright and Cohen host their Australian counterparts Ministers Downer and Moore in Washington.

Nov 7: Meeting of the Trilateral Coordination and Oversight Group (TCOG) in Washington with representatives from the U.S., ROK, and Japan.

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- Nov 8-15:** Russian Foreign Minister Ivanov visits the DPRK.
- Nov 12:** Indonesian President Wahid meets with President Clinton in Washington.
- Nov 14:** U.S. and Chinese negotiators reach a tentative agreement on China's ascension into the WTO.
- Nov 15:** U.S. CINCPAC Adm. Dennis Blair hosts the Asia-Pacific Chiefs of Defense Conference featuring the heads of the military from 16 Asia Pacific nations.
- Nov 16:** U.S. Special Envoy for the Korean Peninsula Talks, Ambassador Charles Kartman, meets with his DPRK counterpart Vice Foreign Minister Kim Gye Gwan in Berlin.
- Nov 17:** Russian President Yeltsin states he will not visit Japan this year, prompting criticism from the Japanese government.
- Nov 19:** U.S. Deputy Assistant Secretary of Defense Kurt Cambell begins a visit to the PRC.
- Nov 22:** China's Premier Zhu visits Malaysia.
- Nov 23:** U.S. Secretary of Defense Cohen and ROK Defense Minister Cho Seong-tae meet in Washington.
- Nov 26-27:** Chinese Premier Zhu Rongji makes official visit to the Philippines.
- Nov 28:** An informal ASEAN leaders' summit gathers in Manila, including meetings with their dialogue partners-Japan, ROK, and China. China declines support of a draft code of conduct for the Spratly Islands.
- Nov 28:** Japanese Prime Minister Obuchi, South Korean President Kim, and Chinese Prime Minister Zhu meet for breakfast in Manila.
- Nov 29:** Philippine President Estrada and South Korean President Kim meet in Manila. President Kim expresses his support for renewed contact between the DPRK and the Philippines.
- Nov 29 – Dec 1:** Chinese Premier Zhu Rongji makes official visit to Singapore.
- Dec 1-3:** A Japanese delegation led by former Prime Minister Murayama visits the DPRK and the two sides agree to resume bilateral negotiations to normalize diplomatic relations.
- Dec 1:** Japanese Foreign Minister Kono and U.S. Secretary of State Albright meet in Seattle in attempt to narrow differences on WTO agenda.
- Dec 1-4:** Chinese Premier Zhu Rongji makes official visit to Vietnam.
- Dec 3:** Indonesian President Wahid visits Beijing on a state visit.

Dec 7: President Kim Dae-jung of South Korea meets with Hong Kong SAR Chief Tung Cheehwa.

Dec 8: President Yeltsin meets with various Chinese leaders in Beijing, including President Jiang.

Dec 9: Joseph W. Prueher, the new U.S. ambassador to the PRC, arrives in Beijing.

Dec 20: Macao reverts to Chinese rule under the 'one country, two systems' arrangement.

Dec 31: President Yeltsin resigns and names Prime Minister Putin as Acting President.



U.S.-Japan Relations: Not Bad for Auto-Pilot

Michael Jonathan Green

The U.S.-Japan Alliance continues to hum along. During the last quarter there were irritants and problems, as usual, but also unexpected signs of strength. One of the most surprising sources of good news came from the U.S. presidential primary campaigns. Usually Japanese diplomats grit their teeth and brace for a shellacking from the new crop of contenders, but in the current contest, Japan has thus far heard nothing but sweet music. Meanwhile, things were still hot between the U.S. Trade Representative and the Ministry of International Trade and Industry over steel, dumping, telecommunications, and insurance, and Japan's ballooning trade deficit in October set the stage for more contentious dialogue on trade. So far none of these issues has become a significant political problem however, largely due to the strength of the U.S. economy and Japan's difficulty restarting a sustainable recovery. It is hard to kick Japan when the economy is down -- unless, of course, the U.S. economy is also down. And that is one important variable that could change.

First the Good News...The U.S. Presidential Race and Public Opinion

One of the most surprising sources of good news about the future of the U.S.-Japan alliance came from the presidential primary campaigns. Usually this is the season for Japanese diplomats to grit their teeth and brace for a shellacking from the new crop of presidential contenders. But in the current pre-primary contest, Japan heard nothing but sweet music. First, Republican candidate George W. Bush highlighted the importance of working with allies like Japan in his major address on foreign policy in mid-November. Several weeks later, Democratic contender Bill Bradley echoed similar themes in a speech at the Fletcher School of Law and Diplomacy. John McCain has also pushed the theme of being good to allies. The only candidates attacking Japan on trade are in the Reform Party, but Donald Trump and Pat Buchanan do not have officials in Tokyo losing much sleep.

The upbeat tone about Japan was reinforced in public opinion polls released by *Yomiuri Shimbun* and Gallup on December 19. In the poll 54 percent of Americans and 52 percent of Japanese said bilateral relations are good -- a five percent increase from last year and the first result over the 50 percent mark since 1987. For the security relationship the news was particularly good. 77 percent of Japanese said they were certain U.S. forces would come to Japan's help in a conflict and 67 percent of Americans felt the U.S. should do so. And the isolationism that supposedly puts U.S. forward presence at risk? Not a problem, if the Yomiuri/Gallup poll has any lasting meaning. 71 percent of Americans polled said that the United States should keep forces in Japan, and 40 percent said that U.S. bases in Japan are in U.S. strategic interests while only 24.7 percent said the bases were there to constrain Japanese militarism. Public support based on enlightened self-interest is the best bet for continued U.S. forward presence.

F-2 Troubles Again?

Of course, it would not be the U.S.-Japan Alliance if there were not some embarrassing revelations or unpleasant tensions. One piece of unfortunate, though not traumatic news for the alliance was the Japan Defense Agency's (JDA) announcement on December 20 that the F-2 fighter support project (formerly the FSX) would be delayed yet again, this time until June. The project was already 15 months late and the new technical complications over the stability of the jet's tale were not welcome by the Japanese press. The F-2 project is expected to cost \$2.78 billion, with each of the 130 fighters going for \$114 million. This delay will increase the cost. Aside from being embarrassing for the JDA, the F-2 problem is reinforcing the Japanese government and industry view that joint development projects with the United States are more expensive and time consuming than going it alone. With theater missile defense (TMD), Japan does not really have the option of indigenous development, and based on the lessons of FSX, both the U.S. and Japanese participants have already opted for cooperation at the subsystem level, which is more manageable. Still, the Japanese defense industry is small, and the setbacks with FSX could have a lasting effect on overall enthusiasm for joint development with the United States. That said, the U.S. government expressed no dissatisfaction with the F-2 project.

Host Nation Support and SMA

The Ministry of Finance (MOF) announcement in the annual December appropriations debate that it would push for a symbolic one percent cut in the amount of Host Nation Support (HNS) funds requested for U.S. Forces in Japan (USFJ) indicated that bilateral security relations could become complicated in the months ahead. This move anticipates an internal and bilateral budget struggle that will commence in the next few months over the renewal of the five-year Special Measures Agreement (SMA). Mid-level skirmishes between the U.S. and Japan and between JDA, the Ministry of Foreign Affairs (MOFA), and MOF have already started, but all sides are still sticking to their starting positions. USFJ, in particular, has warned about the potential congressional fallout from any decrease in Japanese support. Nevertheless, the Japanese budget deficit and sluggish economic growth -- coupled with a more assertive Diet and bureaucracy -- mean that the pressure could intensify for further decreases. This winter most of the Diet is too spooked by the prospect of elections to focus on the issue, but their attention will turn to what is known as the "sympathy budget" soon.

Okinawa Drama

The drama over the relocation of the Futenma Marine Corps Air Station also moved into a new act this quarter. Okinawan Governor Keiichi Inamine's reluctance to announce the site for the new base (promised by the U.S. and Japanese governments in 1996) finally convinced Foreign Minister Yohei Kono and Chief Cabinet Secretary Mikio Aoki to fly to Naha at the end of October to put pressure on the Governor for a decision so that the issue could be settled in advance of the July 2000 G-7 Summit in Nago. Inamine obliged on November 22, when he announced -- to no one's surprise -- that the base would be relocated to the Nago area. The next week, Nago Mayor Tateo Kishimoto announced that he would consider resigning in order to force an election, and therefore a referendum, on the issue. While this seemed a bold stroke, it was really a careful calculation. Anti-base members of the City

Assembly were mobilizing to have the Mayor recalled for accepting the Marines. Rather than wait to see if they could muster the votes against him, Kishimoto gambled that his current majority was enough to win the election. He could lose, of course, but his opponents are still disorganized, so now was the time to strike. In any case, most observers in Okinawa expect Kishimoto to win. Tokyo did its part by announcing on December 14 a 10 billion yen down payment on the Okinawa development plan requested by Inamine. Sticking to the script, on December 27, the Nago City Council accepted the base.

There are still plenty of nagging problems, though. First, Inamine has been calling for a 15-year time line for the return of the facility to Okinawa. Aoki has agreed to bring that proposal up with the U.S. side. Understandably, the Pentagon wants nothing to do with an agreement to return facilities, no matter how long the time line, since that would establish a contagious precedent for other controversial bases abroad. There may be enough momentum behind the move to Nago that U.S. inaction on the 15-year request may not matter. Still, it is a wildcard. Another problem is Kishimoto's call for a new agreement that would severely curtail operations at the base (limited night flying, etc.). This demand is even more difficult for the U.S. side to accept. Even Tokyo is not pressing hard for that one. Still, the movement towards greater local control over operations at U.S. bases is irreversible. This was demonstrated in November when the Japanese government requested that the U.S. Air Force turn over air traffic control around Kadena Air Force Base, after trouble with the U.S. radar delayed commercial flights into Naha earlier that month.

Finally, even with successful resolution of the Futenma transfer issue before the July G-7 Summit (which now seems much more likely than not), Washington and Tokyo will have to decide what kind of facility to build. The options are either a megafloat base or a hybrid landfill option. While Kishimoto has a narrow majority in Nago in favor of accepting the base, that majority could quickly become a minority if it is specified what kind of facility would be introduced. Some want the megafloat because it can't be seen. Others want the hybrid because it represents more work for local construction companies. It is unlikely that the U.S. or Japanese governments will drive either group out of the pro-base camp by announcing a decision before President Clinton goes to Okinawa in July. But sooner or later a decision has to be made, and few are focusing on it at present.

Nuclear Weapons?

For drama this quarter, not even Okinawa could match newly appointed parliamentary vice minister of defense Shingo Nishimura's bombshell on nuclear weapons. Nishimura was appointed from Ichiro Ozawa's Liberal Party to be the new Obuchi cabinet's defense chief because of his expertise on defense preparedness legislation. That legislation is supposed to be priority for the coming year. Unfortunately, Nishimura had given an interview to *Playboy Weekly Japan*, published shortly after his appointment, that called for Diet consideration of nuclear weapons. Japanese politicians have probably lost some of their fear about discussing nuclear weapons over the past few years, but the allergy against advocating possession is still very strong. Nishimura lasted a few weeks before being forced to retire (with full military honors) on November 21. He was replaced by Tsutomu Kawara, a leader in the LDP defense caucus who also has expertise on the upcoming defense legislation. Kawara will have a steady hand on defense policy. Perhaps more importantly, Kawara was JDA chief ten years before

being forced to resign because of the tragic collision of a JMSDF submarine with a cruise boat. In contrast to Nishimura, he can be counted on to be cautious with the press.

Trade Irritants

While trade issues were underplayed in the U.S. presidential primaries, things were still hot between the U.S. Trade Representative (USTR) and the Ministry of International Trade and Industry (MITI) over steel, dumping, telecommunications, and insurance. Japan's ballooning trade deficit in October (\$7.2 billion, an 8.1 percent increase from the month before) set the context for more contentious bilateral dialogue on trade. On November 18, Japan formally filed a WTO complaint against the United States after a series of judgments led to duties on Japanese cold rolled steel, pipes, and steel plate. In the early December WTO session in Seattle, U.S. and Japanese officials squared-off over Japan's attempt to strengthen WTO leverage against U.S. anti-dumping practices and U.S. efforts to force open agriculture markets. Senior USTR officials called Japan the "world's greatest dumping nation" and even President Clinton blamed Tokyo for the failure of the Seattle meeting, because of Japan's intransigence on agriculture. Overall, though, the fiery rhetoric failed to spark a major bilateral problem. For one thing, Japan is not alone in criticizing U.S. trade policy, the EU, South Korea, and other nations having similar views. For another, every participant knows that this WTO round is attempting to address the most intractable and political areas of trade policy (agriculture, labor laws, etc.) and that the process will not yield results anytime soon. This was not, in other words, an *accute* crisis in U.S.-Japan relations, though tensions will continue as the WTO moves forward.

Other areas of the trade relationship also became testy this last quarter. Frustrated with NTT's high access fees in Japan's telecommunications sector, the Clinton administration has been calling for a "Telecom Big Bang" to parallel the deregulation of the Japanese stock market. USTR has also pressed Japan to live-up to unfulfilled commitments in previous insurance agreements.

So far none of these trade issues have become significant political problems -- as evidenced by the generous tone of the major presidential candidates toward Japan. A lot of this has to do with the relative strength of the U.S. economy and Japan's difficulty restarting a sustainable recovery. The Obuchi cabinet's announcement of a \$172 billion stimulus package in October showed that Japan is trying, but Japan is still down. Initial good news of 2.5 percent GDP growth rates in the January to June period have given way to less exciting news of only 1.5 percent growth rates in the July to September period. It is hard to kick Japan when the economy is down -- unless, of course, the U.S. economy is also down. And that is one important variable that could change.

Japan Going Asian?

Finally, about the time that *Yomiuri* and Gallup announced the good news about how much Americans and Japanese like each other, Japan participated in its third Asians-only summit. The meeting took place in Manila over the Thanksgiving holidays, which may explain why so few American experts took notice. Still, it was striking how much the summit of ASEAN Plus Three (Japan, China, South Korea) looks like the controversial East Asian

Economic Caucus proposed as an anti-Western move by Malaysia's Mahathir at the beginning of the 1990's. Certainly, Japan shares with these Asian countries some disagreements with the United States over U.S. trade policy. But the Manila meeting was not really a threat to the U.S.-Japan Alliance. For one thing, the EAEC seemed threatening in the early 1990's when people thought that multilateral meetings in Asia would have real teeth. Now that it is apparent they do not, there is a proliferation of forums. In addition, Japan's motivation was not to isolate the United States. In fact, the main agenda item Tokyo tried to push in its sidebar trilateral with South Korea and China was controlling North Korean missiles. China refused, so the three discussed trade and economic issues instead. But it is understandable that Japan is diversifying its diplomatic tools in this way. With Asia Pacific Economic Cooperation (APEC), ASEAN Regional Forum (ARF), and a host of other forums that do include the United States -- and with a healthy U.S.-Japan Alliance -- there is little danger of this developing into a break with the United States.

Chronology of U.S.-Japan Relations October - December 1999

Nov 18: Japan files a World Trade Organization (WTO) complaint about U.S. anti-dumping policy.

Nov 21: Parliamentary vice minister of defense Shingo Nishimura resigns over nuclear weapons interview and is replaced by Tsutomu Kawara.

Nov 22: Okinawa designates Nago as the site for the relocation of Futenma Marine Corps Air Station.

Nov 27- 28: Manila Meeting of ASEAN Plus Three with Japan, China, and the ROK.

Dec 2: Japanese Foreign Minister Kono and U.S. Secretary of State Albright meet on the wings of the Seattle WTO session, focusing on bilateral WTO disagreements.

Dec 19: *Yomiuri* publishes a Gallup poll demonstrating the strength of U.S.-Japan relations.

Dec 20: The Japan Defense Agency announces a delay in the F-2 program.

Dec 27: Nago announces it will accept the new Marine Corps Air Station.



U.S.-China Relations: Progress Amidst Persisting Deep Suspicions

Bonnie S. Glaser

In the final quarter of 1999, the U.S. and China signed two important agreements that will likely aid in stabilizing the bilateral relationship after a rocky period following the accidental bombing of the Chinese embassy in Belgrade last May. The first, a bilateral accord on the terms under which China will enter the World Trade Organization (WTO), represents an important milestone for Sino-U.S. ties and signals a reaffirmation of China's commitment to market liberalization and economic reform. The second, an agreement settling the issue of compensation by both the U.S. and China for damage to their respective diplomatic property stemming from the accidental embassy bombing, constitutes an important step in the tortuous and as yet unfinished process of restoring normalcy to the bilateral relationship. While the initial steps toward restarting military contacts were recently taken, bilateral dialogues on arms control and human rights have yet to be resumed and strains continue to increase in both areas as well as on the Taiwan issue.

Landmark WTO Accord is Reached

After 13 years of negotiations, China and the U.S. reached agreement on Nov. 15 on the terms under which China will enter the WTO. The impetus to conclude an accord came from Washington, which judged after the Jiang-Clinton meeting in Auckland, New Zealand in September that the Chinese side was politically stalemated and unable to forge a consensus without a push from the U.S. side. President Clinton called Jiang twice, on October 16 and again on November 8, to prod Beijing to resume serious negotiations aimed at closing a deal. He subsequently dispatched Charlene Barshefsky, the U.S. trade representative, and Gene Sperling, his national economic adviser, to Beijing. After five days of grueling negotiations and several key interventions by Chinese premier Zhu Rongji, a deal was sealed.

China's Foreign Trade Minister Shi Guangsheng and U.S. Trade Representative Barshefsky signed the accord in Beijing, in what she termed "a profound and historic moment in U.S.-China Relations." President Bill Clinton called it "a very good day for American diplomacy," and pledged an "all out effort to see the pact implemented." Under the terms of the agreement, China will slash tariffs and restrictions on industrial and agricultural products and open a broad range of services including telecommunications, insurance, banking, and securities. The World Bank estimates the deal could more than triple China's share of world trade to 10 percent.

In the year 2000, Members of Congress will vote on whether to extend on a permanent basis China's normal trading status with the United States -- a fundamental benefit afforded all WTO member states. Denying normal trade relations to China will not block its accession to the WTO, but it would deny the U.S. (and no other country) all of the market access concessions China tenders in the process. This year, in addition to the usual opposition from conservative critics of China, the measure is being opposed by organized labor, which sees the China WTO deal as a threat to the jobs of American workers.

The prospects for passage of the legislation -- even in an election year when China is controversial -- are promising. There remains a possibility, however, that complementary anti-China legislation will be introduced in Congress. Some Members favor passage of the Taiwan Security Enhancement Act (TSEA), a bill originally submitted by Senators Bob Torricelli and Jesse Helms that proposes deepening U.S. military interaction with Taiwan's armed forces and making unambiguously clear that the U.S. would support Taiwan in a conflict with mainland China. If amended to the trade bill, this could pose a dilemma for President Clinton, who would no doubt veto the TSEA as stand-alone legislation. The introduction of alternative legislation critical of Chinese human rights and proliferation behavior and containing some, but not all, of the TSEA provisions, which is not linked to NTR approval, may garner considerable support.

Thorny Property Compensation Issue is Resolved

After five rounds of negotiations, U.S. State Department Legal Adviser David Andrews announced in Beijing on December 16 the successful conclusion of negotiations to resolve property issues arising from the accidental bombing of the Chinese Embassy in Belgrade. Under the terms of the agreement, the State Department will seek Congressional funding of \$28 million to compensate China for damages to its embassy, while the Chinese side will pay \$2.87 million for damage to American diplomatic facilities in China. The U.S. side was upbeat about the implications of the agreement for the broader bilateral relationship. Andrews stated that he was "sure that the settlement will be conducive to improvement and further development of U.S.-China relations." Retired Admiral Joseph W. Prueher, who arrived in Beijing to take up his post as the new U.S. ambassador to China just days before the deal was reached, praised the agreement and expressed confidence that the two countries "whose common interests transcend disputed issues, can advance relations in an atmosphere of mutual respect and understanding."

The Chinese side, while praising the accord, nevertheless noted that the issue of the embassy bombing was still not resolved to Beijing's satisfaction. China's foreign ministry spokesman indicated that Beijing remains unconvinced by the U.S. explanation that the bombing was a mistake caused by outdated maps and reiterated China's call for the U.S. to "conduct a comprehensive and thorough investigation into the bombing, severely punish the perpetrators and give a satisfactory account of the incident to the Chinese people as soon as possible." While Washington is hopeful that the bilateral dialogues on arms control and human rights which were suspended by Beijing in the aftermath of the embassy bombing last May can soon be resumed, it is as yet uncertain whether the Chinese are ready to do so or will continue to press the U.S. to respond to its demands.

Military Ties Advance, but Agenda has yet to Resume

The restoration of contacts between the Chinese and American militaries inched forward in the final months of 1999. In mid-November, Deputy Assistant Secretary of Defense Kurt Campbell traveled to Beijing for talks with officials of the Chinese People's Liberation Army. As a signal of Beijing's persisting discontent with U.S. handling of the embassy bombing matter, the Chinese insisted that Dr. Campbell visit as a guest of the U.S. embassy, rather than of the Chinese government. Although the Pentagon judged the discussions to be constructive, Campbell's visit failed to achieve the goal of getting China to commit to a date for the visit to Washington by the PLA's deputy chief of staff, Lt. Gen. Xiong Guangkai to hold bilateral Defense Consultative Talks with Under Secretary of Defense Walter Slocombe. Such a visit, which has yet to be approved by the ruling Communist Party's decision-making Politburo, would signal the full resumption of high-level military contacts. DoD officials are hopeful that with the signing of the property compensation agreement, the Chinese will move to schedule General Xiong's visit early in 2000. (Reports after the New Year indicated that Xiong would visit Washington January 24-26.)

Additional headway toward the re-starting of military contacts was made in the first week of December when the PLA Hong Kong Garrison joined with American forces in a search and rescue exercise at Lantau island. This marked the second consecutive year since the turnover of Hong Kong to Chinese control that PLA forces participated in the joint maneuvers. As a gesture to Washington, a P3 Orion reconnaissance aircraft was permitted to visit Hong Kong to take part in the exercises. A week later, the Chinese welcomed the USS Blue Ridge, the command ship of the Seventh Fleet, and its commander Vice Admiral Walter Doran, to make a ship visit in Hong Kong. U.S. ship visits and aircraft landings have not yet returned to the pre-bombing pattern of being routinely granted authorization by the Chinese, however. Since the embassy bombing, China has turned down requests for 10 U.S. navy ships to dock and six aircraft to land in Hong Kong, while giving the go ahead to seven ships and five aircraft. Until Beijing decides to put the embassy bombing matter in the past, it may continue to intermittently deny U.S. ships and aircraft access to Hong Kong.

Once the Chinese leadership signals that Sino-American military contacts can proceed, the agenda of the military relationship is likely to be more restricted than in the past. On the Chinese side, suspicions about U.S. regional and global strategy and American intentions toward China will likely put a damper on cooperation between the two militaries. On the U.S. side, the "National Defense Authorization Act for Fiscal Year 2000," signed into law by President Clinton in early October, will force a re-evaluation in the Pentagon of its prior program for building confidence and developing cooperation with the PLA. The Act prevents the Secretary of Defense from authorizing any military contact with the PLA that would create a national security risk due to exposure to specific advanced U.S. military capabilities, but does not stipulate what areas of contact constitute a risk.

Human Rights Remains Contentious

The bilateral relationship continues to be troubled by Chinese human rights transgressions, especially in the realm of religious freedom. Thousands of followers of the spiritual movement Falun Gong, which draws ideas from Buddhism, Taoism, and traditional

Chinese slow-motion exercises and meditation, have reportedly been detained since the Chinese government banned the group four months ago as a threat to Communist Party rule. Four individuals accused of being leaders of the movement were given prison sentences in late December ranging up to 18 years. Earlier that month, at a program marking the 51st anniversary of the Universal Declaration of Human Rights held in the Eisenhower Executive Office Building, President Clinton spoke out for the first time against China's detention and jailing of Falun Gong members. Clinton insisted that Falun Gong followers are not political dissidents and called for them to be accorded the rights of "freedom of conscience and freedom of association." Chinese officials continue to claim that Falun Gong is a cult, not a religion and that many of its supporters are politically motivated.

Other incidents highlighted the growing strains in the relationship arising from differences over human rights. In mid-November, the American Embassy in Beijing protested when it became known that a democracy advocate, Fu Sheng, had been detained and beaten after meeting the embassy's human rights officer. The U.S. also decided to impose sanctions against China based on the 1999 International Religious Freedom Report issued by the U.S. Department of State in late September. The sanctions will prevent the export of crime control and monitoring devices and equipment to China. The Chinese government lambasted the decision as "the continuation of a series of acts vilifying China."

Differences Widen Over Arms Control and non-Proliferation

While Sino-U.S. talks on arms control and non-proliferation remain in abeyance awaiting Beijing's cue, tension continues to mount on several critical issues. The U.S. Senate vote in mid-October against ratifying the Comprehensive Test Ban Treaty evoked sharp criticism from Beijing. In several interviews with Chinese and foreign reporters, Sha Zukang, director-general of the Chinese Foreign Ministry's arms control department, lambasted the failure of the U.S. to ratify the Treaty, arguing that such an act would make other countries, including China, reluctant to enter into arms control agreements with the United States.

U.S. plans to deploy theater and national missile defense systems is another increasingly divisive issue between Beijing and Washington. The Chinese have warned that such programs will result in a race between offense and defense, lead to the further spread of missile technology as well as countermeasures technology, and open up outer space as a new realm of weapons competition. Sha Zukang predicted that deployment of ballistic missile defense systems would lead to a nuclear arms race and dangerously alter the strategic balance in Asia and the rest of the world. Privately, Chinese officials are cautioning that Washington's resolute determination to move forward on deployment of advanced ballistic missile defense systems with total disregard for Chinese concerns will render future cooperation on arms control and non-proliferation exceedingly difficult and may also adversely affect cooperation between the U.S. and Chinese militaries.

Beijing has joined with Moscow to oppose the U.S. deployment of a national shield against ballistic missiles and to preserve the Anti-Ballistic Missile (ABM) Treaty. During Russian President Boris Yeltsin's visit to China in December, the two sides signed a joint communiqué, which highlighted their countries' shared concerns about the pending U.S. decision to build a national missile defense system. Russia also backed China in opposing the inclusion of Taiwan in

any regional anti-missile umbrella. The possibility of U.S. transfer of new theater missile defense systems to Taiwan is especially worrisome to Beijing and the Chinese warn of grave consequences for the bilateral relationship if Washington provides upper-tier missile defense systems to Taipei.

Another cloud on the horizon is the renewed possibility of sanctions on China as a result of its alleged sale to Pakistan of M-11 short-range ballistic missiles. Although the U.S. government has in the past determined that there was insufficient evidence to warrant sanctions, a new U.S. intelligence report stating that complete M-11 missile systems were transferred may rekindle this issue and could result in the imposition of sanctions.

Taiwan Issue Heats Up

Beijing is increasingly putting the Taiwan issue front and center in its dealings with the United States. In December the Chinese government lodged a strong protest against President Clinton's signing of two bills in support of Taiwan's participation in the World Health Organization (WHO). Chinese Vice Foreign Minister Yang Jiechi warned that if the U.S. backs Taiwan's entry into the WHO, it must be prepared for "serious consequences." The Chinese view the U.S. move as a violation of its three no's commitment -- no support for Taiwan independence, two China's, or Taiwan's membership in international organizations for which statehood is required to join. Clinton first conveyed the three no's privately to Jiang Zemin in a letter in the summer of 1997 and publicly enunciated the position during his stopover in Shanghai after meeting with the Chinese president in June 1998.

China's tough rhetoric on Taiwan is in part a consequence of rising Chinese worries that Taiwan President Lee Teng-hui could trigger a new crisis between Washington and Beijing in the first few months of 2000. Chinese experts on Taiwan affairs expect Lee to take further steps to influence the outcome of the March presidential elections in Taiwan and to advance the cause of independence for the island before he leaves office next May. The passage of the Taiwan Security Enhancement Act or some of its provisions by the U.S. Congress is pointed to by Chinese institute analysts as a possible catalyst for a crisis because they believe it would be interpreted by Lee Teng-hui as signaling U.S. support for his independence agenda. Chinese experts and officials are troubled by what they say is insufficient appreciation by Washington of the dangerous period ahead and the lack of policy measures to dissuade Taiwan from provoking another Sino-U.S. crisis.

Statements by the U.S. nevertheless suggest that Washington remains on the alert against possible instability in the Taiwan Strait. At a press conference on December 8, President Clinton repeated the American policy position of supporting cross-Strait dialogue and stressed that the U.S. would "view with grave concern any kind of violent action." Responding to press reports concerning the construction of new Chinese missile bases along the coast opposite Taiwan, Clinton asserted that the buildup of tension on both sides is "unnecessary and counterproductive." The president sent a veiled warning to Beijing by alluding to his 1996 decision to dispatch two aircraft carrier battle groups to the area off Taiwan in response to Chinese missile firings in the Strait. "You know what I've done in the past. And I think that's all I should say about it right now," Clinton stated.

With the return of Macao to Chinese control on December 20, the reunification of Taiwan with the Mainland will increasingly be on Beijing's agenda. Chinese President Jiang Zemin may have been sending this message to Ambassador Joseph Prueher when he told him in their first meeting after Prueher's arrival that Beijing would "liberate" (rather than unify) Taiwan in the future. There is growing disquiet in China about continued U.S. arms sales to Taiwan and American unwillingness to unequivocally condemn what the Chinese insist is a creeping trend toward independence on the island. If the bilateral discussions on arms control and proliferation matters resume this year, it can be expected that the Chinese will link future cooperation with the U.S. on proliferation matters to a commitment of greater U.S. restraint on the transfer of weapons to Taipei.

Mutual Suspicion and Mistrust Will Continue to Plague the Relationship

As the presidential campaign in the U.S. gets underway in earnest, substantial improvements in Sino-American relations are unlikely to be achieved. China is likely to distance itself from Washington to avoid being charged with interference in the U.S. election process and to avoid drawing increased attention by the presidential contenders to the China issue. In addition, Beijing calculates that in the final year of his presidency, President Clinton will be unwilling to make deals requiring concessions to China for fear of damaging the prospects of his vice president, Albert Gore. Barring a crisis spurred by the process of leadership transition in Taiwan, prospects nevertheless remain good for a limited resumption of Sino-U.S. military contacts, a re-starting of the bilateral talks on arms control and non-proliferation, and a return of the bilateral relationship to a quasi-normal status.

Even if a degree of stability can be achieved in the bilateral relationship in the coming year, suspicions on both sides are likely to remain high. The accidental bombing of the Chinese embassy in Belgrade and the NATO military operation in Kosovo crystallized for the Chinese the uncertainty of their security environment and provoked heated debates about American global strategy, U.S. intentions toward China, and the prospects for securing a normal and steady relationship with the United States. The Chinese continue to ponder and debate the implications for China of a greatly imbalanced global pattern of power in which America's might vastly outstrips other nations. They worry about increased U.S. willingness to act unilaterally and recklessly use military force to prolong its reign as sole superpower.

In the U.S., there is also uncertainty about the implications for American security interests of the emergence of a more powerful China combined with growing suspicion about Chinese regional and global intentions. China's modernization of its strategic nuclear-tipped missiles is perceived by many as threatening to the United States. In addition, there is rising worry in the U.S. about China's concerted efforts to enhance its military capability to deter Taiwan from declaring independence and, if that fails, to force reunification of the island with the Mainland. Moreover, Chinese deployment of hundreds of ballistic missiles opposite the island is likely to become an increasingly contentious issue between the U.S. and China in the months ahead.

Chronology of U.S.-China Relations

October - December 1999

Oct 1: China celebrates the 50th anniversary of the founding of the People's Republic of China.

Oct 5: President Clinton signs into law S. 1059, the "National Defense Authorization Act for Fiscal Year 2000," with provisions requiring annual reports to Congress on Chinese military power, the establishment of a Center for the Study of Chinese Military Affairs, and the imposition of new restrictions on Defense Department contacts with the People's Liberation Army (PLA).

Oct 25: Treasury Secretary Lawrence Summers and Chinese Prime Minister Zhu Rongji meet in Lanzhou, China to discuss economic issues and China's campaign to enter the World Trade Organization.

Oct 31: The USS O'Brien, a destroyer, calls at Hong Kong's port, the first U.S. Navy warship to visit the territory since China suspended military ties.

Nov 10: China denies a U.S. military aircraft permission to land in Hong Kong, bringing to 16 the number of rejected US military requests for ships to dock or aircraft to land since the Belgrade incident.

Nov 15: China and the U.S. reach a bilateral agreement on China's accession to the WTO after five days of grueling negotiations in Beijing involving American negotiator Charlene Barshefsky.

Nov 20: Deputy Assistant Secretary of Defense Kurt Campbell holds talks in Beijing aimed at re-starting contacts between the U.S. and Chinese militaries that were suspended after the embassy bombing.

Dec 1-4: The PLA Hong Kong Garrison participates in a short-range mountain and sea rescue exercise with the U.S. Air Force at Lantau island.

Dec 6: For the first time President Clinton publicly criticizes China's crackdown on the Falun Gong spiritual movement, calling it a troubling example of the government's acting against those "who test the limits of freedom."

Dec 7: The USS Blue Ridge, a guided missile cruiser and the command ship of the U.S. Seventh Fleet, makes a ship visit in Hong Kong. Vice Admiral Walter Doran, the commander of the Blue Ridge, is the highest ranking military official to visit Hong Kong since the embassy bombing. The USS Vincennes follows with a visit on Dec 10.

Dec 9: Joseph W. Prueher, the new U.S. ambassador to China, arrives in Beijing.

Dec 10: China lodges a strong protest against U.S. President Bill Clinton's signing of two bills in support of Taiwan's participation in the World Health Organization (WHO).

Dec 16: U.S. State Department Legal Adviser David Andrews announces in Beijing the successful conclusion of negotiations to resolve property issues stemming from the accidental bombing of the Chinese Embassy in Belgrade.

Dec 20: Macao returns to Chinese control after 442 years of Portuguese rule.



U.S.- ROK Relations Never Better! . . .But Can It Last?

By David Brown

Washington and Seoul share a sense that their bilateral relations have never been better. Similar approaches toward North Korea have overcome their different priorities, and the Kim and Clinton administrations have found ways to manage many potentially contentious bilateral issues. While Seoul is looking for progress on North-South issues and Washington is focused on missile and nuclear issues, the two capitals are pursuing mutually compatible policies vis-à-vis Pyongyang that are sustained by effective coordination through high level visits and through the Trilateral Coordination and Oversight Group (TCOG), which also includes Japan. These compatible policies toward Pyongyang are a key component in the current excellent bilateral relations. But, if relations cannot get better, when will they come under strain again?

The North Korean Factor

In early October, the Clinton administration looked for rapid progress toward formalizing Secretary Perry's proposed trade-off of improved relations with North Korea in exchange for formal constraints on North Korea's missile and nuclear programs. The White House hoped that further negotiations would take place in October and pave the way for a senior North Korean official to reciprocate Perry's visit by making a trip to Washington in November. That visit would be the occasion for converting unilateral U.S. and North Korean statements into a formal bilateral agreement.

Events took a different course. The follow-on U.S.-DPRK negotiations did not take place until November and then did not produce an agreement on the senior level visit. While U.S.-DPRK relations slowed, Pyongyang engaged in a diplomatic offensive with many countries, most importantly Japan. Some observers in Washington suspect that the choices North Korea faces in its negotiations with the U.S. -- formal abandonment of its long range missile programs and opening its economy to take advantage of eased U.S. economic sanctions -- are too difficult and that therefore Pyongyang is seeking to explore possible alternatives. Another theory is that Pyongyang is focusing on Japan in the hope of creating cracks in the trilateral cooperation among Seoul, Washington, and Tokyo.

The Clinton administration is pressing Pyongyang to move ahead, arguing that the window of opportunity to address outstanding issues will close when the 2000 presidential campaign swings into high gear, making it impossible for the administration to tackle sensitive issues. A December 10 commentary in the North Korean News Agency (KCNA) indicates

that Pyongyang may take a different view of the implications of the presidential election. That commentary asks rhetorically whether a future Republican administration would adhere to agreements made by the outgoing Clinton administration. Progress in U.S.-DPRK relations will come slowly at best.

While Seoul is looking for progress on North-South issues and Washington is focused on missile and nuclear issues, the two capitals are pursuing mutually compatible policies that are sustained by effective coordination through high level visits and through the Trilateral Coordination and Oversight Group (TCOG), which also includes Japan. These compatible policies toward Pyongyang are a key component in the current excellent bilateral relations.

Managing Bilateral Issues Successfully

The past few months have witnessed more than their share of bilateral challenges. Some are old -- such as the renegotiation of the Status of Forces Agreement (SOFA) and the U.S. military's occupation of prime real estate. These have remained remarkably quiet. Others are new and the two governments have handled these in ways that respond to domestic concerns. The fact that none of these potentially contentious issues has flared up publicly to poison the atmosphere is remarkable and welcome.

Nogun-ri. Charges that U.S. troops killed Korean civilians at Nogun-ri during the initial phase of the Korean War surfaced in late September and have been a major focus of attention since. The charges have been managed successfully thus far because the U.S. government quickly acknowledged the issue, promised an open inquiry, and established a high level team to conduct the investigation. Though Seoul would have preferred a joint investigation with joint conclusions, Washington worked out through consultations an agreement under which the two governments would share and jointly evaluate information on the incident, but each would be responsible for reaching its own conclusions and recommendations. The U.S. team led by Gen. Ackerman has visited Korea twice this quarter and met with survivors at Nogun-ri. In addition, the Defense Department has created a group of senior experts on Korea to advise the Secretary of Defense on the issue. Openness and cooperation have defused a potentially acrimonious issue and laid the groundwork for its resolution. An expeditious investigation and satisfactory resolution are still needed to put the issue to rest. In addition, other charges of injustices may emerge, given the extreme violence of the Korean War.

Agent Orange. In November, a story broke about the use of Agent Orange as a defoliant in the DMZ during 1968-69. After some initial fumbling, both governments released consistent statements noting that the defoliant had been used by South Korean troops upon the recommendation of the U.S. Command. The Korean government set up a procedure for those who were involved to register, and both governments are considering how to deal with the issue. Victims are considering joining lawsuits against Agent Orange manufacturers Dow Chemical and Monsanto. Again, openness and consultations have been the keys to managing the issue.

ROK missile programs. The continuing negotiations concerning ROK missile programs have been a much more difficult challenge for the two governments since President Kim made public Seoul's desire to develop a 500 km range missile. U.S. policy is shaped by

its goal of cutting back North Korea's missile programs to the Missile Technology Control Regime (MTCR) limits of a 300 km range with a 500 kg payload. The ROK has offered to join the MTCR but sought Washington's understanding that it could design and test, but not produce or deploy, a 500 km range missile, which would be capable of reaching all of North Korea. Seoul argues that if the ROK does not have this new capability, it will not be possible to bargain Pyongyang into accepting reductions of its already existing missile programs. The need for a 500 km range missile is subject to some debate in Seoul. However, while Kim Dae-jung may have endorsed the proposal to appeal to conservative elements in his coalition, the idea now has wide political support in Seoul. Any U.S. effort to limit South Korea's development of a counter to North Korean missiles arouses nationalistic responses in Seoul.

On the eve of the latest round of U.S.-ROK missile talks, the *New York Times* ran a story stating that Seoul was already developing this longer range missile and had conducted a decreased range test in April of a missile capable of 450 to 500 kms. That the U.S. government did not refute this story but took cover behind its standard refusal to comment on intelligence matters lent some credence to it. The most recent round of missile talks took place in Seoul in mid-November. Afterwards, spokesmen for both sides said that differences had been narrowed. Despite the widely divergent views on this potentially explosive issue, the two governments have nevertheless shown respect for each other's positions and preserved a cooperative public posture.

KEDO. The signing of the prime contract on December 15 between the Korean Peninsula Energy Development Organization (KEDO) and the Korean Electric Power Corporation (KEPCO) represented a significant step in KEDO's project of building two light water reactors (LWR) in North Korea. On the same day, KEDO and the Korea government signed a loan agreement covering Korea's \$3.2 billion contribution to the construction costs. These welcome steps had long been delayed in part by the complexity of the issues involved and in part because high level attention to KEDO has waned as the leaders in both Seoul and Washington have focused on other aspects of their relations with North Korea. These agreements and the absence of crises on nuclear issues with North Korea since the spring created the impression that all is well with KEDO. In fact, there have been disagreements within KEDO councils between Seoul and Washington. In addition, the dramatic increase in the price of oil will recreate in 2000 the heavy fuel oil financing problems that have strained relations between Seoul and Washington in the past.

Trade and Foreign Direct Investment (FDI). With the Korean economy experiencing an extraordinary recovery this year and Washington enjoying an unprecedented period of sustained growth, it is not surprising that trade problems have been relatively minor. In this period, attention focused on the negotiations leading to the failed World Trade Organization (WTO) ministerial meeting in Seattle. Although Seoul and Washington had sharp differences over two key issues that contributed to the breakdown of the negotiations -- agricultural trade and U.S. anti-dumping procedures -- these issues were submerged in a broader multilateral negotiation. Bilaterally, Washington has expressed satisfaction with the implementation of agreements on vehicles and pharmaceutical testing. The major bilateral problem is related to foreign steel imports into the U.S. A U.S. ruling in December determined anti-dumping duty levels for imports from Korea and five other countries. However, the duties on Korea exporters were the lowest of the six. As the U.S. steel industry is beginning to recover, this issue should fade in the months ahead.

There has been a dramatic increase in foreign direct investment (FDI) in Korea during the Kim Dae-jung presidency. The \$15.5 billion in FDI approved in 1999 was roughly equal to 50 percent more than the total direct investment in the sixties, seventies, and eighties. Despite the continuing differences that have blocked conclusion of a U.S.-ROK bilateral investment treaty, the U.S. was the second largest source of new FDI in 1999 (behind the EU). Major deals have included Goldman Sachs' \$300 million investment in Kookmin Bank, New York Life's purchase of a 51 percent interest in Kookmin Life, Apple Computer's investment of \$100 million in Samsung Electronics, and Chase Manhattan Bank's purchase of a majority interest in Good Money Securities. In late December, Newbridge Capital finalized the most important U.S. investment to date with its \$441 million purchase of a controlling interest in Korea First Bank.

In December, General Motors (GM) announced an offer to purchase troubled Daewoo Motors, a deal that if completed, would represent the largest American investment. Despite containing many attractive features for strengthening Daewoo Motors international competitiveness, GM's offer has provoked opposition on both economic and nationalistic grounds from industrial groups including the Korean Federation of Industries (KFI) and Hyundai Motors, which now controls 70 percent of the Korean automotive market. Consequently, Daewoo's creditor banks, which are largely government owned, have decided to pursue a closed bidding procedure rather than negotiate exclusively with GM.

Future Prospects

The current good relations between Seoul and Washington are based on several factors. One is the commitment of the Kim and Clinton administrations to cooperation. Another grows out of shared values of free markets and democratic politics, which have become stronger as a result of Korea's democratic development and economic reforms. A third is the growing availability of institutional mechanisms for defusing issues, such as WTO trade dispute procedures, the TCOG, and the recently implemented U.S.-ROK Extradition Treaty. Finally, good relations are helped by the current absence of hard issues, which would force underlying differences into the open. The most pertinent example of this is North Korea's current hiatus in pursuing its missile development programs.

With relations so good, it is easiest to say that they have nowhere to go but down. However, that begs the question of when and why they might worsen. The outcome of the National Assembly elections next April is a matter of concern to some. An electoral defeat or a political realignment in the election period could undercut support for President Kim, whose political support at home has been weakened by a series of scandals. If Kim is forced to abandon economic reforms at home or his engagement policy toward North Korea, those policy shifts could provoke new tensions with Washington. Looking further into the future, there is a parallel fear that if a new administration in Washington were to pursue the confrontational policies toward North Korea advocated by the most vocal Congressional Republicans, this would create serious bilateral tensions. While both of these are valid concerns, neither will necessarily occur. In the short term, the more likely spark for new U.S.-ROK tensions would be new provocative actions by North Korea, which pledged in its New Year's editorials to pursue a future based on "ideology, arms, science and technology."

Chronology of U.S.-Korea Relations **October - December 1999**

Oct 1: Hyundai Chairman Chung meets Kim Jung-il; reports progress on industrial zone project.

Oct 13: Assistant Secretary Roth in Seoul for Consultations.

Oct 29: Gen. Ackerman leads fact finding team to Nogun-ri.

Nov 2: Defense Secretary Cohen appoints Nogun-ri advisory group.

Nov 8: U.S.-ROK-Japan TCOG consultations in Washington.

Nov 17: U.S. and ROK acknowledge Agent Orange use in DMZ in 1968-9.

Nov 19: U.S.-DPRK talks in Berlin end without agreement on a senior level visit.

Nov 20: U.S.-ROK missile talks conclude on cooperative note.

Nov 23: U.S.-ROK Security Consultative Meeting (SCM) in Washington.

Dec 8: General Harry Shelton, Chairman of the Joint Chiefs of Staff, visits Seoul.

Dec 14: General Motors announces bid to buy Daewoo Motors.

Dec 15: Korean Peninsula Energy Development Organization (KEDO) and the Korean Electric Power Corporation (KEPCO) sign prime contract.

Dec 20: U.S.-ROK Extradition Treaty comes into effect.

Dec 23: Newbridge Capital finalizes purchase of Korea First Bank.



U.S.-Russia Relations: Exit Yeltsin

Toby Trister Gati*

The Yeltsin era is over. True to his mercurial ways, Boris Nikolayevich Yeltsin unexpectedly resigned as President of the Russian Federation on New Year's Eve, 1999. "Russia must enter the new millennium with new politicians, with new faces, with new, smart, strong, energetic people," Yeltsin said as he dramatically handed over all power to the Prime Minister and now Acting President, Vladimir Putin. Yeltsin's decision to step down voluntarily is an important step in Russia's democratic development. Never before has a national leader stepped aside and transferred power within a constitutional framework. Amid rampant speculation in Russia and the West that Yeltsin and his close ring of advisers and relatives, commonly called "the family," were preparing various scenarios for Yeltsin to retain power, to dissolve the Duma, to cancel elections, or even to leave the country, Yeltsin pulled a final trick out of his hat – defusing panicmongers and skeptics while at the same time ensuring his legacy as the man who first brought democracy, however imperfect, to Russia.

Yeltsin's decision to leave, however, may be less related to a desire to advance Russian democracy than to a serendipitous series of events that finally assured the leader that he and his family would be safe if he were to step down. He was obviously physically incapable of governing. Yeltsin, after all, is a sick man, one whose capacity to lead was questioned not only by the Russian people, but also by his family and perhaps himself, especially in recent days. Yeltsin was always more of a destroyer than a builder, and, following the collapse of the economy and the evident failure of "reform" in 1998, Yeltsin had lost his direction, and perhaps his zeal. He was in search of an exit strategy. The perpetual firing and hiring of Prime Ministers was always attributed to Yeltsin's infamous capriciousness, but perhaps, in hindsight, it can be seen as a logical and rational search for a successor who would be strong enough to defeat the Communists in a presidential election, who would carry the mantle of democratic reform, and, most importantly, who would ensure a safe transition and immunity for the Yeltsin family in civilian retirement. In Vladimir Putin, Yeltsin finally found his man.

It is perhaps ironic that what finally made Yeltsin's peaceful exit possible was a violent war. The massive support that the Russian people threw behind Putin for his strong stance on Chechnya ushered in the surprising victory of the pro-Kremlin forces in the Parliamentary elections in December, including the pro-war supporters among Russia's "reformers." Putin's ascendancy in presidential polls, his deep connections in the security services, and the support of the military cemented his position as a strong hand. Yeltsin finally felt confident enough to step down, and, indulging his penchant for drama, he used the occasion of the new millennium as a backdrop for his exit. In a revealing move, Putin's first act as temporary President was to sign a decree granting Boris Yeltsin and perhaps his family immunity from criminal investigation and protecting their property from seizure. Now, the next step in Russian democracy is the election of a new President which, according to the Constitution, must be held within three months.

Vladimir Putin will likely win in a landslide, for he is unlikely to feel any real challenge, unless there is a drastic failure in Chechnya.

The U.S. must now find a way to deal with a Russia without Yeltsin. This will likely mean the final end of bilateral relations based on personal rapport, as defined by the “Boris – Bill” relationship. It will mean handling a country that is tired of being told what to do and whose population cares little for U.S. warnings about Chechnya and other international issues. And it will mean dealing with a leader whose popularity depends on asserting his authority and the power of the Kremlin in the international arena as well as at home.

The most important short term U.S. objective in Russia should be to ensure that elections do take place according to the Constitution and that all candidates have access to the media and are given a level playing field. Putin’s overwhelming head start and his control of the resources and power of the Kremlin may make it difficult for any candidate to oppose him, thus undermining the prospects for a fair election. Rhetoric will intensify on both sides as elections in Russia and the U.S. approach, but policymakers in both capitals should be willing to develop a less contentious relationship, taking into account both the lessons and disappointments of the past.

Putin as Acting President

Vladimir Putin has made a name for himself as a strong man through the use of a war that seems justified to most Russians but has been conducted with little regard for world opinion or humanitarian concerns. He has been able to translate Russian military advances into political momentum, and has used that momentum to secure a Duma that will be more cooperative with the Kremlin than in the past. Barring unforeseen consequences, he also stands an excellent chance of securing the presidency of the Russian Federation. However, he is still largely an unknown quantity. Mr. Putin is not a politician by vocation. A former KGB agent and a symbol of “law and order” and national unity, it is difficult to judge his political record. He was involved in St. Petersburg politics, where he was known as the “Grey Cardinal” for the way he exercised influence in Mayor Sobchak’s government. His views on the need for a strong state are clear; his positions on political and economic issues are less well formed. According to National Security Adviser Sandy Berger, “the jury is still out” on what kind of leader he will be.

Mr. Putin has, however, begun to show his colors. On the domestic side, he has called for a more assertive role for the state in Russia’s economy, a more dynamic industrial policy, the rooting out of corruption and crime, the passage of new tax and banking legislation, and indicated receptivity to foreign investment. He fired Boris Yeltsin’s daughter, Tatyana Dyachenko, from her post as Kremlin adviser, and initiated a shakeup in the Presidential Administration and the cabinet. Yet, it is still too early to tell if Mr. Putin has either the desire or skill to tackle Russia’s fundamental economic and political problems. At the moment, his all-encompassing objective is a victory in Chechnya, however he and the Russian public define it.

With regards to foreign policy, there are some positive signs. Following the Duma elections, Mr. Putin called on the Parliament to ratify the START II treaty, which has been bogged down for years. In his first conversation with President Clinton in his new capacity, Mr. Putin apparently reaffirmed his commitment “to the core values of democracy,” causing

President Clinton to declare that he and Mr. Putin were “off to a good start.” Still, Mr. Putin’s willingness to use a war to pursue political objectives and, as he declared on December 31, “to enjoy respect from other nations” likely portends a more assertive Russian foreign policy.

If he is elected President, he will be dealing with a lame duck U.S. President, an American Vice President who is on the defensive over the handling of foreign policy, and a host of thorny bilateral problems that do not have an easy solution. One of the most contentious issues is Russia’s objection to modification of the ABM Treaty. Judging by Mr. Putin’s past statements, it would seem that a President Putin would not easily compromise on the issue of national missile defense and would perhaps allow the military to take countervailing steps, such as increased missile production or development of new technologies. Other issues, such as U.S. sanctions on Russian enterprises due to Russian nuclear cooperation with Iran, Caspian energy and pipeline issues, Russian interests in Iraq, and the general Russian desire to counter U.S. dominance in a “unipolar” world, will continue to dog the relationship.

In its efforts to ensure what it terms a “multipolar” world, Russia has been pursuing a more friendly relationship with China. Under President Putin, this trend would likely continue. China has publicly supported Russia’s actions in Chechnya, while Putin has not shown any signs of deviating from the “strategic partnership” pursued by Yeltsin.

Chechnya

The cause of Vladimir Putin’s popularity and a resurgence of optimism among the Russian population is the war in Chechnya. What Vladimir Putin termed an action to create a “security zone” and to destroy “terrorists and their bases” began when the Russian military rolled into the northern part of Chechnya on October 1. It soon became obvious that, unlike the disastrous 1994-1996 war, the Russian population was staunchly behind Putin’s actions, especially following the September bombings in Moscow and two southern cities, which killed hundreds of people and were largely blamed (without conclusive proof) on Chechen terrorists. Riding this wave of support, the military pressed on, quickly conquering the northern, flat part of Chechnya.

After a Russian rocket attack on an open-air marketplace in the center of Grozny on October 22 that left tens of civilians dead and highlighted the possibility of discord between Moscow’s civilian and military leaders, the U.S. increased its criticism of Russia’s actions. Deputy Secretary of State Strobe Talbott, following a meeting with Russian Foreign Minister Igor Ivanov on October 29, said that while the U.S. understands that Russia has the “right and duty to protect the state from terrorism, it nonetheless hope that Moscow will turn to political levers as soon as possible.” Foreign Minister Ivanov rebuffed any criticism, saying Chechnya was Russia’s “internal affair.”

In the days leading up to the Istanbul Organization for Security and Cooperation in Europe (OSCE) summit on November 17, the Yeltsin administration broadened the objectives of the war from “stamping out terrorism” to the subjugation of Chechnya and the restoration of Russian control over the entire territory. Moreover, it became clear that the Kremlin, and Vladimir Putin especially, were enjoying a massive boost in popularity due to successes on the battlefield. This began to raise questions as to the Yeltsin Administration’s motives in the war,

and, although the West did not publicly acknowledge it, many policymakers and analysts began to believe that the Kremlin might be using the war for political purposes. While the U.S. supported Russia's right to maintain its territorial integrity, the lack of a political strategy to negotiate an end to the conflict coupled with overall suspicion regarding the Kremlin's motives greatly heightened U.S. concern.

On November 8, the U.S. State Department accused the Russian government of violating the Geneva Convention. Russia continued to adamantly defend its right to military actions in the breakaway republic and reject U.S. and Western criticism. In fact, some in Russia speculated openly that it was in the U.S. interest to keep the conflicts in the North Caucasus "constantly smoldering." On November 18 President Clinton admonished Boris Yeltsin at the OSCE summit in Istanbul after President Yeltsin vowed Russia would not accept any criticism regarding Chechnya. Yeltsin left the summit early and returned to Moscow.

In early December the International Monetary Fund decided not to issue the next scheduled tranche of \$640 million. Although IMF officials cited a lack of "required structural measures," there was little doubt in Russians' minds that the decision to withhold the funds was directly related to Western concerns over Chechnya. Russia largely blamed the European powers for the decision, and the U.S. denied any other motivation for the decision other than that specific economic criteria had not been met.

On December 6, Russian forces dropped leaflets on Grozny warning that intensive bombing of the city would begin on December 11, and that anyone in the area should "leave or die." The ultimatum caused an uproar in the international community. President Clinton warned that Russia would pay a "heavy price" if it went through with its threats, and many European leaders stepped up their condemnation. In the face of the world's criticism, the Russian military backed down and did not carry out its bombing threats. However, Russian forces did finally initiate an advance on Grozny on December 25. They encountered ferocious resistance and suffered relatively heavy losses. Russian casualties are beginning to mount as the battle for Grozny continues, and the U.S. is struggling to find an appropriate response that could have some impact on Russian decisionmaking and bring about negotiations to end the war.

Parliamentary Elections

The third parliamentary elections in Russia's post-Soviet history were held on December 19. Although the Communist Party was able to gain the largest share with 24.29 percent of the vote, against most expectations, the pro-Kremlin party, Edinstvo, came in second place, with 23.32 percent. Fatherland All-Russia won 13.33 percent, the Union of Rightist Forces won 8.52 percent, the Zhirinovskii Bloc 5.98 percent, and Yabloko 5.98 percent.

It appears that reform-oriented parties did quite well, and that the Communists will not be able to muster a majority in the new Duma. At first glance, this would seem a positive sign for Russia's democratic prospects. However, a closer look reveals a muddier picture. Edinstvo is not so much the party of democratic reform as a creation of the Kremlin; three months ago it was a political non-entity. Only through the public support of Putin was Edinstvo able to create an identity and garner support. Edinstvo does not have a clear platform or agenda, and the

party's composition itself is in flux. It is a phantom party populated by regional leaders eager to maintain support from the center, but with no sense of loyalty to it.

The elections themselves were conducted by and large with few procedural irregularities. But the manipulation of the press and of patriotic sentiments and the influence of money and raw power were so great that to call them a victory for democracy would be stretching the point. What these elections represent is the extraordinary ability of incumbent powers, especially the executive, to manipulate the Russian political system. Furthermore, they showcase the Russian population's willingness and desire to elect a strong leader who can provide security at home and give the people a sense of pride. The war in Chechnya has been able to give the Russians, for the time being, a reason to feel good, even if it turns out to be an artificial optimism based on early military successes in the North Caucasus.

In the days leading up to the Parliamentary elections, Chechnya became the major "cleavage issue" among the parties, while the fundamental political and economic choices facing the Russian people were glossed over. Those parties, like Edinstvo and the Union of Rightist Forces, which were seen as closely aligned with Putin, enjoyed tremendous success, while anyone who was seen in opposition to the Kremlin, such as Fatherland All-Russia and Yabloko, suffered. True, the Russian population did exercise its right to vote, and that in itself represents a democratic victory. However, building a civil society and democratic institutions between elections will prove to be a more important -- and a much more elusive -- goal than adopting the trappings of electoral democracy.

The most difficult tasks lie ahead. The necessary legislative and structural reforms that Russia so desperately needs are still to be undertaken, the fight against corruption and organized crime is yet to be fought, and the difficult compromises necessary for an appreciable improvement in U.S. -- Russia relations have yet to be negotiated.

Other Bilateral Issues

Money Laundering. The issue of Russian corruption and money laundering has taken a back seat to concerns over Chechnya. In early October, Prime Minister Putin met with U.S. Attorney General Janet Reno and pledged to cooperate to end the transfer of "dirty money." Putin declared that government officials were working on a new version of a draft law on money laundering. It is unclear what has become of that pledge, or what will happen to U.S. concerns over corruption during the next three months, especially when access to financial resources is so important in the runup to the presidential elections.

Spy Wars. One day after it was announced that U.S. diplomat Cheri Leberknight will depart Moscow on 10 December, news agencies reported that a Russian citizen working at the Russian Embassy in Washington was detained on suspicion of spying. Stanislav Gusev is accused of gathering intelligence by means of a listening device planted in the State Department and has been declared persona non grata. Leberknight, who was detained 30 November, was later declared persona non grata and asked to leave Russia forever. According to the *New York Times*, a listening device was found in a conference room in the State Department, just outside the Secretary of State's offices. A Foreign Intelligence Service spokesman, Boris

Labusov, called reports of the device "implausible" and said the arrest was probably a retaliation for Leberknight's expulsion.

Nikitin Trial. In a highly watched trial that could set a precedent for the Russian judicial system, a St. Petersburg court on December 29 declared retired Naval Captain Alexander Nikitin not guilty of espionage and treason in connection with his efforts to publicize the Russian Navy's environmentally hazardous practices. In a boost to the rule of law in Russia, the court found that the accusations were unconstitutional.

Y2K Bug Fears. As in the rest of the world, the feared Y2K difficulties did not materialize in Russia. U.S. and Russian nuclear missile systems were unaffected, and the monitoring delegations in both the U.S. and Russia reported no problems.

*The author gratefully acknowledges the assistance of Tapio Christiansen on this project.

Chronology of U.S.-Russia Relations October - December 1999

Oct 1: Russian forces launch a ground invasion of Chechnya.

Oct 5: Russian Foreign Minister Igor Ivanov states that Moscow does not need the help of any international troops or observers to resolve its "problems" in Chechnya.

Oct 14: A Swiss bank official confirms earlier press reports that his bank provided a guarantee for three credit cards on the order of the construction firm Mabetex for Russian President Boris Yeltsin and his two daughters.

Oct 19: U.S. Deputy Secretary of State Strobe Talbott admits to Congress that "mistakes were made" in the Clinton administration's policy toward Russia.

Oct 21: In Moscow, U.S. Undersecretary of State for Arms Control and International Security Affairs John Holum and Russian Deputy Foreign Minister Grigori Berdennikov begin the next round of talks on disarmament, covering START3 as well as U.S. and Russian stances on possible changes to the 1972 Anti-Ballistic Missile (ABM) Treaty. In advance of discussions, First Deputy Chief of the Russian General Staff Colonel General Manilov states that Russia considers attempts to destroy the "existing system of arms treaties and agreements as a threat and [as] destabilizing regional and global situation." He added that there can be "no compromise" on the 1972 ABM Treaty.

Oct 28: The leaders of the Fatherland-All Russia (OVR) alliance publish an open letter appealing to Russian President Boris Yeltsin to break out of his political isolation and rein in his staff who "openly interfere with the State Duma electoral campaign" as well as abuse their office and "exert unprecedented pressure on the electoral process."

Nov 9: President Clinton calls the U.S.'s stake in Russia's success "profound," and declares that "years from now, I don't think we will be criticized, any of us, for doing too much to help" establish a stable and democratic Russia engaged with the West. He adds that the U.S. "should protect [its] interests with Russia" and, in an obvious reference to Chechnya, "speak plainly about actions that we believe are wrong."

Nov 15: Chief of the General Staff of the Russian Armed Forces General Anatolii Kvashnin states that if the U.S. sets up a national defense system, Russia will have to take "retaliatory steps and raise the effectiveness of [its] strategic nuclear forces."

Nov 18: Russian President Boris Yeltsin states in Istanbul that Western countries have "no right to criticize Russia for Chechnya." He then storms out of the OSCE meeting, after hearing the admonitions of U.S. President Bill Clinton.

Nov 27: IMF Managing Director Michel Camdessus warns, "we cannot go on with our financing [of Russia] if the rest of the world doesn't want us to." He adds that public opinion of Russia's military campaign in Chechnya "is very negative."

Nov 30: Russian Foreign Minister Igor Ivanov asks that U.S. diplomat Cheri Lieberknight leave Russia due to charges she was working as a spy. The previous week, the U.S. detained a U.S. Navy officer on charges of spying for the Russians.

Dec 6: U.S. President Bill Clinton, in response to Russia's threats to the population of Grozny to "leave or die," states that Russia may "pay a heavy price" for its actions in Chechnya.

Dec 9: President Yeltsin, on a trip to Beijing, states that Bill Clinton "appears to have forgotten for a few seconds what Russia is. Russia has a full arsenal of nuclear weapons, but Clinton decided to flex his muscles." He adds that Clinton cannot dictate to people how to live: "A multipolar world is the basis of everything. It will be as we agreed with Jiang Zemin. We will dictate how to live, not he."

Dec 15: More than 100 hundred Russian troops and a large, but unspecified number of Chechens, are killed in a three-hour battle in Grozny's Minutka Square.

Dec 19: Russians vote for a new Duma and other regional posts. The Communists win 24 percent, but fail to win an outright majority as the pro-Kremlin Edinstvo party finishes a surprising second. Moscow Mayor Yuri Luzhkov is reelected.

Dec 28: Russian Defense Minister Igor Sergeev claims that the "active phase" of the Russian military operation in Chechnya is nearing completion. Sergeev states the Russian leadership is ready to begin peace talks but only on condition that the Chechens release hostages, extradite terrorists, and disarm illegal armed formations.

Dec 31: President Boris Yeltsin resigns, transferring all power to Prime Minister Vladimir Putin. New presidential elections are tentatively scheduled for March 26, but may occur sooner.



U.S.-ASEAN Relations: Riots in Seattle and Tensions Elsewhere

Sheldon Simon

Many events signaled a downward slide in U.S. relations with ASEAN members this quarter including Southeast Asian accusations of U.S. mismanagement leading to the failure of the WTO Seattle summit and difficulties in important bilateral relationships. Philippine nationalist sensitivities brought about by a visit from a U.S. nuclear powered submarine and the prospect of joint exercises led to unsteady progress in Philippine-U.S. military relations. Indonesian-U.S. relations remained fraught with ambivalence in this quarter as the U.S. warmly endorsed the democratic proclamations of President Abdurrahman Wahid's new government while expressing concern about the Indonesian military's (TNI) refusal to accept responsibility for the depredations in East Timor.

The WTO Debacle

America's global embarrassment at the Seattle World Trade Organization (WTO) summit in December was made palpable by television images sent round the world of a small band of anarchists trashing downtown storefronts. The chaos on Seattle's streets mirrored the miscalculations at the talks. Not only did U.S. allies in Europe and Japan dig in their heels on long-running trade disputes over agriculture and steel, but trade ministers from developing countries also lashed out at the United States on environmental and labor issues.

President Clinton had hoped that the Seattle summit would provide his administration with one last free trade victory. Ironically, he has never been in accord with U.S. labor unions or those environmentalists who insist on immediate universal standards. Rather, he thought he could convince both developing countries and U.S. labor and environmental representatives to accept gradual change as the global economy developed. By emphasizing the contribution of better environmental conditions and rising labor standards to developing states, Clinton also thought he could convince them that they could still maintain their low-cost competitive advantage.

As it played out in Seattle, however, both developed and developing states as well as U.S. labor and environmental representatives rejected the Clinton administration's proposals. Smaller, poorer nations feared an ever more powerful American-dominated trade organization that would dictate wage rates and working conditions as well as the kinds of fuel they could burn and the kinds of magazines and books that they had to let in their countries.

Thai media complained that the WTO meeting was so poorly organized there was no working text of resolutions; that a handful of industrial states dominated the drafting process,

circulating changes exclusively among themselves; and that even when a developing country such as Thailand was approached to chair a working group, they declined because of the perception that the groups were only created to ratify decisions already reached behind the scenes.

Both Thai and Philippine media complained of U.S. pressure to have the WTO consider labor issues. Developing states agreed that these efforts were an inappropriate attempt to involve a trade body in the domestic affairs of states. The whole exercise was condemned as a thinly disguised attempt to protect high labor cost manufactures in industrial countries. Thai Deputy Prime Minister Supachai Panitchpakdi, who is scheduled to become WTO chief in 2002, declared that the Seattle failure should be seen as a "wake-up call for the West that the interests of developing countries must be seriously taken into consideration." Other Thai officials attributed the Seattle failure to Clinton's effort to put domestic politics before the success of the WTO meeting.

President Clinton responded to these criticisms on December 8, stating that it was unrealistic to believe that international economic agreements could avoid dealing with issues such as workers' rights and pollution. He also insisted that he was not threatening developing states with sanctions if they did not conform to developed states' labor and environmental standards. These issues will continue to plague WTO negotiations as the new century dawns.

Philippine-U.S. Military Relations

The United States and the Philippines are revitalizing military ties after the Philippine Senate's approval of the Visiting Forces Agreement (VFA) in May 1999. Nevertheless, Philippine sensitivities over what are perceived as American slights with respect to Philippine sovereignty continue to bedevil the relationship.

Large-scale joint exercises under VFA auspices are scheduled for mid-February to mid-March 2000, involving 2000 U.S. troops. This will be the first large exercise since 1995. Its primary purpose is to allow Philippine and U.S. forces to maneuver together and to give Philippine forces some experience with modern American equipment.

Both countries have also established an interagency working group to assess the Philippines' most pressing military equipment needs. Manila particularly seeks airlift capability, possibly through the transfer of excess U.S. C-130 transport aircraft. The peso's decline in value over the past few years has reduced the purchasing power of the Philippine military modernization budget by over 26 percent. This means that the armed forces will be asking for more aid and fewer sales.

Meanwhile, VFA opponents are challenging any new American military presence even for temporary exercises. The early December visit of the USS Santa Fe, a nuclear-powered submarine, to Subic Bay was opposed by Senator Raul Roco as a violation of the country's constitution prohibiting nuclear weapons on Philippine territory. Philippine military spokesmen denied the charge, pointing out the distinction between nuclear armaments and the use of nuclear energy as a power source. The fact that the U.S. Navy neither confirms nor denies the presence of nuclear weapons on its ships, however, lent some force to Senator Roco's objection.

The Philippine government also defended the VFA before the country's Supreme Court in mid-December. Solicitor General Ricardo Galvez argued that joint exercises with the United States were crucial to the Philippines national security. As a weak country, the Philippines benefits from extensive training with the world's only superpower. While Mr. Galvez acknowledged that the VFA is "lopsided," favoring the United States with respect to jurisdiction over its forces on Philippine soil, nevertheless, the benefits to the country's military preparedness outweighed the disadvantages.

The State of Indonesian-U.S. Ties

Indonesian-U.S. relations remained fraught with ambivalence in this quarter. On the positive side, Washington has warmly endorsed the democratic proclamations of President Abdurrahman Wahid's new government. At the same time, however, the United States is concerned about the Indonesian military's (TNI) refusal to accept responsibility for the depredations that occurred prior to and after the elections in East Timor as well as its procrastination in facilitating the return of the tens of thousands of refugees remaining in West Timor.

The roster of urgent problems facing Indonesia seems overwhelming: the reform of a politicized and often brutal military, a better balance between the central government and restive provinces to forestall the prospect of secession in several provinces, a more suitable equilibrium between the executive and legislature, freeing the economy from corruption and monopolies, effective political parties, a fair and professional judiciary, and an efficient and honest bureaucracy.

The Timor situation embodies the new government's difficulties in dealing with the TNI. In October, U.S. State Department representatives interviewed East Timorese in West Timor refugee camps. The refugees condemned conditions in the camps and declared their desire to return to East Timor. The State Department officials indicated that the United States was prepared to help in their repatriation. However, TNI officials in Jakarta denied that the refugees were being intimidated.

The Indonesian government insisted that orders had been issued to the TNI in early October to disarm their militia allies and send them to camps further inside West Timor. Despite these claims, however, U.S. skepticism persists; and Washington continues to withhold military aid, including spare parts for Indonesia's C-130 transport aircraft--necessary for moving troops and equipment to trouble spots in the country's far flung islands. On November 22, America's UN ambassador, Richard Holbrooke, confirmed after visiting the refugee camps that TNI-backed militia remained in the area and continued to intimidate the refugees. Holbrooke compared the militias to the Khmer Rouge guerrillas who terrorized Cambodian refugees in Thailand during the late 1970s and 1980s. With somewhere between 100,000 and 150,000 still in the West Timor camps, Ambassador Holbrooke expressed concern that the longer their return was delayed, the less likely refugees would go back home.

In mid-November, Vermont Senator Patrick Leahy used a budget amendment to tie all future military sales and cooperation with the Indonesian armed forces to a list of demands that include the return of the refugees and the prosecution of those armed forces members involved

in the attacks on East Timorese after the August referendum. A sign of the TNI's continued political strength and intransigence was a statement by Ambassador Holbrooke that the Indonesian president, attorney general, and defense minister all wanted the United States to put pressure on the military to solve this problem. Indonesia's civilian leadership realized that until the refugees returned to East Timor, the international community would not give Indonesia the support it needed for economic reconstruction. Moreover, according to Assistant Secretary of State Stanley Roth, resumption of normal military relations also depends on the TNI's support of the principle of civilian supremacy in the new democracy.

Policy Implications

With respect to the WTO, U.S. representatives at the Winter Geneva talks would do well to demonstrate greater sensitivity to third world labor and environmental concerns, stressing that U.S. interests in these standards are long term and de-emphasizing coercive measures. Philippine-U.S. military relations are improving. To enhance these developments and gradually increase Manila's national defense capability, Washington should respond sympathetically to the Philippine armed forces equipment needs, particularly for coastal patrol and regional air surveillance. The United States walks a difficult diplomatic tightrope in Indonesia. It should continue to press Jakarta to protect and return the East Timor refugees to their homeland, while emphasizing American support for the country's fledgling democracy and its efforts to contain ethnic and religious violence.

Chronology of U.S.-ASEAN Relations October - December 1999

Oct 4: U.S. Air Force transport planes fly the first contingent of 300 Thai peacekeeping troops for the INTERFET force in East Timor.

Oct 5: The United States and the Philippines agree to resume large-scale joint military exercises in the year 2000. Some 2000 U.S. troops will be involved in maneuvers scheduled for February and March in the Philippines.

Oct 5: Because of Philippine budget deficiencies, the United States has agreed to transport all Philippine forces designated to be part of INTERFET in East Timor.

Oct 6: U.S. Assistant Secretary of State for Human Rights Harold Hongju Koh visits refugee camps in Indonesian West Timor and states that the United States is willing to help repatriate refugees to East Timor while guaranteeing their safety in transit through the UN High Commissioner for Refugees.

Oct 10: U.S. military officials confirm that their mission in East Timor is confined to logistics and intelligence support for the Australian leadership of INTERFET.

Oct 18: Philippine Foreign Affairs Secretary Domingo Siazon expresses "regrets" that the U.S. Senate rejected the Comprehensive Nuclear Test Ban Treaty and characterizes the action as "an enormous blow" to those who wish to create a safer world.

Oct 19: The United States proposes a compromise to the Cambodian government over a special tribunal for the trial of Khmer Rouge leaders. Under the American plan, a five judge tribunal would be composed of three Cambodians and two foreigners.

Oct 27: The U.S. embassy in Thailand insists that joint exercises with the Thai army near the Burma border have nothing to do with recent tensions between Thailand and Burma, stating the exercises had been planned for several months.

Nov 2: U.S. ambassador to Vietnam Pete Peterson presents a 25,000-ton wheat donation and proclaims that bilateral relations have "reached a new height."

Nov 12: President Clinton meets with new Indonesian President Abdurrahman Wahid at the White House. Clinton speaks of restoring military ties and supporting the Indonesian leader's commitment to democracy.

Nov 17: The U.S. Defense Department approves the sale of 18 used F-16 A/B fighters to Thailand as an alternative to the canceled 1996 order for eight new F-18 C/D aircraft. The actual sale will depend on Thailand's military budget.

Nov 21: U.S. ambassador to the United Nations Richard Holbrooke accuses militias in West Timor backed by elements of the Indonesian military of preventing tens of thousands of East Timorese refugees from returning home. While some 90,000 refugees have returned from West Timor, up to 150,000 remain in the camps in that territory.

Dec 1: The U.S. nuclear-powered submarine USS Santa Fe docked at Subic Bay elicits protests from some Philippine legislators as a possible violation of the Philippine constitution prohibiting nuclear weapons. The Philippine government insists that no such violation has occurred.

Dec 5-9: Thai and Philippine media blame U.S. mismanagement and arrogance for the failure of the Seattle World Trade Organization (WTO) summit. Bangkok and Manila papers insist that third world interests must be honored if the WTO is to progress. They focus particularly on U.S. efforts to link trade to labor practices.

Dec 15: Philippine Solicitor General Ricardo Galvez defends the Philippine-U.S. Visiting Forces Agreement by insisting that it helps to compensate for the weakness of the Philippine military.

Dec 20: U.S. government and industry representatives are trying to convince Malaysia to choose additional F/A 18 C/D fighters to supplement the eight it purchased under a 1996 contract. However, Malaysia is reluctant to proceed while restrictions exist on the transfer of U.S. technology for the aircraft.



China-ASEAN Relations: Consolidating Long-Term Regional Relations

Carlyle A. Thayer*

China-ASEAN relations in the final quarter of the year were dominated by four major events: a four-nation swing through Southeast Asia by Chinese Premier Zhu Rongji, China's participation, alongside Japan and South Korea, in an informal summit with ASEAN (ASEAN Plus Three), a visit to Beijing by Abdurrahman Wahid, newly elected President of Indonesia, and the signing of a treaty on the land border between China and Vietnam. Also during this period China stepped up its military relations with Cambodia. China's diplomatic initiatives stand in contrast with the lack of strategic vision in U.S. policy toward Southeast Asia.

Chinese Premier Makes Four-National Tour

On November 1 it was announced that Chinese Premier Zhu Rongji would make a four-nation visit to Southeast Asia in conjunction with his attendance at the ASEAN Plus Three Summit scheduled for November 28 in Manila. His itinerary included stops in Kuala Lumpur, Manila, Singapore, Ho Chi Minh City, and Hanoi. Included in his 107-member delegation were the foreign minister, agriculture minister, deputy governor of the People's Bank of China, deputy secretary general of the State Council, deputy minister in charge of the State Development Planning Commission, deputy minister of foreign trade and economic cooperation, deputy director of the State Council Research Office, director of the Premier's Office, and an assistant foreign minister.

Malaysia. Premier Zhu Rongji visited Malaysia November 22-25 on the eve of Malaysia's tenth general elections. The leader of the opposition charged that Prime Minister Mahathir was "playing the China card" in an effort to gain an electoral advantage. Both Malaysian and Chinese government spokesmen dismissed this claim.

On arrival Premier Zhu issued a written statement declaring the purpose of the visit was to "have an in-depth exchange of views with Malaysian leaders on the ways to deepen our bilateral cooperation and strengthen coordination in international and regional affairs..." At a state banquet in Zhu's honor, Prime Minister Mahathir made a pitch for Chinese support of an East Asian Monetary Fund and an East Asia Economic Caucus. Mahathir also stressed the importance of building upon the ASEAN-China consultative process.

By way of reply, Premier Zhu stressed further "consultations on how to resist hegemonism and power politics, to promote East Asian economic cooperation..." Otherwise

Zhu shied away from political issues and chose to stress “mutual beneficial economic and trade cooperation” as well as scientific and technological cooperation. With reference to territorial disputes in the South China Sea, the two leaders agreed that “differences in this part of the world should be properly resolved through friendly (bilateral) consultations between the relevant countries...” They also agreed in general terms on a code of conduct for the Spratly Islands.

After the conclusion of the formal talks the two leaders witnessed the signing of a memorandum of understanding between Bank Negara Malaysia and the People’s Bank of China on setting up banks in each other’s country, and agreements on cultural cooperation and exchange of animals. The MOU did not provide any specifics and this led one Malaysian newspaper to conclude “that the two sides fail to agree on certain details.” Neither China nor Malaysia used the occasion of Zhu’s visit to sign an agreement on China’s accession into the World Trade Organization.

The Philippines. Premier Zhu’s November 26-27 visit to the Philippines was more contentious due to Chinese concerns over Filipino-U.S. military relations and conflicting claims in the South China Sea. On October 26, at the joint China-Philippines Expert Group on Confidence Building Measures meeting in Beijing, China proposed three CBMs: notification of any joint military exercises held in disputed areas, attendance by Chinese officials as observers at joint exercises, and humane treatment for arrested fishermen. The Philippines tabled a proposal for language training for officers stationed in disputed areas. The Chinese request for observer status was aimed at the forthcoming U.S.-Philippines joint exercise *Balikatan* (shoulder-to-shoulder). On November 2, Beijing cautioned against holding joint exercises aimed at China.

On November 3, a Philippine naval ship ran aground on Scarborough Shoal. Six months earlier another Philippine naval vessel ran aground near Second Thomas Shoal near Mischief Reef. China was reportedly suspicious that these ship groundings were a new tactic designed to advance Filipino claims in the South China Sea. In late October, China therefore requested that the ships be removed prior to Premier Zhu’s state visit. Due to technical reasons the Philippines was unable to comply. At the same time, the Philippines lobbied fellow ASEAN members strongly to reach final agreement on a draft ASEAN Code of Conduct for the South China Sea. The code was on the agenda for discussion by the foreign ministers of Malaysia and the Philippines scheduled for Manila on November 4. ASEAN senior officials finally reached agreement on November 24 (see below).

It was under these circumstances that Chinese Premier Zhu Rongji made his official visit in November for discussions with Philippine President Joseph Estrada. Estrada, noting that the year 2000 marked the twenty-fifth year of the establishment of diplomatic relations, proposed that they work out a long-term framework document as a guideline for their bilateral relationship. Estrada also committed the Philippines to “strict adherence” to the Sino-Philippines bilateral agreement on mutual trust in the South China Sea. Zhu tabled a five-point proposal for the development of bilateral relations that included the promotion of contacts and exchanges between all sectors at all levels, and an invitation to President Estrada to visit China in 2000. Zhu agreed on the need for a framework document to promote bilateral cooperation in the next century. He also emphasized that China was willing to fund an Agricultural Technical Center to provide technology, advice, and improved seeds and farm implements to Filipino farmers.

On the South China Sea, both leaders stressed the need for bilateral consultations. Following the talks a Chinese spokesman denied China had rejected a draft ASEAN Code of Conduct for the South China Sea. He said such a draft code should only be discussed by the ASEAN-China summit and only ASEAN and China should be responsible for its implementation.

Singapore. On November 29, Premier Zhu journeyed to Singapore for a three-day official visit. In discussions with President Goh Chock Tong, Zhu tabled four proposals including frequent high-level visits, enhanced trade cooperation, financial sector cooperation, and personnel exchange and training in such areas as the environment, city planning, and law. Premier Zhu also called for Singaporean assistance in reform of state owned industries and public housing construction, and investment in China's western region. Premier Zhu also met with Senior Minister Lee Kuan Yew and delivered a lecture on China and Asia to the Institute of Southeast Asian Studies.

Vietnam. Premier Zhu's last stop was Vietnam. There he had to contend with Vietnamese anxieties about the implications of the U.S.-China trade agreement reached on November 15. In September, as noted in the last quarterly report [*China-ASEAN*], Vietnam balked at signing a bilateral trade agreement with the United States at the eleventh hour. This came amid speculation that Vietnam, which already had serious reservations about the trade agreement's impact on the domestic economy, was waiting for China to reach an accord with the United States first. When the draft of the U.S. trade agreement was translated into Vietnamese and circulated among those most affected, it set off a firestorm of protest. The Politburo reaffirmed its decision to postpone agreement and dispatched trouble-shooter Pham The Duyet to China to take soundings there. Duyet visited Beijing October 8-15 and learned about similar concerns over the text of the Chinese draft agreement with the United States. Duyet reported these reservations to the Politburo on his return. The matter was then discussed by the Central Committee's eight plenum that met from November 4-11. Immediately after the meeting Dao Duy Quat, deputy chief in charge of the party's Ideology and Culture Commission, termed the draft agreement "inequitable" and said it "still needs some work" before it would be acceptable to Hanoi. Vietnam's leaders were unpleasantly surprised when four days later China and the United States announced agreement on their trade deal. Vietnamese officials reportedly grumbled about being misled by the Chinese, one even claimed that Chinese advice could no longer be trusted. This set the stage for Premier Zhu's official visit from December 1-4.

Zhu broke traditional protocol by visiting Ho Chi Minh City first where he encouraged economic relations with China's southern provinces and cities. In Hanoi, Zhu was hosted by his counterpart, Prime Minister Phan Van Khai. After closed door talks it was announced that the two leaders had exchanged views on "comprehensive cooperation" in the fields of economics, trade, science and technology, tourism, and culture and education. Zhu promised to promote Chinese investment in Vietnam. It was also disclosed that Vietnam's negotiations with the United States on accession to the WTO had been discussed. Significantly both leaders expressed satisfaction at the report on land border issues presented to them by their negotiators and reached an "important consensus" to sign a formal treaty by the end of the year. (On December 30, Chinese Foreign Minister Tang Jiaxuan and Vietnamese Foreign Minister Nguyen Manh Cam signed the land border treaty in Hanoi.) Zhu and Phan Van Khai further pledged to conclude their talks on the delineation of the Gulf of Tonkin during the year 2000.

Zhu also held substantive discussions with party Secretary General Le Kha Phieu and former party Secretary General Do Muoi.

The Manila Summits

On November 28, ASEAN held the third summit meeting of its heads of state and government in Manila. This was followed by an ASEAN Plus Three summit involving China, Japan, and South Korea, and three separate meetings, or ASEAN Plus One, with the same countries (previous summits were held in Kuala Lumpur in 1997 and Hanoi in 1998). These summit meetings were preceded on November 25 by a similarly structured series of meetings between senior officials. A number of bilateral meetings, such as between the Thai and Chinese foreign ministers, also took place.

During the ASEAN senior officials meeting, agreement on the Philippines' draft Code of Conduct for the South China Sea was discussed. This proved so contentious that a late night meeting had to be held between Malaysia, the Philippines, and Vietnam to discuss Vietnamese insistence that the scope of the code be expanded to include the Paracel as well as Spratly Islands. After the Vietnamese proposal was accepted, a copy of the draft code was informally presented to Chinese officials on November 25. That same day it was reported that China had turned down the draft code arguing that the matter should proceed gradually and China was willing to discuss the issue with ASEAN. On November 27, responding to these reports a Chinese spokesman declared that "ASEAN has not handed the Chinese side their draft document. On the contrary, not long ago, China gave ASEAN its draft to which ASEAN has yet to respond." Nevertheless, "The Chinese side has expressed on many occasions its willingness to work with ASEAN to formulate such a political document." In light of Chinese objections the matter was not raised formally by ASEAN at the summit meeting, although it was discussed by President Estrada when he met Premier Zhu on November 26. Zhu objected to the inclusion of the Paracel Islands and warned ASEAN that China would not be rushed on this issue. In late December Foreign Secretary Domingo Siazon announced that China had agreed to hold talks with the Philippines on a Code of Conduct for the Spratly Islands.

In his address at the ASEAN Plus Three Summit Zhu tabled three proposals: to institutionalize the meeting of finance and central bank deputies; to share information on financial reforms and to set up an ad hoc committee to study how to regulate the flow of international capital; and coordination of the positions of East Asian countries on major international financial and economic issues. He also announced that China "stands ready to exchange views on political and security issues of common interest within the framework of East Asia dialogue and cooperation" as long as differences were shelved and not highlighted. In his address at the ASEAN-China summit, Zhu underscored the importance of the 1997 China-ASEAN Joint Statement as the basis for cooperation. In his view "a developed China will not pose a threat to any country, but rather it will contribute to regional and world peace and prosperity."

The ASEAN Plus Three Summit issued a Joint Statement on East Asian Cooperation which pledged its signatories to enhance the process of cooperation in East Asia through dialogue "in priority areas of shared interest and concern" and "to build upon existing consultative and cooperative processes."

President Wahid Visits Beijing

On October 26, newly elected President of Indonesia Abdurrahman Wahid stated he would make his first overseas visit as president to China because of its “consistent support” for Indonesia’s international diplomacy. Early the following month Amien Rais, Chairman of Indonesia’s parliament, met with the Chinese ambassador to Indonesia, to discuss boosting Chinese trade and technology transfers. Then, December 1-3, President Abdurrahman Wahid made his first overseas state visit (his 13 other overseas trips were unofficial) to China aimed at repairing relations damaged by anti-Chinese rioting in Indonesia the previous year and to encourage the return of billions of dollars in overseas Chinese investment. During his meeting with President Jiang Zemin, President Wahid stated, “The Indonesian government will make unremitting efforts to make sure Indonesian Chinese enjoy the same rights as other ethnic groups and melt into Indonesian society.”

On other matters, Jiang and Wahid agreed to conclude a long-term cooperation framework agreement along the lines of similar Chinese agreements with Malaysia and Thailand. Finally, in an effort to boost trade and economic ties, they agreed to convene the fifth meeting of the Sino-Indonesian Joint Economic Trade Commission during the first half of 2000. More concretely, China offered a loan of U.S. \$500 million to assist Indonesia in importing rice, agricultural equipment, and heavy machinery. Indonesia agreed to permit the Bank of China to resume operation in Jakarta. Both sides agreed to set up a joint advisory council to expand cooperation in the fields of technology, marine products, and forestry.

Finally, in a speech delivered at Beijing University, President Wahid reiterated the call he made shortly after his election: for Asia -- particularly China, India, Indonesia, Japan, and Singapore -- to strengthen their place in the world in order to avoid “the hegemony of one or two powers.”

Cambodia

Sino-Cambodian ties markedly improved during the third quarter of 1999. In October, Ke Kim Yan, Commander-in-Chief of the Royal Cambodian Armed Forces, led a senior military delegation to Beijing to discuss China’s offer of U.S. \$1.5 million in military assistance. Defense Minister Tea Banh made this offer during a visit early in the year. Ke Kim Yan held discussions with Fu Quanyou, Chief of the PLA General Staff. This was the highest level Cambodian military delegation to visit China since 1993. It was immediately followed by a visit from the PLA’s General Logistics Department. According to an unconfirmed report, China offered to supply a number of tanks, artillery pieces, trucks, and weapons.

Sino-Cambodian political relations warmed following China’s opposition to United Nations efforts to set up an international tribunal to try Khmer Rouge leaders for war crimes. In early November, Cambodia received a delegation from the International Liaison Department of the CCP’s Central Committee. This marked the first time a Chinese party delegation had visited Phnom Penh since 1993. During its visit the CCP delegation met with Prime Minister Hun Sen and officials of his Cambodian People’s Party as well as Prince Norodom Ranariddh’s FUNCINPEC party. Cambodian officials reiterated their support for the “one China” policy.

Policy Implications for the United States

During the third quarter China successfully reinforced its role as a major power in Southeast Asia by promoting political, diplomatic, economic and, to a lesser extent, military ties with regional states. China's diplomatic initiative in forging long-term relations stands in contrast with the lack of strategic vision evident in U.S. policy towards Southeast Asia. The United States appears preoccupied with domestic politics, foreign policy issues in other regions (Middle East and the Balkans), and China. The United States has varied interests in Southeast Asia, but its emphasis on economic and trade issues, human rights, alliance maintenance, and military engagement has been at the neglect of long-range diplomatic and political relations. The current U.S. policy of strategic ambiguity is very much outdated. The United States badly needs to articulate a strategic view that brings long-term political relations back into the equation.

*The views expressed are the author's and do not reflect the policy or position of the Asia-Pacific Center for Security Studies, the Department of Defense or the U.S. Government.

Chronology of China-ASEAN Relations October - December 1999

Oct 8-15: Pham The Duyet, member of the Standing Board of the Politburo of the Vietnam Communist Party (VCP) leads a party delegation to Beijing at the invitation of the Chinese Communist Party (CCP) Central Committee.

Oct 11-18: Ke Kim Yan, Commander in Chief of the Royal Cambodian Armed Forces, leads senior military delegation to Beijing to discuss military assistance.

Oct 19: A Chinese Foreign Ministry spokesperson announces that China has offered to send five civilian policemen to East Timor under UN auspices.

Oct 26: A Chinese Foreign Ministry spokesperson states that China is willing to actively consider participating in the work of the United Nations Transitional Administration in East Timor (UNTATET).

Oct 26: Newly elected President of Indonesia Abdurrahman Wahid states he will make his first overseas visit as president to China because of its "consistent support" for Indonesia's international diplomacy.

Oct 26: Joint China-Philippines Export Group on Confidence Building Measures meets in Beijing. China formally requests to observe joint military exercises in the South China Sea.

Oct 26 – Nov 1: Friendship delegation of the Chinese People's Liberation Army (PLA) makes a goodwill visit to Cambodia and Thailand.

Nov 1: Amien Rais, Chairman of Indonesia's parliament, meets with the Chinese Ambassador to Indonesia. Rais states that the new Indonesian government wants to boost trade and technology transfers with China.

Nov 3: Philippine naval ship runs aground on Scarborough Shoal.

Nov 3-9: Delegation of the International Liaison Department of the CCP Central Committee pays friendship visit to Cambodia.

Nov 22: CCP delegation, led by the Deputy Secretary of the Yunnan Provincial Party Committee, visits Vietnam and Laos.

Nov 22-25: Chinese Premier Zhu Rongji makes official visit to Malaysia.

Nov 22-25: Vietnam hosts conference on “ASEAN Press in the 21st Century: Challenges and Prospects” organized by the Confederation of ASEAN Journalists. This conference was attended by a delegation from the All China Journalists’ Association.

Nov 23: Hoang Ky, Commander of Vietnam’s Military Region 4, visits Beijing and holds talks with the Deputy Chief of the PLA General Staff, Qian Shugen.

Nov 24: ASEAN Senior Officials Meeting in Manila prepares for Third ASEAN Informal Summit.

Nov 25 – Dec 4: Delegation of the All China Journalists’ Association visits Vietnam after attending conference organized by the Confederation of ASEAN Journalists.

Nov 25: ASEAN Plus China, Japan and South Korea Senior Officials Meeting, followed by ASEAN Plus China Senior Officials Meeting.

Nov 26: First ever meeting of ASEAN Ministers of Foreign Affairs, Finance and Trade held in Manila.

Nov 26-27: Chinese Premier Zhu Rongji makes official visit to the Philippines.

Nov 27: Informal meeting of the heads of state and government of ASEAN, China, Japan and South Korea.

Nov 28: Third ASEAN Summit held in Manila, followed by ASEAN Plus Three (China, Japan, South Korea) and ASEAN Plus One (China) summit meetings. A Joint Statement on East Asian Cooperation is issued.

Nov 29 – Dec 1: Chinese Premier Zhu Rongji makes official visit to Singapore.

Dec 1-3: Indonesian President Abdurrahman Wahid makes a state visit to China.

Dec 1-4: Chinese Premier Zhu Rongji makes official visit to Vietnam.

Dec 1-5: General Fu Quanyou, Chief of the General Staff of the Chinese PLA, pays an official visit to Thailand to join other foreign delegations in military ceremonies marking King Bhumibol Adulyadej’s 75th birthday anniversary.

Dec 16: Vietnamese Minister of Culture and Information, Nguyen Khoa Diem, and China's Minister of Culture, Sun Jiazheng, sign in Beijing an agreement on cultural cooperation for 2000-01.

Dec 16-22: Delegation of the Chinese People's Association for Peace and Disarmament visits Vietnam for discussions with the Vietnam Peace Committee.

Dec 25-27: Delegation of the External Relations Committee of Vietnam's National Assembly visits Beijing for discussions with China's National People's Congress.

Dec 30: Chinese Foreign Minister Tang Jiaxuan and Vietnamese Foreign Minister Nguyen Manh Cam sign a treaty on the land border in Hanoi.



China-Taiwan Relations: Across the Strait, Across the Years

Gerrit W. Gong and Ralph A. Cossa

Fortunately, the final quarter of the year lacked the major shocks to the system that had featured so prominently in the Taiwan-China relationship in the previous quarter, which started with Taiwan President Lee Teng-hui's controversial "special state to state" comment. Nonetheless, cross-Strait relations continue to struggle and the turnover of Macao to China seems to have stoked the flames. Reports of a Chinese missile build-up across the Strait added to the tensions, as did the possibility of Taiwan developing a counter-missile capability. Beijing also continues to strongly protest any potential Taiwan participation in U.S. led theater missile defense (TMD). The PRC has thus far refrained from employing heavy-handed attempts, *a la* 1996, to influence the upcoming Taiwan Presidential election, but the Beijing leadership remains capable of overreacting to any new real or perceived Taiwan provocation as election day draws closer.

Across the Strait

Macao. The December 20 return of Macao to Chinese rule after 442 years of governance by Portugal lent the perfect occasion for Beijing to focus on the unresolved issue of Taiwan. At the ceremonies surrounding the turnover, President Jiang Zemin stated that Beijing is ready to "solve the Taiwan issue and achieve China's complete reunification," further noting that "we have both the determination and the ability to resolve the Taiwan question at an early date." With Hong Kong in the "one country, two systems" fold since 1997 and now Macao, it seems certain Taiwan will be the recipient of a greater portion of China's attention.

Making matters worse, press reporting indicates that Jiang, during former Admiral and now Ambassador Joseph Prueher's first courtesy call on him in Beijing in early December, stated in Chinese that China would "liberate" Taiwan, although the interpreter used the less-inflammatory "reunify." This was seen as another signal of Beijing's growing annoyance and impatience over Taipei's perceived "splittist" tendencies.

Of course, all this does not sit well in Taipei. Taiwan's Mainland Affairs Council (MAC) swiftly responded to Jiang's Macao speech, asserting that "the idea of imposing 'one country, two systems' on Taiwan is insulting and provocative," while pointing out the differences between it and the two former colonies. MAC Chairman Su Chi further noted that "the ROC government is not opposed to eventual reunification with the Mainland. However, that unification can only be realized under a free, democratic, and equitably prosperous China."

Military Concerns. Cross-Strait tensions also were increased following numerous press reports (mostly in the Western press) that China was increasing its offensive missile capability opposite Taiwan. This has been described as "saber rattling" by PRC critics, although Beijing has thus far refuted these missile claims, saying they are rumors being put forth by China's enemies to complicate cross-Strait and Sino-U.S. relations.

The reports have captured Taipei's attention nonetheless. In addition to increasing calls for Taiwan participation in TMD, concern over China's offensive missile threat prompted Vice President Lien Chan to say for the first time that Taiwan should consider developing intermediate range offensive ballistic missiles "to meet the challenge of the Mainland's missile threat." His comments were described as representing an "official viewpoint" but not "official policy."

Nonetheless, American Institute in Taiwan Chairman Richard Bush expressed U.S. concerns about this development during his mid-December visit to Taipei. Lien Chan assured Bush he was not advocating an arms race but noted that, in the past, "strategic thinking in Taiwan people perhaps placed too much emphasis on passive defense." Bush no doubt also indicated the Clinton administration's continued objection to the Taiwan Security Enhancement Act, which Washington believes will unnecessarily complicate Sino-U.S. and cross-Strait relations and be counterproductive to Taipei's long-term interests.

Concerns about possible cyber-warfare were also raised anew this quarter amid continuing reports of computer hackers invading one another's web sites. Meanwhile, a Taiwan defense ministry report warned that China's developing electronic warfare capability is expected to pose a direct threat to Taiwan within five years. Defense spokesmen vowed that Taiwan would develop its own cyber-warfare capabilities and electronic countermeasures.

Cross-Strait Dialogue. On the anniversary of his October 1998 visit to the mainland, Koo Chen-fu, head of Taiwan's Straits Exchange Foundation, again stressed that his mainland counterpart, Association for Relations Across the Taiwan Strait Chairman Wang Daohan, was still welcome to visit Taiwan. If not, Koo expressed his willingness to once again visit the Mainland.

For its part, Beijing continues to talk about the importance of dialogue but is in no apparent rush to resume discussions. One positive sign is that Taipei appears ready to meet one of Beijing's demands -- that President Lee meet with Wang in his capacity as Kuomintang (KMT) chairman rather than as a government official. However, Lee has steadfastly refused to meet Jiang's principal demand, that he retract his July statement that relations between the two sides should be on a "special state-to-state" basis. As a result, the prospects for a resumption of the Koo-Wng Talks in the near term, either in Taiwan or the PRC, appear slim. According to Beijing, "its not a matter of who should visit when; the real problem is Taiwan's 'two-states' pronouncement."

Vice President Lien also attempted to wave an olive branch in Beijing's direction, stating that he would be willing, if elected President on March 18, to undertake a "journey of peace" to the Mainland, either before or after his inauguration. The ruling party's candidate said he was "willing to meet with any Chinese Communist leader and discuss any topic with him in order to promote cross-Strait relations."

One of Lien's primary opponents, Democratic Progressive Party (DPP) candidate Chen Shui-bian waved an olive branch of his own, when he called for conditional direct links with China as part of his party's cross-Strait policy. Chen said the DPP would initiate a more open policy towards China by advocating conditional trade, mail, and transportation links. However, Chen also stated that he is favor of Taiwan joining the U.S.-proposed TMD program.

As the year ended, each side remained highly suspicious of the other's intent while Beijing (and Washington) worried if Taiwan had another new "shock" in store for the new year. (RC)

Across the Years

At the beginning of a new century where different mixtures of past and future may bump together across the Taiwan Strait, it is worth reviewing briefly three types of cross-Strait questions. From the more comprehensive to more specific, these three types of questions involve overarching historical perceptions and memories, developing frameworks and ambiguities, and the interplay of specific developments.

Overarching Historical Perceptions and Memories. These questions ask whether a new century can or should place Taiwan in a new perceptual or memory framework. One perspective is China's historical textbook wisdom that Taiwan is a nationalistic reminder of humiliation and weakness. Weakness evokes memories of China's defeat by Japan in the 1894-95 Sino-Japanese war where Taiwan was ceded to Japan as war spoils. It evokes memories of the inability of the PRC to completely defeat Chiang Kai-shek's nationalist forces during China's civil war, especially after the U.S. entered the June 1950 Korean War and subsequent decades of cold war. It evokes modern memories of U.S. involvement in the continuing separation of mainland China and Taiwan, including (Beijing asserts) through U.S. sales of advanced weapons to Taiwan.

That the historical memories of China's civil war and Japanese atrocities against China, particularly in the 1930s and 1940s, exist in the living memory for many Chinese is clear. Much remains to be done to ensure that the May 7, 1999 bombing of the PRC embassy in Belgrade does not become a modern example in China's historical litany of humiliations, lest the Kosovo war become a historical prism for viewing future Sino-U.S. relations, including Sino-U.S. military relations -- an extension of 19th century gunboat diplomacy using 20th century technological reach and precision.

Yet, that Chinese authorities can shift perception and memory among their own citizens is breathtakingly evident in the attitude on Chinese university campuses regarding the Tiananmen Square tragedy of June 4, 1989. In essence, memories of Tiananmen among many in China and many outside China have completely diverged; the Tiananmen crackdown has essentially ceased to exist for most contemporary students. Similarly, the willing belief by even elite Chinese students, for example, that "Taiwan is a small island with limited natural resources which could not survive without significant economic assistance from mainland China" suggests the historical relationship among China, Japan, and Taiwan is more flexible than if rigid assumptions about historical relations are maintained. Steadfast principles and fixed historical perceptions do exist.

But, as a new century begins, some modicum of historical flexibility remains essential if cross-Strait peace, prosperity, and stability are to continue.

Frameworks and Ambiguities. Are cross-Strait ambiguities inherently destabilizing? . . . should they be clarified? The Clinton administration has sought to preserve both strategic clarity and tactical ambiguity. Some assert unwavering U.S. commitment and the flexibility to implement according to circumstance. Others in the U.S. variously argue for removing any cross-Strait ambiguity. Some want to declare specific U.S. intent to defend Taiwan; others, to specify conditions (such as Taiwan's declaring independence) under which the U.S. would not. Similarly, some argue for removing any ambiguity regarding Taiwan's international status by "freeing Taiwan" completely; conversely, others state "one China" and its "three no" corollaries (no Taiwan independence; no one China, one Taiwan; no membership in international organizations requiring statehood) so unequivocally as to limit any separation of Taiwan from the Mainland.

Beijing has clearly sought to remove any ambiguity regarding its interest in establishing a closer rather than more distant deadline for an understanding on Taiwan unification. Yet no PRC leader, civilian or military, has declared an irrevocable deadline for Taiwan unification, or even for cross-Strait political talks, rightly recognizing that military conflict would arise from any such unilateral declaration.

For its part, Taipei has sought to retain some ambiguity regarding its real cross-Strait interests and objectives. This is partly to limit pressure or influence from Washington and Beijing. It is also to maintain a domestic political equilibrium. The old dictum that "those born outside Taiwan handle foreign policy" while "those born inside Taiwan handle domestic policy" no longer neatly applies. Even so, efforts at various times to have those with Mainlander background head the Mainland Affairs Council as a conciliatory sign to cross-Strait dialogue must still navigate concerns that native Taiwan interests not be "sold out" to the PRC.

It is, of course, the above context of cross-Strait tug-and-pull, including historical perceptions and memories, that prompted a U.S. discussion of frameworks to deal with (or not) cross-Strait frameworks and ambiguities, including the possible merits of variously proposed cross-Strait modus vivendi. Underlying these discussions is the core U.S. debate about whether the established "one China" framework promulgated in the Three Communiques and Taiwan Relations Act is sufficient to maintain cross-Strait peace, prosperity, and stability -- or whether past frameworks and ambiguities must be redefined in the face of present and future challenges.

All this has a timeframe: it is the period from March 18, 2000 when Taiwan elects a new president, to November 2000 when the United States elects its new president, to fall 2002 when China's 16th party congress may select new Chinese leaders. Whether new understandings, new arrangements, or new agreements during this period are feasible or desirable and what they would encompass are topics in the current debate.

Interplay. A third kind of question is how specific (and sometimes unpredictable) developments may affect cross-Strait dynamics. For example, efforts to bring together individuals from the U.S. and Taiwan presidential campaigns are intended to establish personal ties among possible administrations. Similar efforts, particularly between March 18 and May 20, could also lay important cross-Strait relations groundwork.

Before then, the intertwining of personality and circumstance in Beijing, Taipei, Washington, and elsewhere during the campaigns of spring 2000 remain dynamic and complex. For example, between March 7-14 California, New York, and 24 other states will hold primaries. This concentrated U.S. primary schedule beginning with the traditional March 7 Super Tuesday primaries essentially overlaps Taiwan's campaign period just prior to Taipei's March 18 presidential elections.

During this period, volatile issues such as offensive and defensive postures regarding deterrence and TMD, or differing Beijing and Taipei approaches to WTO accession or cross-Strait economic terms, could reverberate within, thereby complicating cross-Strait politics. Beijing's recent warning that it disapproves of President Lee Teng-hui traveling to Japan or elsewhere even following the inauguration of a new Taiwan president only underscores that expectations for a dramatic transformation of cross-Strait relations following Taiwan's spring elections are best kept to a minimum.

Should a new form of Taiwan nationalism develop beyond previous internal discussions of Taiwan culture and identity, Taipei's domestic political dynamic with respect to Washington and Beijing may also alter significantly. These concerns are affected by a strategic multiplier effect if any Washington tilt is perceived, however slight, toward Beijing or Taipei. This leaves Washington as a key battleground, despite the rhetoric (and the need) for direct cross-Strait dialogue.

Thus, overarching historical perceptions and memories may bring past and future into confrontation in the coming years. Frameworks and ways to deal with ambiguities need to be reaffirmed or reestablished between March 18, 2000 and the end of 2002. Interactions among Beijing, Taipei, and Washington domestic and international perceptions and realities will continue to defy prediction, especially during the spring 2000 political campaigns and in their aftermath. This underscores the need for work on multiple levels in multiple arenas to maintain a cross-Strait situation which otherwise promises to be more volatile and less amenable to management in the coming watershed years than it has been for half a century.

Chronology of China-Taiwan Relations

October - December 1999

Oct 9: Russian aerospace executive says China signed US\$2 billion contract to buy 30 advanced Russian Sukhoi-30 fighters.

Oct 12: Richard Bush, American Institute in Taiwan (AIT) Chairman opposes Taiwan Security Enhancement Act (TSEA) saying it would severely impact trilateral ties among Washington, Beijing, and Taipei.

Oct 14: Koo Chenfu, Taiwan's top envoy to China, offers to visit China a second time if it would help break a negotiating deadlock. Beijing rejects, saying the real problem is Taiwan's 'two-states' pronouncement.

Oct 18: President Jiang in an interview in *The Times* states: “By the middle of next century . . . we will resolve the question of Taiwan and accomplish the great cause of national reunification.”

Oct 26: U.S. House International Relations Committee votes 32-6 to approve TSEA.

Oct 31: Taiwan Defense Ministry warns China’s developing electronic warfare capability may pose direct threat to Taiwan in five years.

Nov 1: Vice-chairman of the MAC says President Lee is willing to meet Beijing’s chief envoy Wang Daohan in a capacity other than as head of state.

Nov 1: Taiwan Defense Minister Tang Fei announces that military expenditures would be raised by US\$1.26 billion for the next fiscal year to cope with a perceived growing threat from China.

Nov 2: U.S. House leaders decide to put off a floor vote on TSEA, after lawmakers raise concerns the move could interfere with sensitive negotiations to bring China into the WTO. Chinese embassy says China will stay on alert in opposing TSEA.

Nov 7: Reports surface China is acquiring an Israeli-made long-range radar system to strengthen its aerial power in the event of conflict with Taiwan.

Nov 12: Commander of U.S. Pacific Command, Adm. Dennis Blair, says U.S. should deploy regional missile defenses to protect U.S. troops and allies from threat of North Korean and Chinese missiles.

Nov 15: American and Chinese trade negotiators reach comprehensive agreement for Beijing’s entry into the WTO.

Nov 22: China successfully launches first spacecraft designed to carry humans into orbit.

Nov 23: U.S. State Department says it is watching buildup of Chinese missiles near Taiwan and is considering sales of missile defenses to counter it.

Nov 25: Taiwan President Lee Teng-hui says Taiwan would like to ease restrictions on trade with China under the WTO framework if Beijing shows sufficient goodwill.

Dec 3: Vice President Lien Chan indicates his willingness to undertake a “journey of peace” to the Mainland while urging China to respect the “special state-to-state relationship.”

Dec 8: *Washington Times* reports U.S. Defense Intelligence Agency discovered a second Chinese short-range missile base under construction near Taiwan. In Taiwan, Vice President Lien Chan says that Taiwan should develop ground-to-ground missiles.

Dec 10: Boris Yeltsin and Jiang Zemin pledge mutual support on Chechnya and Taiwan.

Dec 13: Results of an opinion poll show that 82 percent of Taiwan’s population support Lien’s suggestion that Taiwan develop intermediate-range missiles.

Dec 14: Chairman of the American Institute in Taiwan Richard Bush meets with Taiwan officials and expresses U.S. concerns about Lien's missile comments.

Dec 15: Independent presidential candidate James Soong explains why over NT\$100 million is in family accounts. Soong's support rate drops 8 percent.

Dec 20: Macao reverts to China under "one country, two systems" formula.



China-ROK Relations: Deepening Intimacy and Increased Economic Exchange

Scott Snyder

Although North Korean leader Kim Il-sung only a few years ago resisted the idea of being “naked” to American demands for nuclear inspections, ROK Foreign Minister Hong Soon-young and his Chinese counterpart Tang Jiaxuan apparently have no such hesitations when it comes to showing some skin; the steadily deepening Sino-South Korean relationship in the last quarter of 1999 was marked by a relaxed and intimate round of “spa diplomacy.” Conducted at the resort of Ichon outside Seoul during the Chinese foreign minister’s visit to South Korea, the meeting followed closely on the heels of Minister Tang’s early October meetings in Pyongyang. President Kim Dae-jung saw Chinese Premier Zhu Rongji at the ASEAN Plus Three meetings in Manila at the end of November, along with Japanese Prime Minister Keizo Obuchi, in an unprecedented three-way breakfast meeting. The primary theme of that discussion was exploring new opportunities for regional economic exchange and cooperation in line with efforts to foster an expanded East Asian economic community. With the South Korean economy in full recovery from its financial crisis, the fourth quarter of 1999 also saw renewed emphasis on South Korean investment in China, with a mixed but cautiously positive response in Seoul to near-term opportunities that may accrue from the successful conclusion of U.S.-China negotiations that had marked the last major barrier to China’s entry into the World Trade Organization (WTO).

Steadily Deepening a Strategic Relationship: Beijing Steps Up Diplomatic Efforts toward the Korean Peninsula

Consultations between the Chinese and South Korean foreign ministers have become routine, but Foreign Minister Tang’s first official arrival in Seoul for business and bathing was much anticipated due to the sensitive situation on the Korean Peninsula at the time. The anticipation was heightened by the fact that Minister Tang held discussions with counterparts in Pyongyang in early October in the immediate aftermath of both the Perry Report and a second meeting between Hyundai Chairman Emeritus Chung Ju-yong and North Korean leader Kim Jong-il. China’s own diplomatic efforts with Pyongyang -- following the resumption of high-level diplomatic contacts with Beijing in June when President Kim Yong-nam visited Beijing -- are also at a sensitive stage, with the next logical step being an exchange of leadership visits that would appropriately involve North Korea’s reclusive Supreme Commander Kim Jong-il. Add the continuing sensitivities in Beijing regarding South Korean NGO efforts (such as statements critical of PRC government policy toward North Korean refugees following a major NGO conference held in Seoul in mid-October or lobbying efforts with the UN High Commission on Refugees led by former Seoul mayor Kim Sang-chul, Secretary General of the Commission to

Help North Korean Refugees), and renewed South Korean interest in expanded investment opportunities in China, and it is understandable that informal hours of soaking and talking were preferable to, if not even more constructive than, another stuffy hotel or office meeting.

China's more active posture toward the Korean Peninsula in recent months reflects both its own legitimate strategic interests and a greater sense of wariness -- in the context of a clearly limited near-term U.S.-China relationship -- regarding the extent to which China may be affected negatively by a strong U.S. influence on the Korean Peninsula that might extend even to Pyongyang. At the same time, Beijing is the informal link in the chain of shared interests currently encircling Pyongyang that will ultimately determine whether North Korea will respond positively to U.S., South Korean, and Japanese engagement policies. As North Korea diversifies its diplomacy and explores its alternatives to negotiation with the United States, one traditionally appealing approach for Pyongyang might be to play off the major powers (these days the United States and China) against each other to see what the market will bear. But there are limits to what China is likely to offer as the price for deepening leadership contacts with Kim Jong-il, even if such contacts might be used to leverage improvements in China's relationship with Seoul. For South Korea, the primary objective is to avoid being caught in any crossfire between Beijing and Washington while enhancing its own political and economic relationship and strategic influence with Beijing in ways that will also assure a stable and gradual process leading ultimately to Korean reunification.

The symbolism of intimacy and partnership surrounding the Tang visit reflects just one more step in the development of a steadily deepening relationship between Seoul and Beijing. This is reflective of the extent to which South Koreans value an improved relationship with a neighboring power whose diplomatic and economic influence is clearly on the rise. But the informality of this meeting, which suggested a special relationship, had other uses as well. First, it kept sensitive issues out of the official record. China preserved the flexibility of an enhanced relationship with Seoul without formally running afoul of North Korean sensitivities to Beijing's deepening contacts with South Korea. Delicate China-North Korea border issues and the North Korean refugee situation could be discussed without violating principles of "noninterference in internal affairs" on the one hand or facing official stonewalling from Beijing on the other.

Second, it allowed both sides to probe problematic issues. Under what circumstances, if any, might South Korea find itself persuaded to join the U.S. theater missile defense (TMD) program, and how would China respond? Are defector/refugee issues involving transit of North Korean refugees through China being handled satisfactorily? How can the activities of South Korean NGOs in Northeastern China be handled so as to prevent damaging the official relationship? In which technology-sensitive sectors will China allow South Korean investment? How can South Korea restore flight links with Taiwan without running afoul of "one China" principles embodied in the official PRC-ROK relationship? It may be premature to say that any of these types of questions were discussed and answered definitively, but the understanding gained from informal discussions provides context that can help to avoid costly official blunders that might weaken the relationship. Tang's visit also provided an opportunity for the South Korean government to renew its invitation for a year 2000 visit by Premier Zhu Rongji, the only Chinese leader among the top seven politburo members who has not yet visited Seoul.

Multilateral Economic Diplomacy and the ASEAN Plus Three Meeting

Another historic development this quarter involving Sino-South Korean relations was the initiation of a trilateral meeting among the leaders of Japan, South Korea, and China on the sidelines of the ASEAN Plus Three meeting held in Manila at the end of November. The trilateral meeting was apparently a Japanese initiative, with the Chinese leadership initially resisting the idea but subsequently acquiescing to participation with the stipulation that security issues would be formally excluded from the discussion in favor of a focus on fostering economic cooperation. The call for such a meeting was definitely in line with Kim Dae-jung's active advocacy of regional and multilateral dialogue, a building block for a future Asian community as well as a possible rear-guard action in response to the emergence of regional economic blocs in other parts of the world. The very limited economic cooperation agenda seemed to be productive as a vehicle for muting confrontational tendencies between Japan and China.

One result of the meeting is that the group gave its support to a nascent dialogue involving think tanks of the three countries, including the Beijing-based Institute for World Development, either the Korea Development Institute (KDI) or the Korea Institute for International Economic Policy (KIEP), and a Japanese private think tank to be determined. Among the initial areas of focus will be the implications of China's entry into the WTO and how to foster industrial cooperation in selected areas, including the trade, fisheries, maritime, and environmental sectors.

Open Season for Expanding Trade and Investment

Both in official government-to-government talks and through a wide range of private sector efforts, the economic component of the relationship between South Korea and China has been given a jump-start after briefly faltering in the context of the Asian financial crisis. Since economic opportunity has been the primary driver for the relationship, it is significant that momentum has returned to Sino-South Korean economic and investment relations. Starting virtually from scratch a decade ago, China is now South Korea's second largest destination for South Korean investment and its third largest trading partner, and South Korean firms are increasingly seeking to target the over 60 million Chinese urban middle-class with incomes over \$5,000 per capita, according to Daewoo Economic Research Institute.

The greatest interest among South Korean businesses currently appears to be in the telecommunications sector, where there were several reports of progress in establishing linkages during this quarter. Samsung Electronics linked up with Hebei Century Mobile Telecom for a \$31 million contract to provide CDMA (code division multiple access) mobile phone service, LG Information and Communications is seeking to establish a CDMA joint venture in Guangzhou, and South Korean internet firms are also seeking partnerships in China. The South Korean government has lobbied China to open up CDMA business -- expected to be a vast, rapidly developing sector in China -- to Korean firms. Seoul has also sought to retain a foothold in the Chinese auto assembly market as well as explore opportunities for Korean companies to develop high-speed railroads in China. Efforts to support Daewoo Motors automobile parts assembly operations seem particularly ill fated given questions surrounding Daewoo's future as part of arduous debt refinancing negotiations. Even financial problems may be a vehicle for expanding Sino-Korean economic cooperation; the Korea Asset Management Corporation,

highly-praised as an efficient vehicle for holding and repackaging remaining assets from bankrupt Korean companies during the financial crisis, signed an agreement to share asset management experience with China's Cinda Asset Management Corporation.

The tourism business between Korea and China continues to boom. With over one-quarter of all Korean overseas travelers choosing China as their destination, only Japan -- the preferred destination for thirty percent of Korean travelers -- receives more Korean visitors. By June of next year, South Korea will be the first destination to which the Chinese government will allow unrestricted tourism, opening up tourism opportunities in South Korea to Chinese from all provinces, beyond the citizens from the nine cities or provinces currently approved to visit South Korea. The expectation is that with the lifting of these restrictions, the number of Chinese visitors to South Korea will double to 700,000 from the 350,000 anticipated in 1999. The 260,000 Chinese visitors who have come to South Korea by the end of October were the third largest national group behind Japanese and Americans among tourists to South Korea.

There is a concerted effort to expand the number of ferry and commercial routes between China, South Korea, and the Russian Far East. By April of next year, Inchon-Yantai, Mokp'o-Lianyungang, and Sokcho-Hunchun car ferry routes are projected to open, stimulating more intense commodity "suitcase" trade among struggling but vibrant small and medium-sized merchants. At the height of the Korean financial crisis, the suitcase ferry trade, often involving customs inspectors turning a blind eye to formal small-scale violations of customs law, became an arduous but important lifeline for survival among some displaced and unemployed Korean workers. In addition, Korean Airlines (KAL) is negotiating to open air routes from Seoul to Hainan Island and Guizhou, while Asiana is seeking to open a new route from Seoul to Xi'an in April. If one considers that the softening of public attitudes toward Japan has accompanied unrestricted tourism by Koreans to Japan, one might similarly expect that loosening restrictions on Chinese travel to Korea could have a significant impact on Chinese public perceptions of South Korea that may bolster the pace and depth of government-to-government relations between Beijing and Seoul.

Korean Assessments of China's WTO Admission

Koreans greeted China's likely admission to the WTO following the successful conclusion of U.S.-China WTO negotiations with mixed feelings, reflecting differing perceptions of the benefit or harm of China's accession based on sectoral interests. Low-cost, labor intensive industries and labor groups are apprehensive that China's market opening will only bring more competition and pressure to move jobs to lower-wage destinations such as China in the long-term, but on the whole the South Korean industrial sector is well placed to take direct advantage of tariff reductions that will expand South Korean access to the Chinese market. For instance, China's compliance with WTO-mandated tariff reductions are projected to boost sales in South Korea's textiles sector by five percent. The Korean Institute for International Economic Policy (KIEP) projects a \$1.7 billion increase in South Korea's trade balance that would be derived from lower Chinese tariffs in line with WTO standards. Although the electronics and apparel sectors will be hurt by Chinese competition in third markets, Korean automobile manufacturers, petrochemical exports, and high-end steel products exports to China may increase as China lowers tariffs.

South Korea's Strategic Objective: Avoiding Having to Choose Among Friends

As the economic relationship between China and South Korea grows, the concrete costs of possible tension or confrontation between the United States and China become more worrisome. South Korea's stakes in the avoidance of a confrontation that would split the region will continue to grow in tandem with the economic relationships between Chinese and South Korean private sectors. South Korea's private sector would be hard-pressed to give up those tangible economic benefits for the sake of coming into line with possible U.S. political demands in times of tension or confrontation. The possibility of being forced to choose between China and the United States in the event of confrontation or discord is increasingly viewed in the category of worst-case scenarios to be avoided at all costs.

One concept that has been entertained by some South Korean specialists is the idea that Seoul may play the role of "internal" balancer, perhaps quietly mediating difficult issues between Washington and Beijing during times of high tension to ensure that the situation does not get out of hand. However, the effective pursuit of such a role might involve making precisely those hard choices that any South Korean leadership may most seek to avoid. It also presumes that the task and objective of the United States in the use of its influence is to provide "external" balance, but the balance is precisely what would be at stake if the United States and China were to develop a confrontational relationship.

Another possible objective of South Korea's foreign policy as it considers responses to a possible downturn in Sino-U.S. relations might be to seek to insulate its core foreign policy objectives from the most negative effects of such a downturn. For instance, the widespread assumption that good U.S.-China relations are necessary for progress to be made in reducing inter-Korean tensions raises the question of how to delink major power relations from the inter-Korean relationship, particularly if one assumes continued difficulty in the relationship between Washington and Beijing. During the Cold War such a task was impossible and even Korea's historical geographic location as the vortex of major power confrontation suggests the challenging nature of such an exercise.

There is simply no possibility of insulation or Hermit Kingdom-style isolation for South Korea, a country that depends so heavily on external trade relations for its economic growth. Rather, the diplomatic challenge for South Korea in the future will be to effectively use its economic and diplomatic influence to constrain the options of its friends without doing irreparable damage to its respective relationships with Washington and Beijing. At the same time, Seoul's decisive influence on the security environment in Northeast Asia, at least for the foreseeable future, will lie not in its neutrality, but in the ability of Washington and Seoul to continue making the alliance work effectively. If that relationship is sufficiently secure that Seoul continues to have an overriding stake in maintaining the alliance, American interests are unlikely to be threatened—and could be enhanced—by continued improvement in the Sino-South Korean economic relationship.

Chronology of China-ROK Relations

October - December 1999

Oct 5-9: PRC Minister of Foreign Affairs Tang Jiaxuan makes an official visit to Pyongyang.

Oct 15: International Conference of NGOs held in Seoul.

Oct 22: President Kim Dae-jung endorses the establishment of a new East Asian regional economic and security cooperation mechanism in speech to the East Asia Vision Group.

Nov 25: Korea Asset Management Company (KAMCO) signs memorandum of understanding (MOU) with China's Cinda Asset Management Corp. on the provision of bad asset disposal techniques and business cooperation.

Nov 27-28: President Kim Dae-jung attends ASEAN Plus Three meeting in Manila, has three-way meeting on economic issues with Japanese Prime Minister Keizo Obuchi and Chinese Prime Minister Zhu Rongji.

Dec 10-12: PRC Foreign Minister visits Seoul for consultations with South Korean officials including ROK Foreign Minister Hong Soon-young.

Dec 17: Commission to Help North Korean Refugees Secretary-General Kim Sang-chul meets with UN HCR officials to discuss UN efforts to respond to the situation on the North Korea-China border.



Japan – China Relations: A Search for Understanding

James Przystup

The last quarter of 1999 featured a series of high-level visits between Tokyo and Beijing, aimed at managing this critical, but difficult, bilateral relationship. Diplomats and defense officials met to exchange views on foreign and security policy issues. Invariably, Chinese concerns over missile defenses and the U.S.-Japan Defense Guidelines and Japan's focus on China's military modernization framed the official dialogue. Similar discussions took place between political leaders and representatives of public policy associations.

Over the period, the Japanese press reported on China's foreign policy and national security objectives toward Japan and its position in China's strategy toward the United States. Despite agreement between Washington and Beijing over China's WTO accession, the Japanese press viewed China's policy toward the U.S. as marked by continuing suspicions of U.S. intentions and efforts to constrain Washington's unipolar activism. One element in this perceived strategy involved a consequent turning toward Japan as a way of exerting leverage on the United States. At the same time, China's military modernization continued to receive the media's attention -- in particular the prominent display of military muscle at the PRC's 50th anniversary on October 1.

Toward the Korean Peninsula and North Korea, a mutuality of interests continued to support diplomatic cooperation. Less successful were efforts to bring into effect the 1997 Japan-China fishing accord. Meanwhile, statements by the Defense Agency's Director General about nuclear weapons and remarks made by the Governor of Tokyo during a visit to Taiwan drew Beijing's ire. Japan, China, along with South Korea, also participated in multilateral diplomacy at the ASEAN Plus Three dialogue.

Perception's of Chinese Strategy

During the October-December quarter, the Japanese press noted a shift in China's approach toward Japan. Faced with troubled relations with the U.S. (Taiwan and human rights), heightened by suspicions of U.S. unilateral activism (NATO bombing of the Belgrad embassy) and the adverse effects of Jiang Zemin's November 1998 visit to Japan, Beijing reportedly made a decision to improve relations with Tokyo. References in the Chinese media to the need to improve relations with Tokyo drew Japanese press attention.

However, press analysis suggested that Beijing's softening toward Tokyo -- downplaying "history" and at times subtly moderating the force of its anti-TMD and anti-Defense Guidelines campaign -- was part of a larger Chinese strategy to involve Japan in efforts to foster multipolarity and constrain the United States. Reporting on Chinese diplomacy at the

UN -- and during both Jiang's October visit to Europe and Boris Yeltsin's December visit to China -- consistently defined Beijing's objectives as fostering opposition to missile defenses and building support for a multipolar world as a means of constraining the U.S. *Asahi Shimbun* columnist Yoichi Funabashi cautioned Japanese readers that China's multipolarity was nothing more than a balance of power strategy, one that Japan should reject in favor of multilateralism.

Bilateral Dialogue

The Japan-China security dialogue resumed in Tokyo on October 7 at the Ministry of Foreign Affairs with representation at the Director General level.

The Chinese raised the issue of Taiwan, again underscoring the domestic nature of the problem and opposition to any external interference. In this context, the ambiguity of the laws implementing the revised Japan-U.S. Defense Guidelines continued to be a matter of concern as did the development of missile defenses. With respect to missile defense, the Japanese explained the matter as simply research on a defensive system, while emphasizing Japan's adherence to the 1972 Japan-China Joint Communique. At the same time, the Japanese raised the issue of China's growing defense expenditures and the need for Beijing to increase transparency in defense budgeting. The Chinese asserted that the increases were largely for personnel-related matters.

Xinhua commentary on the meeting found the Japanese explanations "still unconvincing." In December, the PLA's *Liberation Daily* review of the top ten news stories of 1999 included the Defense Guidelines implementing legislation which, it argued, marked a significant change in Japan's defense policy.

On November 22-23, after a hiatus of two years, the dialogue between defense officials resumed in Beijing, with Japan's delegation led by the Vice Minister of the Defense Agency Seiji Ema and the Chinese side led by Xiong Guangkai, PLA Deputy Chief of Staff.

The Chinese focused on missile defense, Japan's Defense Guidelines, and the potential implications for Taiwan. The Japanese delegation, in turn, raised issues related to China's build-up of air and naval capabilities, the presence of Chinese research ships in seas near Japan, transparency, and overall defense policy, including the development of China's next generation of ICBM, the DF-31. It was also reported that the Japanese communicated the growing concerns about China now present in Japan. On TMD, the Chinese argued that it was not simply a defensive system, while claiming that China's missiles were for defensive purposes. As for transparency, the Chinese asserted that it now existed on defense matters.

Both sides recognized the importance of the defense dialogue and agreed to expand it, starting with a visit to Japan next year by the PLA Chief of Staff. Also discussed were arrangements for the previously agreed to reciprocal port visits. The Japanese side found their Chinese counterparts, while not disregarding history, polite, cooperative, and focused on the future. China's Defense Minister Chi Haotian was quoted as saying that as a result of his visit to Japan he was able to confirm for himself that contemporary Japan was not militaristic.

Against this background of official dialogue, Japanese and Chinese political figures also engaged in a series of high level visits and contacts.

Attending the PRC's 50th anniversary celebration, former Finance Minister Yoshiro Hayashi, chairman of the LDP's 235 member Japan-China Friendship Association, met with China's Foreign Minister Tang Jiabao. Tang asked about a weakening of Japan's relations with China. Hayashi replied that even with its problems, the relationship was progressing and not all that bad. However, he did point to a difference among the generations and to the reality that Japan's younger generation is not inclined to respond to Chinese requests for apologies over the past.

Other political figures also expressed their views on relations with China. Former Minister of Cultural Affairs, Nobutaka Machimura, Chief Secretary of the Japan-China Friendship League, observed that the way to build an equal relationship is not to start with the assumption that China is always right. To build a normal relationship, both sides should say what should be said. As for the past, he noted that opinion is divided – those who believe no further apologies are necessary and those who believe that apologies thus far are not sufficient. Among the latter, Naoto Kan of Japan's Democratic Party emphasized the necessity of Japan's own efforts to surmount the problems of history as early as possible in the new century. Within this context, the former Vice Minister for Political Affairs, Keizo Takemi, called for deepening ties through private and non-government channels as the easiest route to stabilizing relations at a time when not many members of the Diet were inclined to keep pace.

In late October, Koichi Kato, former Chief Cabinet Secretary, visited Beijing and met with Vice President Hu Jintao, Vice Prime Minister Wen Jiabao, and other high level leaders. In his discussions, Kato was reminded that it is impossible for China to disregard the fact that even in the Diet there are members who think of the war as a war of liberation; in this context, Nishimura's remarks on nuclear weapons were referenced. (See below: Bumps in the Road.) Also in October, a delegation with members from the Japan Communist Party's Japan-China Friendship Association, labor organizations, and youth groups traveled to Beijing, Nanjing, and Shanghai and met with their counterparts

From December 8-16, Li Ruihan, Chairman of the Chinese People's Political Consultative Conference and fourth ranking figure in China's Communist Party, visited Japan. Li was received in audience by the Emperor and met with senior political leaders including Prime Minister Obuchi, Foreign Minister Kono, and representatives of economic and friendship associations. There were also rumors at year's end that Premier Zhu Ronji might visit Japan next autumn.

Korean Peninsula

Mutually supportive diplomacy toward North Korea continued during this period. In October, Foreign Minister Kono met with his Chinese counterpart to exchange views on North Korea. Tang informed Kono that he had told the North Korean Foreign Minister that China welcomed Pyongyang's efforts to improve relations with both the U.S. and Japan, in effect signaling Beijing's support for such efforts. In early December, Beijing welcomed Tokyo's announcement to reopen negotiations on the normalization of relations with Pyongyang.

Likewise, Li Peng told a visiting Japanese delegation that China strongly supports the normalization of Japan-North Korean relations as an important contribution to stability on the Peninsula and in turn to China's economic development and security. The Japanese press reported that, from Beijing's perspective, to the extent that normal relations prevail between Japan and North Korea, the rationale for Japan's development of missile defenses is weakened. At the same time, for China, Japan's progress in improving relations with Pyongyang would also serve to constrain the expansion of the U.S. lead negotiating role.

Economic Issues

Japan welcomed the conclusion of China's WTO accession agreement with the U.S. on November 15. Exposing the world's seventh largest economy to the discipline of the WTO and expanding opportunities for Japanese business have been consistent objectives of Tokyo's policy toward China. WTO accession was viewed as locking in the market-oriented reforms introduced by Deng Xiaoping as well as promoting the rule of law and advancing transparency in China's economic system.

Tokyo's efforts to bring into effect the fishing accord signed with China in November 1997 continued to prove elusive. Indiscriminate Chinese fishing activities in areas near to but outside Japan's territorial waters have adversely affected Japanese fishing interests in Nagasaki and Yamaguchi prefectures and resulted in calls for termination of the accord. The agreement, if brought fully into effect, would govern natural resources in the South China Sea and constrain indiscriminate Chinese fishing activities. Talks in Beijing, October 15-16, proved unavailing. To deal with the impasse, Tokyo has proposed that the talks be raised from the working level to the Ministerial level.

Bumps in the Road

In an October magazine article, Shingo Nishimura, Parliamentary Vice Minister of Defense, suggested that Japan should consider the issue of nuclear weapons in its defense strategy. Though not advocating the adoption of nuclear weapons, the article provoked a public outcry, underscoring Japan's continuing sensitivity to nuclear issues and costing Nishimura his job.

In Beijing, the issue resurfaced long-held concerns about Japan. The Foreign Ministry cautioned Japan that the world would closely watch the response of the Japanese government and requested that Japan reaffirm its Three Non-Nuclear Principles. The PLA's *Liberation Daily* warned against those who, like Nishimura, schemed to develop nuclear weapons. In Tokyo, Shizuka Kamei, Director of the Policy Affairs Research Council, met with the Chinese ambassador at LDP headquarters and assured him that the Japanese public remained anti-nuclear and reaffirmed as unchanging Japan's Three Non-Nuclear Principles. Meanwhile Chief Cabinet Secretary Aoki characterized Nishimura's remarks as inappropriate and offered the government's apologies to the Japanese public and the Diet.

Also in October, Tokyo Governor Shintaro Ishihara visited Taiwan. During a three-day stay, Ishihara repeatedly used the word "state" in referring to Taiwan. In Beijing, Deputy

Foreign Minister Wan Yi called in the Japanese ambassador and expressed his deep indignation over the Governor's actions. The ambassador responded by pointing out that Ishihara did not represent the diplomatic positions of the government. In Tokyo, the Foreign Ministry reiterated Japan's adherence to the principles of the 1972 Joint Communiqué.

Multilateralism

Multilateral diplomatic efforts are an essential element of Japan's strategy toward the Asia-Pacific region. Thus, Japan participated in the ASEAN Plus Three dialogue, with China and South Korea, in Manila at the end of November. On November 28, the Plus Three -- Prime Minister Obuchi, Prime Minister Zhu Rongji, and President Kim Dae-jung -- met together at the conclusion of the dialogue, a first for the three leaders. The Trilateral interaction is the result, in large part, of a series of bilateral efforts at cooperation with respect to North Korea. How far this cooperation will develop structurally will be related to how the three parties are able successfully to pursue complementary policies toward Pyongyang and to Chinese concerns about not isolating or pressuring North Korea.

Policy Implications for the United States

A stable relationship between Japan, the central U.S. ally in the Asia-Pacific region, and China, the emerging power in the region, is in the foreign policy and national security interest of the United States. Efforts made over the October-December period to address key diplomatic and defense issues, while not dissipating mutual concerns, are regarded in both Tokyo and Beijing as making a positive contribution to stabilizing this sensitive and dynamic relationship. Both governments are committed to deepening and broadening the dialogue. This is in the interest of the United States.

Chronology of Japan-China Relations October - December 1999

Oct 7: Japan-China foreign policy/security dialogue resumes in Tokyo at the Ministry of Foreign Affairs. Representation is at the Director General level.

Oct 7: Parliamentary Vice Minister of Defense Shingo Nishimura raises issue of nuclear weapons in magazine article. Beijing calls on Tokyo to reaffirm Japan's commitment to its Three Non-Nuclear principles.

Oct 12-15: Tokyo Governor Shintaro Ishihara visits Taiwan. His reference to Taiwan as a "state" draws protests from Beijing.

Oct 15-16: Talks in Beijing over Japan-China Fishing Agreement fail to reach conclusion.

Nov 15: China and the U.S. conclude China's WTO accession agreement.

Nov 22-23: Security Dialogue among Chinese and Japanese Defense officials resumes in Beijing after a two-year hiatus. Representation is at the Vice Ministerial level.

Nov 28: Japanese Prime Minister Obuchi, Chinese Prime Minister Zhu Rongji, and Korean President Kim Dae-jung meet together after the ASEAN Plus Three dialogue.

Dec 8-16: Li Ruihan, Chairman of the Chinese People's Political Consultative Conference visits Japan. Li is received by the emperor and meets with Prime Minister Obuchi, Foreign Minister Kono as well as representatives of Japan's political and business communities.



Japan-ROK Relations: DPRK Dialogue: A Little Luck the Fourth Time round?

Victor Cha

Japan-South Korea relations remained on an even keel, still riding the waves of success from the past two Kim-Obuchi summits and from the trilateral cooperation precedents set by the Perry review. The most noteworthy activities for this past quarter were not in Japan-South Korea relations but on the Japan-DPRK dyad. Events during the period marked the first serious discussions on normalization since 1992. This dialogue, while preliminary and far from conclusive, was welcomed by both Seoul and Washington, and indeed from a U.S. perspective falls in line with the comprehensive engagement strategy toward the DPRK outlined by the Perry process. The success of future Japan-DPRK normalization dialogue will depend on resolution of a number of issues, all of which are far from minor.

The December 1999 Meetings: Beginning of a Thaw

The most noteworthy event for the quarter in Japan-Korea relations was the resumption of preliminary normalization dialogue between Tokyo and Pyongyang. Suspended since 1992, Japan-DPRK dialogue saw improvement through three events during the quarter. In early November, Japan partially lifted sanctions on the DPRK, including the ban on charter flights and restrictions on unofficial contacts with DPRK authorities (imposed after the August 1998 Taepodong launch). This was followed in early December by a suprapartisan Japanese delegation led by former Prime Minister Tomiichi Murayama to Pyongyang. The three-day visit was both exploratory and goodwill in nature, largely for the purpose as described by Japanese officials of cultivating an “atmosphere” conducive to the resumption of dialogue. The meetings took place without preconditions on either side, and the former Premier carried a letter from Prime Minister Obuchi to DPRK leader Kim Jong-il expressing hope for improved relations. Japan subsequently lifted remaining sanctions (the most significant of which was on food aid) after the Murayama mission.

Two sets of talks (foreign ministry and Red Cross) ensued in Beijing in late-December. The MOFA talks were conducted at the director-general level (led by Koreshige Anami, director general of the Asian Affairs Division of Japanese Foreign Ministry, and Oh Woollok, director general of the 14th Bureau of the DPRK Ministry of Foreign Affairs). Aside from a stating of basic principles, these convened with an agreement to meet again in January or February 2000. The Red Cross talks produced a “humanitarian cooperation agreement” in which the two sides agreed to resume home visits for Japanese spouses of DPRK citizens. The two delegations also promised to advise their respective governments to address in prompt

fashion each side's key humanitarian concern -- for Japan, the alleged abduction of citizens by the DPRK, and for Pyongyang, the provision of food aid.

The December 1999 meetings marked a modest beginning to the Japan-DPRK normalization process, and indeed, the fourth such attempt over the past half-century. Efforts at improving relations took place during the detente years when a train of Japanese officials went to Pyongyang (most notably Tokyo Governor Ryokichi Minobe in 1971), the Japanese Diet established a League for Promotion of Friendship with North Korea, and memorandum trade agreements were signed. In the early 1980s, additional high-level initiatives were made through personal emissaries of Prime Minister Yasuhiro Nakasone. Finally at the end of the Cold War, a delegation led by then LDP strongman Shin Kanemaru returned from Pyongyang in 1990 with grand but eventually failed aspirations for normalization.

History therefore cautions one from being overly optimistic about such endeavors. The December 1999 meetings may end up on history's trash heap as another failed initiative. Indeed, revelations about the North Korean detainment of a Japanese national on alleged spy charges in late December may throw a wrench into the whole process before it even gets started. Yet, some distinguishing aspects of the present iteration lead one to be at least marginally less pessimistic. The first is South Korea's Sunshine Policy. In marked contrast to the past, Seoul's support for Tokyo-Pyongyang dialogue removes a major obstacle to potential rapprochement outcomes. During the Kanemaru mission in 1990 until as late as 1995, Seoul's pegging of any minor improvements in Japan-DPRK relations to concomitant steps in inter-Korean dialogue made an already difficult diplomatic exercise for Japan even more complex. In a related vein, Japanese initiatives this time take place in the context of a larger coordinated effort among the allies in the region vis-a-vis North Korea. From a U.S. perspective, the December meetings and earlier Japanese actions on lifting sanctions and resuming KEDO funding all fall neatly within the Perry framework of comprehensive engagement. Tokyo's activities become that much more credible to the North when backed by Washington and Seoul rather than as maverick actions (as some perceived Kanemaru's initiatives in 1990). Finally, the impetus in Japan for improved relations with the North is substantively different as past initiatives took place before the DPRK demonstrated a direct missile threat to Japan.

Given the DPRK style of negotiation, normalization talks are certain to be protracted and difficult. Real progress will depend on a few things. First, Pyongyang must resolve the longstanding kidnap victims issue. Without this, it will become very difficult for Tokyo to garner domestic consensus to move forward (as recent polls have shown, there is already very little love lost on the DPRK among the Japanese public after the Taepodong launch). At the December meetings, the Japanese Red Cross delegation presented a list of ten alleged victims that the DPRK consented to investigate. Whether DPRK obstinance on the issue continues (operationalized as a token search with no results) will greatly depend on the degree to which it values the prospect of direct bilateral food aid from Japan. This looks to be the first quid pro quo in the normalization process. A degree of face-saving may be in the works, as Pyongyang may seek to classify these individuals, once located, as "missing" rather than abductees (the North has unequivocally denied Japanese allegations in the past).

Other major obstacles include how the two countries resolve the colonial past. There are two issues in this regard: monetary compensation and the apology. Regarding the former, the DPRK has operated from a formula first informally enunciated during the 1990 Kanemaru

mission where Japan must pay colonial reparations for the 45 years both before and after 1945. Official figures have not been quoted, but are reported to be in the range of \$5-10 billion. Aside from the actual amount (if any) that would come with a settlement, success will depend on DPRK willingness to forgo explicit references to these monies as colonial compensation. This was a key obstacle averted during the 1965 Japan-South Korean normalization negotiations where funds were provided by Japan in the form of low-interest commercial and government loans and outright grants, but not as colonial restitution *per se*. With regard to the formal colonial apology, one only hopes (but hardly expects) that the Japan-DPRK case can avoid the tortured battles over text, subtext, and semantics experienced in the past between Tokyo and Seoul.

The stakes in a normalization dialogue are high for both sides. For Pyongyang, a settlement holds out the prospect of food aid and economic aid when other avenues with the U.S. and South Korea, for the time being, may prove less fruitful (elaborated below). For Japan, traditional postwar aspirations to resolve relationships with all prior enemies (*senjo shori*) are supplemented by the urgent need to address the DPRK missile threat. Constructing a deal on missiles falls under the purview of the U.S.-DPRK bilaterals in Berlin, but clearly a Japan-DPRK normalization would be an important complementary piece of this puzzle.

Washington-Tokyo-Seoul Coordination: Humming Along

The precedents for trilateral coordination among the three allies established through the Perry policy review process and the Berlin agreement (October) continued to be followed throughout this quarter. Evidence of this is found not so much in new initiatives or agreements but in “business as usual” (e.g., meetings of the Trilateral Coordination and Oversight Group [TCOG] in advance of the U.S.-DPRK bilaterals in Berlin), and the absence of potentially friction-inducing events. The signing of the Turnkey Contract between the Korean Peninsula Energy Development Organization (KEDO) and the Korea Electric Power Company (KEPCO) was a good illustration of this. At the same time that it exemplified the smooth running of the next phase of the 1994 Agreed Framework, it also was tacit recognition of a significant non-event -- Japan’s resumption of KEDO funding and political support (earlier suspended after the Taepodong I test flight). On the Japan-ROK bilateral front, relations remained on an even keel over the quarter. The visit of the Japanese Emperor to Seoul, certain to be a watershed in relations, is now on the agenda formally between the two governments, with only the timing of the event to be worked out. The ROK foreign ministry and Blue House made numerous statements supporting Japan-DPRK normalization dialogue. The exception was some minor recriminations raised over Tok-do/Takeshima (but would Japan-ROK relations have any semblance of normalcy without these spats?).

Outlook: Stay Tuned for More on Japan-DPRK Relations

If DPRK negotiators and planners are half as intelligent as we give them credit for being, then the Japan channel may be where their foreign policy efforts will be focused for the immediate term in spite of the most recent detainment case. Status quo with some variations but no major breakthroughs are likely to be the programs on the U.S. and ROK channels. In the former case, the U.S. presidential elections do not offer Pyongyang an opportune time to

negotiate new steps with an outgoing administration that might then be reneged upon later. In the South Korean case, the results of legislative elections this spring could either boost or bust the Kim Dae-jung government's Sunshine Policy, which in either instance, means it is best for Pyongyang to wait. On the Japanese side, expect increased food aid to the DPRK, at least initially through third party organizations, and if progress on normalization dialogue goes well, the resumption of direct bilateral aid.

Chronology of Japan-ROK Relations **July – September 1999**

Oct 23-24: Japan-ROK annual joint ministerial meeting at Cheju island. ROK Prime Minister Kim Jong-pil and Japanese Prime Minister Keizo Obuchi reaffirm their governments' cooperation on policy toward the DPRK, discuss maritime resource cooperation projects, and future visit of Japanese Emperor to Korea.

Oct 25: Japanese Foreign Minister Yonei Kono consults with ROK president Kim Dae-Jung in Seoul on DPRK policy.

Nov 2: Japanese government announces a partial lifting of sanctions against the DPRK, ending the ban on Japanese-DPRK chartered flights and resuming unofficial contacts with DPRK authorities.

Nov 4: Revelations surface that the ROK government has permitted regular tourist ships to Takeshima/Tok-do Island despite its dispute with Japan over ownership of the island.

Nov 8: DPRK's official Korea Central Broadcasting Station (KCBS) reports that the DPRK retains the right under international law to retrieve cultural assets taken away by Japan during its colonial rule of the Korean Peninsula from 1910 to 1945.

Nov 9: Meeting of the Trilateral Coordination and Oversight Group (TCOG) in Washington in advance of U.S.-DPRK bilaterals in Berlin (Nov 15). Attended by ROK Deputy Minister for Foreign Affairs Jang Jai-ryong, counselor to the U.S. Secretary of State Wendy Sherman, and Japanese director general for foreign policy Yukio Takeuchi.

Dec 1: Former Japanese Prime Minister Tomiichi Murayama leads delegation of 16 lawmakers from Japan's ruling and opposition parties on a three-day visit to Pyongyang. Officials say the purpose of the visit was to "create an environment conducive to resumption of negotiations for normalisation of diplomatic ties."

Dec 2: Murayama and DPRK Secretary of the Central Committee of the Korean Workers Party Kim Young-sun agree to resume unconditional bilateral negotiations to normalize diplomatic relations within the year.

Dec 5: Hiromu Nonaka, a senior lawmaker of the Liberal Democratic Party and member of the Murayama delegation, calls for diplomatic ties between Japan and the DPRK by the end of 2000.

Dec 14: Japanese Chief Cabinet Secretary Mikio Aoki announces Japan's lifting of remaining sanctions against the DPRK.

Dec 14: ROK government releases statement applauding the Japanese action and supporting the resumption of Japan-DPRK dialogue.

Dec 15: KEDO signs turnkey contract with KEPCO for construction of two light water reactors in the DPRK.

Dec 19-21: Japan and DPRK hold Red Cross talks at the DPRK embassy in Beijing.

Dec 21-23: Japan-DPRK foreign ministry delegations (director general level) meet at the Japanese embassy in Beijing for preliminary talks on normalization.

Dec 21: Japanese and DPRK Red Cross delegations reach agreement on "humanitarian cooperation" in Beijing signed by Ho Hae-ryong (DPRK) and Tadateru Konoe (Japan).

Dec 21: Body of a DPRK soldier washes ashore off coast near Tokyo (seventh such case in 1999). Believed to be a botched defection or espionage attempt.

Dec 28: ROK government legislators raise questions regarding Japanese in Shimane Prefecture who have in recent years changed their permanent addresses in census records to Tok-do in the East Sea.

Dec 30: DPRK state-run news agency announces that authorities have detained a Japanese national, Takashi Sugishima, 60 on alleged spy charges since December 4. Japanese foreign ministry expressed grave concern over DPRK actions and requests an explanation.



Japan-Russia Relations: Weathering War, Elections, and Yeltsin's Resignation

Joseph Ferguson

This fall marked the arrival in Moscow of Japan's new ambassador to Russia, former Deputy Foreign Minister Minoru Tamba. The fact that Tamba, one of the chief architects of former Premier Ryutaro Hashimoto's "Eurasian Diplomacy," was appointed ambassador to Moscow is a clear sign that Tokyo is still intent on achieving some sort of peace agreement by the end of the year 2000, the goal established by Russian President Boris Yeltsin and Hashimoto at the November 1997 Krasnoyarsk summit. Though few believe that this goal is realistic, Tokyo appears intent on keeping the pressure on. The arrival of Hashimoto on an unofficial visit to Moscow in November further underscored Tokyo's desire to push relations ahead. Meanwhile, with a war on in Chechnya and the Duma elections in December, Russia's top leaders had more pressing matters on their mind than Japan. The sudden resignation of Boris Yeltsin over the New Year's holiday may put to rest all hope in Japan that a treaty can be signed during the upcoming year. One of the first announcements made by new President Vladimir Putin is that he will not allow a fragmentation of Russia under his rule. This does not bode well for the transfer of any territory to Japan.

Tokyo's New Man in Moscow

Tamba's arrival in Moscow was given fairly extensive coverage in the Russian press. Several of the larger dailies published interviews with him. Much was made of the fact that Tamba was born on Sakhalin Island, speaks good Russian, and has dedicated a large portion of his career at the Foreign Ministry covering Russia. Tamba's appointment is clearly a measure by Tokyo to push relations forward at all levels, and the Russians greeted this in a positive manner.

Upon his arrival, however, Tamba was forced to deal with a tense hostage situation in Kyrgyzstan, where four Japanese geologists were kidnapped in August by Tajik and Uzbek bandits in a remote valley along the Kyrgyz-Tajik border. As Japan has no embassy in Kyrgyzstan, the staff at the embassy in Moscow was forced to handle this delicate issue. A good number of Japanese diplomats in Moscow were sent to monitor the situation and to help the Kyrgyz government with negotiations. The Russian government also cooperated with both the Japanese and the Kyrgyz governments during the negotiating process. Upon resolution of the crisis in late October, Japanese Prime Minister Keizo Obuchi extended a personal note of thanks to Russian President Yeltsin and Premier Vladimir Putin. In the message addressed to President Boris Yeltsin, Obuchi reiterated his "readiness to step up interaction between Russia and Japan in their fight against international terrorism."

By the time this issue was successfully resolved Russia was knee-deep in the Chechnya morass. The Japanese government's reaction to the war was muted, compared to the other members of the G-7 group. In early November, amidst a rising clamor in the West to cut off aid to Russia, the Japanese Foreign Ministry announced that it considered Chechnya to be an internal Russian matter. Later, perhaps with the scrutiny of Western governments and its own press (which has been critical of Russia's actions in Chechnya) on its mind, Japan announced that it would extend \$1 million in humanitarian aid to Chechen refugees in the North Caucasus. Nevertheless, the Japanese Ministry of Foreign Affairs has been careful not to allow the war in Chechnya to upset the relationship with Moscow. Since the flurry of diplomatic activity in 1997-98, relations between the two nations have been stagnant, and Tokyo wants to reactivate them.

In fact, as Michel Camdessus, director of the IMF, began hinting that his organization would consider cutting off aid to Russia because of the campaign in Chechnya, the Japanese government announced in late November that the Japan Export-Import Bank would release \$375 million in credit to the Russian government. This credit is linked to a loan package of \$1.5 billion announced by the Japanese government in early 1998. Alexander Livshits, the Russian president's envoy to the G-8 Group, praised the Japanese government saying, "Japan is the only country which is keeping its credit line to Russia open and running, and we highly assess that." Interestingly the announcement made little impact in Moscow, where all attention was focused on the war and the Duma elections. Only one paper, *Izvestia*, had a lengthy article reporting the credit extension, and no mention was made on the nightly newscasts. Russia is in no position to spend any effort on furthering relations with Japan, especially when it might mean surrendering territory, which would be anathema in the midst of a "secessionist" war in the Caucasus. In spite of the Japanese government's cautious stance and its attempts to show support for the Russian government, it soon became apparent that Moscow had no plans to reward Tokyo.

Ironically, the visit of former Japanese Prime Minister Ryutaro Hashimoto to Moscow in mid-November garnered more attention in the Moscow press than the credit extension package. Ostensibly, Hashimoto was in Moscow to attend an annual Kendo competition that bears his name. However, the visit was widely seen as an attempt by Tokyo to probe the Russian leadership on the status of the territorial issue, and to firm up the dates for a pending Yeltsin visit to Japan. Following the Japanese Ministry of Foreign Affairs line, Hashimoto stressed that the Chechen issue is mainly Russia's internal matter and expressed his understanding of the difficulties that this problem has created for the president of Russia. The Russian Duma rewarded Hashimoto's goodwill visit by drafting a statement declaring that territorial concessions to Japan are impermissible and, "reminds the president of his constitutional duty to take steps to protect the sovereignty, independence and territorial integrity of the Russian Federation." The resolution also said, "Any treaty implying the loss or restriction of the sovereignty of the Russian Federation over the South Kurile islands has no prospects of being ratified by the State Duma." Six days later, President Yeltsin announced that he would not visit Japan in 1999, as he had promised earlier in the year. The Japanese government, used to Yeltsin's whims (this is his third cancellation of a trip to Japan), took solace in the announcement made two weeks later by Russian Foreign Minister Igor Ivanov that Yeltsin would visit Japan at the end of March 2000. However, with Yeltsin's resignation and the upcoming election, any visit by a Russian president is unlikely to happen this year.

Tokyo's high profile campaign and good faith efforts to restart the positive momentum that characterized Japanese-Russian relations in 1997-98 fell on deaf ears in Moscow, where a

war and a vicious election campaign occupied the attention of the entire Russian nation. Yeltsin's resignation means that both halves of the team that produced the positive atmospherics during 1997-98 are gone. Tokyo is unlikely to find a sympathetic partner in acting President Vladimir Putin, who has vowed to crush any attempt to break up Russia.

Russia's Busy Autumn

More even than the Duma election, Russia's war in Chechnya has dominated the political agenda in Russia. Unlike the first Chechen campaign, this one has been widely supported around the country. Many Russians feel a direct connection to this war (because of the terrorist attacks which shook Russia in early September 1999), unlike the situation in 1994-96.

The Duma campaign was intimately linked to the war in Chechnya. As Russian forces pushed closer to Grozny the ratings of Prime Minister Putin and the Unity Block (Edinstvo), which he supports, rocketed skyward. Edinstvo's remarkable showing (more than 20 percent of the vote) in the December 19 Duma elections is seen as a popular referendum in support of the war. As the election campaign and the war in Chechnya heated up, so too did anti-American rhetoric. Since the war in Kosovo last spring Russians feel as if their country has been slighted and ignored time and again by the West. Many around the country are looking for a strong-willed man to restore national pride. Putin is their man.

Some Japanese have privately expressed their desire to see a strong government in Moscow, one with whom they can deal. Informed observers in Japan reason that stability promises economic recovery. Furthermore, they believe a strong government will be easier to deal with over territorial issues. At this point neither analysis can be proven or refuted. However, a nationalistic backlash in Russia threatens to undermine any progress that has been made in Japanese-Russian relations over the past decade. Japan is still seen by the average Russian as an American lackey. When Russian leaders think of East Asia today, they see it less and less in terms of trade and economic potential, than in terms of an arena where they can play the China card to combat what they see as "hegemonist" tendencies by the United States.

Anyone making the assumption that political order means economic stability must also remember that Russia is deeply tied into the global economy. They must remember the Asian contagion that swept Russia in the summer of 1998. Russia needs continued aid and investment. An overly nationalist government in Moscow is likely to lose the financial support of the West, especially if political frictions between Russia and the West continue as they are today. Most U.S. presidential candidates are now calling for the cessation of financial aid to Moscow if it continues to prosecute the war in Chechnya. All indications at the end of this quarter point to continued Chechen resistance. This hardly bodes well for the Russian economy. Not only does the war threaten financial aid, but also the Russian government can ill afford to finance a long and costly war in the Caucasus.

The make-up of the new Duma, along with the accession of Putin as president, means that Tokyo is unlikely to find new friends in high places in Moscow. Though many Western newspapers paint Putin and Edinstvo as "centrists," they are by no means amenable to any territorial agreement with Japan whilst prosecuting the war in Chechnya.

The Big Picture

On the diplomatic front, the Japanese government has remained quiet about Russia's much publicized overtures toward China, but one cannot help but think they are following this issue closely. Japan was seen to be Russia's link to the prosperous economies of East Asia in the early 1990s. Today, when Russians think of East Asia in the 21st century, they think of China. To simply dismiss the idea of a fundamental deepening of relations between China and Russia would be foolish. If the right conditions exist, there is no reason why Moscow and Beijing cannot become close allies. Two of the thorns in the later-Cold War era relationship between China and the Soviet Union (territory and ideology) have been removed (at least for now). Potential problems still exist (China's role in Central Asia, and the demographic issues in the Russian Far East), but strategic issues are driving Moscow and Beijing closer together. Tokyo recognizes this, and is no doubt concerned. Japan's diplomatic agenda has begun showing subtle signs of independence from the United States, and will continue to do so. However, Tokyo is unlikely to improve relations with Moscow at the expense of its relations with Washington.

If relations between the U.S. and Russia continue to deteriorate, Japan and the territorial issue could once again become hostage to a new cold war in the 21st century. Tokyo is hoping that the anti-American rhetoric in Russia will die down after the Duma elections at the earliest, or after the presidential election in March at the latest. Another matter that could poison relations between Tokyo and Moscow is the Theater Missile Defense issue. Japan appears willing to help the United States develop and deploy such a system in the Asia-Pacific region. While this is not seen as a direct threat to Russian national security as such, any joint development will help the United States to attain its goal of a national missile defense system. This strikes at the heart of Russia's one remaining viable means of maintaining its status as a power -- its inter-continental nuclear capability. Stay tuned to see how this issue affects relations between Moscow and Tokyo.

Japan's new man in Moscow, Minoru Tamba, maintains an optimistic outlook on the future of Japanese-Russian relations. However, he no doubt realizes that relations have taken a step backward since 1997-98, and even a man as talented as himself will be hard pressed to further the Krasnoyarsk agenda this year.

Chronology of Japan-Russian Relations October - December 1999

Oct 12: Minoru Tamba arrives in Moscow as the new Japanese ambassador.

Oct 25: Japanese hostages in Kyrgyzstan released.

Oct 27: Russian Prime Minister Vladimir Putin comes out for Peace Treaty with Japan. No Victory-Over-Japan Day to be celebrated announces the Russian Duma.

Oct 30: Popular Moscow Mayor Yuri Luzhkov announces that he opposes any territorial concessions to Japan.

Nov 2: Japanese Ministry of Foreign Affairs (MOFA) announces that Chechnya is an internal matter for Russia.

Nov 15-17: Ex-Japanese Prime Minister Ryutaro Hashimoto visits Moscow.

Nov 17: Russian Duma says no to Japanese territorial concessions.

Nov 23: Yeltsin announces that he will not visit Japan in 1999 as promised.

Nov 24: Japan releases \$375 million aid tranche.

Nov 24: Russo-Japanese Fishing Wars; Captain of Japanese fishing vessel charged with poaching in Russian Far East.

Nov 27: Kremlin announces that Yeltsin will visit Japan in March/April of 2000.

Dec 6-8: Meeting of Deputy Foreign Ministers.

Dec 7: Kremlin announces that Foreign Minister Igor Ivanov will visit Tokyo in late January.

Dec 10: Japanese MOFA announces that it will provide \$1 million in aid to Chechen refugees.

Dec 16-17: Yohei Kono and Igor Ivanov meet in Berlin at summit of G-8 foreign ministers.

Dec 31: Yeltsin resigns.



China-Russia Relations: Back to the Future

Yu Bin

On the eve of the new millennium, Moscow and Beijing continued to deepen their “strategic partnership.” The last quarter of the year started with much fanfare to commemorate the twin 50th anniversaries of the PRC’s founding and Russian (Soviet)-PRC diplomatic relations. This culminated with Boris Yeltsin’s visit to Beijing -- before his “grand exit” at the year’s end -- for another “informal” summit with his Chinese counterpart. In both cases, symbolism and substance interplayed against a backdrop of perceived Western pressure led by the United States.

Beyond the 50th Anniversaries

While the twin-anniversaries were commemorated with mixed feelings of expectations and anxieties toward the future in both countries, the last quarter of the year and millennium began with quite a few unprecedented developments in bilateral relations. First, Russian and Chinese navies conducted their first joint naval exercise since 1949 on October 3-6. Visiting Russian warships included the Pacific Fleet flagship Varyag and destroyer Burgy. The 7,940-ton, Type 956E, Sovremenny destroyer received particular attention from Chinese military observers who noticed that the ship was designed to counter U.S. carrier groups. The Chinese Navy would acquire two of the same type at the turn of the millennium. Then, in mid-October, the two countries began the process of creating a 100-kilometer wide de-militarized zone on each side of the Sino-Russian border. This was a step toward implementing the final agreement on military force reduction and confidence building measures reached in late August 1999 during the five-nation summit (Russia, China, Kyrgystan, Kazakstan, and Tajikistan) in Bishkek, Kyrgystan. Next, with the help of Russian expertise and technology, China reportedly began the construction of a new type of nuclear-powered submarine. The sub, expected to be in service in three years, will have strategic nuclear strike capability. On October 18, Russia and China apparently accelerated their cooperation in space science and technology as Russian Space Agency chief Yuri Koptev announced that Russia would help China carry out its first manned space flight toward the year’s end. Russia also began training a group of 20 Chinese astronauts in its Yuri Gagarin Cosmonaut Training Center.

While developments in the strategic/military area attracted the most public attention, perhaps greater progress was made in non-military and low-key projects. According to a Chinese media account, more than 1,000 Russian technology projects have been introduced to China in the past five years. When Chinese Premier Zhu Rongji visited Russia in early 1999, the two sides resolved to expand their cooperation in science and technology. They signed technological trade contracts for over \$1.5 billion. The accord seemed to have gained strong

support from both governments in 1999 when a high-tech industry base was set up in China's coastal city of Yantai, Shangdong Province.

By the year's end, a \$3.2 billion nuclear-power project broke ground in China's Jiangsu Province. This is by far the largest joint governmental investment by Moscow and Beijing. The Russian-made generators, which have the advantage of a high peak-load operating capacity compared with Western equivalents, will be the two largest nuclear generators in China when they are put into commercial operation in 2004 and 2005.

Meanwhile, preparation for a gas and a power transmission line from Russia to China through Mongolia continued. This was the main economic subject of a Kremlin meeting between Russian President Boris Yeltsin and his Mongolian counterpart Nachagiyn Bagabandi immediately after Yeltsin's trip to China. All three participating countries will benefit from constructing this "project of the century."

Bilateral trade was estimated to reach \$6 billion, up from \$5.5 billion in 1998, reversing the downward trend occurring since late 1996. China is Russia's third biggest trading partner among countries outside the former Soviet Union. Russia's share in China's total trade turnover is about five percent. By the end of 1999, Russian investments in major projects under construction in China reached approximately \$300 million, a quite remarkable sum for a cash-tight country like Russia.

Despite all these developments in both "high" and "low" politics, both Moscow and Beijing continued to deny any temptation to advance their "strategic partnership" into one of alliance against a third party. Nor did any credible Western observer give serious consideration to the possibility of a Sino-Russian "axis" in the foreseeable future, many citing historical enmity and geopolitical rivalry as long-term constraints in their bilateral relations.

These opinions -- Russian, Chinese, and Western -- may miss the true, and evolving, nature of the Moscow-Beijing relationship. That is, both Moscow and Beijing have carefully and persistently pursued a normalcy in bilateral relations in the past ten years. In Yeltsin's words, the current Sino-Russian relationship is one of "trust, friendship, peace and cooperation." Unfortunately, few in the West care about those "declared" principles, which are dismissed as symbolic at best and propagandistic at worst. This rhetoric, however, makes more sense if the current normalcy of bilateral relations is contrasted with the past "extremes" of the "best" (alliance of the 1950s) and "worst" relations (arch enemies of the 1960s-1970s) between Moscow and Beijing.

Perhaps the process of achieving the current cycle of bilateral relations is more important than the state of normalcy itself. Unlike the grand, "lean-to-one-side," strategic choice made by paramount leaders (Mao and Stalin), Moscow and Beijing have been taking small steps. This piece-meal, problem-solving approach in developing bilateral relations is clearly different from the sweeping alliance relationship of the 1950s when problems that were first avoided eventually degenerated into crises and breakdowns.

At the strategic level, both sides have opted for a more flexible, case-by-case, area-by-area, coordinating approach, instead of the sweeping, rigid, obligation-ridden alliance as was the case during the Sino-Soviet honeymoon period of the 1950s. Both sides have tried to minimize

the impact of their growing strategic coordinating actions upon their respective relations, particularly in the economic areas, with the West and the United States. This being the case, the frequent “no-alliance” assurance from both Moscow and Beijing should be taken more seriously. It is clear that Moscow and Beijing have pursued a very different type of relationship from the wide fluctuations of the past, making sure that their ties are balanced, sustainable, and substantive at all levels. It is against this backdrop that Yeltsin’s last trip to Beijing as Russia’s president is analyzed.

A Russian in Beijing: Bear Hugs and “Nuke” Grumbles

Boris Yeltsin’s December trip to Beijing turned out to be his last major foreign policy move before his sudden resignation at the end of the millennium. This eighth meeting in the past ten years between Yeltsin and Jiang Zemin (two, including this one, were “informal”) was widely anticipated in both Russia and China yet was repeatedly postponed. Nonetheless, both sides were looking forward to a “qualitative breakthrough” in their bilateral relations. The informal meeting finally took place only two days after Yeltsin was released from hospital following a week-long stay for a respiratory infection.

The two sides concentrated on international issues. This focus was reflected in their joint statement in which eight of the ten points were devoted to international issues of varying kinds. The main theme was to promote a fair, democratic, balanced multipolar world based on the UN Charter and existing international laws. Both sides resolved to oppose a unipolar world order with cultural/ideological uniformity, presumably imposed by the U.S.-led Western world.

Beijing and Moscow were apparently alarmed by a perceived “negative momentum” in the area of international security. The joint statement specified a series of unilateral actions taken by the U.S. including attempts to redefine the Anti-Ballistic Missile (ABM) Treaty, intention to deploy a theater missile defense system (TMD), and refusal to approve the Comprehensive Nuclear Test Ban Treaty (CTBT).

Issues of sovereignty, national unity, and territorial integrity were also key issues, as both Moscow and Beijing are challenged by what they term separatist movements (Chechnya and Taiwan) and their internationalization. Both pledged support for each other’s effort for national unity.

While strategic issues were discussed between Yeltsin and Jiang, the Russian president devoted his talk with Chinese Premier Zhu Rongji to bilateral economic issues of trade, high-tech joint ventures, technology transfers, military sales, and infrastructure projects such as oil, gas, and transport. The Russians disclosed that both sides were interested in boosting military cooperation and “serious talks are expected” in that field. These talks were apparently so successful that the Chinese premier described Yeltsin as making a “historical contribution...to the growth of Sino-Russian friendly and cooperative relationship.”

Yeltsin’s sudden departure from politics clearly surprised Chinese leaders. President Jiang Zemin expressed his “sorrow” over his Russian counterpart’s unexpected move. China’s nostalgia for Yeltsin’s Russia and concern for the post-Yeltsin uncertainties in bilateral relations are easily understood, largely because Yeltsin and Jiang “have established quite strong personal

contacts characterized by a high degree of confidence and frankness.” And it was “their personal relationship that allows them to discuss any questions.”

Indeed, in the midst of constant change among the top Russian political elite, Yeltsin became a strong anchor in Beijing’s relations with Moscow. It was quite ironic that Yeltsin, the father of Russian democracy, steadily rebuilt relations with China, a rising, non-Western, and communist power. For the West and particularly the United States, the unpredictable Russian leader was tolerated because no one else seemed capable of managing the decline of this vast empire with thousands of rusted nuclear weapons. Yeltsin’s choice of Beijing to remind Washington of Russia’s nuclear capabilities was a warning, if not a threat, to the West, which in recent years has grown accustomed to a weakening Russia. Yet for the Chinese, Yeltsin’s personal investment in promoting relations with Beijing is perhaps bigger than any other Russian leader’s in the 20th century, from the Czar to Gorbachev.

The New Millennium: In Search of Stability in an Uncertain World

Yeltsin’s “bear hugs” and tough “nuke” talk in Beijing, however, should not be treated as a mere personal attachment to relations with China. In the last year of the 20th century, both continental powers faced growing internal tensions and perceived mounting external challenges to their respective national interests. Although both have significantly departed from their past communist legacies, they have found a fast-changing, unfriendly, and even increasingly dangerous, international environment. This is particularly true in their relations with the United States. In the eyes of the Russians and Chinese, the hegemonic power is now determined to go alone and outside the existing world governing institutions/regimes (UN, CTBT and ABM Treaties), most of which were the U.S.’ own creation. This is in sharp contrast to the post-World War I era when the non-status quo powers (Germany, Japan, and Italy) were the first to quit the League of Nations. Despite the differences between the two historical periods, both are seen as destabilizing. The concerns of China and Russia about Washington’s attempted “grand-exit” were clearly reflected in the joint statement in which Yeltsin and Jiang Zemin repeatedly emphasized the role of UN, international law, and international treaties in world affairs.

For Moscow and Beijing, this posture of U.S. hegemony is not just unilateralist but interventionist as well. This dual nature of U.S. foreign policy is bolstered by Washington’s move toward actual deployment of the TMD and national missile defense (NMD) systems. This, coupled with a growing and consolidated alliance infrastructure Washington has constructed around the world, poses serious constraints/threats to China and Russia’s national security in general and their nuclear deterrent capabilities in particular. Moscow and Beijing were sufficiently alarmed by the unrestrained and unopposed power of the United States during the Kosovo crisis in early 1999 when the UN was bypassed, Russians sidelined, and Chinese bombed. All this was done for a “fight-for-values-not-for-territories” justification, which the U.S. could apply to domestic issues in the two countries such as Chechnya, Taiwan, Tibet, and Falun Gong.

These actions of the U.S., among others, have been driving Russia and China together in search for a more balanced world with certainty and stability in the midst of their sweeping domestic changes. If this is the case, the strategic partnership, constructed by Yeltsin and his Chinese counterparts in the past ten years, will likely continue and even be furthered by Acting

President Vladimir Putin. The more pragmatic and apparently more nationalistic Russian leader is scheduled to visit China in February for the fifth Sino-Russian consultation at the prime minister level.

Chronology of China-Russia Relations October - December 1999

Oct 2-8: Two naval vessels of the Russian Pacific Fleet arrive in Shanghai for a five-day visit to mark the 50th anniversary of ties between the two countries. The Russian ships join the Chinese East Sea Fleet for the first joint exercise between the two navies since 1949.

Oct 7-10: A delegation of the Russian Communist Party headed by Party Chief Gennady Zyuganov visits China at the invitation of the international relations section of the Chinese Communist Party.

Oct 8-10: Mayor of Moscow Yuri Luzhkov visits Beijing to participate in the Days of Moscow festival in Beijing.

Oct 15: A group of Chinese officers arrive at Vladivostok to observe and verify Russian military withdrawal from the 100-kilometer area from the Sino-Russian border.

Oct 18: Russian Space Agency chief Yuri Koptev announces that Russia would help China carry out its first manned space flight, scheduled for an early-2000 takeoff.

Oct 18-25: Vice Adm. Shi Yun-sheng, commander of the PLA Navy, arrives in Moscow for a week-long visit to Russia. Shi's itinerary includes a working discussion with his Russian counterpart Adm. Vladimir Kuroyedov on implementing agreements for naval arms and technology transfers, joint naval exercises in 2000, and training of Chinese personnel in Russian military academies.

Oct 20: The Russia-assisted nuclear power plant breaks ground in Tianwan, Jiangsu Province. The project is the biggest cooperative project between the two governments and will generate 14 billion kilowatt-hours per year for Shanghai and its vicinity.

Oct 20: Russian Deputy Foreign Minister Grigory Karasin and Chinese Ambassador in Moscow Wu Tao have a "substantive discussion of the problems of strategic stability and security in the world."

Oct 27: Russian Cultural Minister Vladimir Yagolov visits Beijing.

Oct 28: Vladislav Nichkov, Russian vice-minister of science and technology, signs an accord with Chinese counterpart for Sino-Russian cooperation in high-tech research park based in Yantai, Shandong Province.

Nov 2: An agreement on financing trade operations is signed in Moscow between Russia's Vneshekonombank and Bank of China.

Nov 5: Russia, China, and Belarus draft a resolution for the UN General Assembly for continuing efforts to strengthen and preserve the ABM Treaty.

Nov 16-17: The third round of Russian-Chinese general staff talks are conducted in Moscow, discussing issues concerning military and military-technical cooperation, international security, and the need to fight ethnic separatism, religious extremism, and terrorism at an early stage.

Nov 26: The second round of bilateral consultations at the deputy foreign minister level are held in Moscow between deputy foreign minister Wang Guanya and his Russian counterpart Grigory Berdennikov.

Dec 10: First Vice-Premier Viktor Khristenko receives President of the Chinese People's Bank Dai Xianglong.

Dec 10: Eight Russian carrier-borne anti-submarine helicopters (three Ka-27s and five Ka-28s) are delivered to China under a contract to fit out two Sovremenny-class destroyers.

Dec 9-10: Russian President Yeltsin visits Beijing and uses the opportunity to remind the United States that Russia “possesses a full arsenal of nuclear arms.” The two sides vow to “deepen” their strategic partnership. Three documents are signed: a protocol on narration of their eastern border, a protocol on narration of their western border, and an agreement on joint use of some islets and surrounding waters in border rivers for economic purposes.

Dec 11: China and Russia reportedly reach another major arms sales agreement shortly after Yeltsin ends his Beijing trip. The Russian side reveals the \$1 billion deal consists of dozens of Sukhoi-30MKK aircraft or even more advanced models.

Dec 20: Russian Deputy Foreign Minister Grigory Karasin represents Russia at the celebration of Macao’s return to China after hundreds of years of Portuguese colonial rule.

Dec 22: A second group of Chinese astronauts are reported to receive training in Russia’s space center.

Dec 24: A public opinion poll shows that 88 percent of the Chinese believed Chechen militants are resorting to terrorist means to split from Russia; 76 percent support Russian military actions against Chechen separatism; and 88.4 percent see Western diplomatic and economic pressure on Russia as interfering in Russian domestic affairs. The Social Survey Institute of China (SSIC) conducted the poll in seven major Chinese cities.

Dec 26: First of two Sovremenny-class guided missile destroyers (armed with SS-N-22 Sunburn supersonic anti-ship cruise missiles) is delivered to the Chinese navy in St. Petersburg, Russia.

Dec 31: In his letter to the outgoing Russian president, President Jiang Zemin expressed “sorrow” [*wan xi*] over Yeltsin’s sudden resignation.



North Korea: Making up Lost Ground, Pyongyang Reaches Out

Aidan Foster-Carter

On January 4, 2000, Italy became the first G7 nation to establish full diplomatic relations with the Democratic People's Republic of Korea (DPRK, North Korea). This new year gift is the first fruit of a new bid over the past year, by a state still often seen as a "hermit kingdom," to mend diplomatic fences and forge fresh partnerships. That effort may well net further catches soon, possibly including Australia, Canada, and the Philippines. However, any recent gains must be seen in the context of the serious reverses, some self-inflicted, which the DPRK has experienced internationally, especially during the past decade since the end of the Cold War. (For the author's assessment of North Korea's diplomatic history, please see *PacNet 2-00*.) In that sense, Pyongyang is mostly making up lost ground rather than charting new pastures. Moreover, the symbolic value of chalking up new ties with lesser powers is no substitute for the need to make substantive progress with the five countries that are central to North Korea's interests: namely the U.S., Japan, China, Russia, and of course South Korea.

China. The PRC is North Korea's last remaining nominal ally. The 1961 treaty was renewed -- although Beijing assured Seoul that it would not support a North Korean attack on the South, unlike in 1950. In the 1990s China became the DPRK's main trading partner, as Pyongyang took its overdraft elsewhere when Moscow abruptly ended subsidies in 1991. After trying to make North Korea pay like a normal nation, Beijing changed tack to giving aid (both overt and covert) in the mid-1990s: fearing that famine might precipitate a collapse of the DPRK, creating millions of refugees and perhaps bringing U.S. troops in a unified Korea to its borders.

Despite this support, political relations for most of the 1990s were cool. After China opened relations with South Korea in 1992, no senior leaders visited in either direction until last year. In June, Kim Yong-nam, who as president of the SPA (congressional) presidium acts formally as a head of state, led a large delegation to Beijing. While this broke the ice, the PRC was not pleased that the visitors included no economic cadres, and lectured them about the urgency of economic development. In October, Foreign Minister Tang Jiaxuan paid a return visit to mark the 50th anniversary of PRC-DPRK relations. While all was polite, he got a warmer welcome in Seoul two months later, where he saw Kim Dae-jung; he had not met Kim Jong-il when in Pyongyang. There are persistent rumors that the North Korean leader may visit China. One version is that he wants to come in secret, but that Beijing demands an official trip or nothing.

Internationally, as in the slowly ongoing Four-Party Talks with the two Koreas and the U.S., China opposes pressure being put on Pyongyang. But it also insists Koreans must settle

the Korean issue -- which is the South's position, but not the North's. And it is as rattled as the rest of the region by the DPRK's maverick moves, like launching missiles. In every field -- business, politics, culture, and increasingly even defense -- China's ties with South Korea outstrip those with the North. This trend will continue, as Beijing's long-run aim is to regain its historic hegemony in Korea -- which means cultivating the Korea that will count in the 21st century, namely the ROK. If the DPRK suddenly became more amenable to Chinese client status this balance might shift, but there is no chance of this under its present leadership.

Russia. Despite its role as quasi-creator of the DPRK, Moscow now wields little influence in Pyongyang. To North Korea both Gorbachev and Yeltsin were renegades, and Putin will be viewed similarly. Russian diplomats rue the indecent haste with which Gorbachev cosied up to Seoul, thus throwing away a position in the North built up over decades. Yet it is hard to discern any consistent Korea policy from a Moscow that dismayed Seoul by failing to repay debts -- then alarmed Pyongyang by doing so in the form of its latest military hardware.

Formally, a new treaty to replace that of 1961 was at last initialed in March of 1999, after years of negotiation. The text has yet to be published, but the old pledge of mutual military support will go. The final signing may take place in late January, if Foreign Minister Ivanov visits Pyongyang en route to Japan. In any case it will not presage any resumption of substantial ties, as neither party has much inclination or any money to do so. Importantly, even if Russia becomes more anti-western, this would not entail any shift to favor Pyongyang. As a near neighbor, Russia, like China, appreciates which is the Korea that matters for the future.

The U.S. Until the mid-1990s there was no relationship between the U.S. and DPRK, other than under UN auspices at Panmunjom. The nuclear crisis changed all that, as Pyongyang probably intended. For a state which has long demanded quixotically that the Korean issue be settled bilaterally by itself and the U.S. alone, as allegedly the two principals, going out on a nuclear limb paid dividends in opening a direct line to Washington: first on matters nuclear, but widening to include MIA (missing in action) and other issues. The Agreed Framework recognized this aspect, including as it did provision for an exchange of liaison offices as a potential first step towards diplomatic relations; although the DPRK later had second thoughts about the wisdom of giving American diplomats the run of Pyongyang. There was also *schadenfreude* in noting South Korea's discomfort about all this, when Kim Young-sam was president (1993-98); in contrast to his successor Kim Dae-jung, who has pressed Washington to go further and faster.

Unsurprisingly, this solitary and anomalous U.S. relationship with a "rogue state" (North Korea remains on the State Department's list of regimes sponsoring terrorism) has not been smooth. Its several dimensions include, ironically, the largest U.S. food aid program in Asia, almost all donated via the World Food Program (WFP). Despite unconvincing denials, this tap has been turned on and off in sync with political developments. In May of last year, U.S. inspection of a suspected new nuclear site at Kumchang-ri near Yongbyon, concern over which had raised tensions, was followed by a substantial new donation of food aid. The MIA issue has mostly gone well, with joint teams -- the only context where the Pentagon and Korean military work side by side -- so far unearthing 42 sets of remains. In 1999 Pyongyang scored a small point by insisting on delivering these directly to the U.S. side, instead of through Panmunjom under UN and MAC auspices as previously.

Having defused the nuclear issue with the Agreed Framework, U.S. attention turned to missiles; especially after Pyongyang rattled Tokyo by firing one (ostensibly to launch a satellite) over Japan in 1998, and looked poised to repeat the provocation in 1999. This and Kumchang-ri compelled the Clinton administration, under pressure from a hostile Congress, to review its policy on North Korea in what became known as the Perry process (after the ex-Secretary of Defense, William Perry, who led the review). After consulting with allies as well as visiting Pyongyang, Perry proposed a step by step process which began last September, when the DPRK agreed to suspend missile tests in exchange for the U.S. lifting many but not all economic sanctions.

True to form, Pyongyang is now backtracking or at least prevaricating again. Four months on, an expected U.S. visit by a senior North Korean for further talks has not materialized. On January 5 the DPRK ambassador to China declared cryptically that "Our delegation cannot visit the U.S. under the present circumstances." Three weeks earlier, talks to renew the MIA searches had also hit a snag when the North suddenly demanded aid of food and children's clothing -- something the Pentagon is not authorized to deal in. Whatever Pyongyang's game may be, in an election year -- in Japan and South Korea, as well as the U.S. -- such behavior plays into the hands of conservatives who attack engagement as appeasement. Despite efforts to gain bipartisan support for the Perry process, there can be no guarantee that a Republican U.S. president would continue to engage, let alone aid, North Korea.

Japan. Even though formally North Korea is the only country on earth with which Japan has no relations, in practice history and geography have created substantial, if complex, ties over the past half century. Two ongoing channels have been pro-North Koreans resident in Japan, and the former Japan Socialist Party (JSP), which took a pro-DPRK stance, visited regularly, and served as a conduit between the two governments. As mentioned above, talks in the early 1990s about diplomatic ties collapsed -- but not before agreeing on the principle that Japan would pay reparations for its pre-1945 colonial rule, as it did when it established relations with South Korea in 1965. The sum could be of the order of a trillion yen (\$10 billion), almost a year's GNP for the DPRK, which should be a major incentive in its current dire economic straits.

More recent ups and downs include Japan's gift of half a million tons of rice in 1995 (it got no thanks), and the August 1998 missile launch. The latter was a classic Pyongyang own goal: it stiffened Japanese sinews, and ended Tokyo's dithering over the closer defense ties that the U.S. had been pushing for. It nearly sank the Agreed Framework too, as Japan threatened to pull out of KEDO. It took a year for Seoul to persuade its angry and anxious ally to ease sanctions it had imposed after the rocket -- whereupon things moved fast. In December a cross-party delegation visited Pyongyang. Before the month was out, two separate sets of talks -- governmental and Red Cross -- had been held in Beijing, with further meetings due early this year.

This in effect restarts the process begun but aborted in 1990-92. Will it fare better this time? The innovation of twin tracks is meant to sideline one issue which sank the talks last time: the charge that North Korea abducted a dozen Japanese in the 1970s and 1980s. Pyongyang of course denies this. It purported to investigate once before -- and found itself not guilty, further infuriating Japan. It has now said it will look again; yet it is unthinkable that it will own up to such crimes. The issue may be neutralized by heaving it off to a Red Cross channel, where

the DPRK has a matching agenda to embarrass Tokyo: demanding investigation of the far worse and more numerous human rights abuses committed by Japan against Koreans before 1945. It also seeks food aid, something that Japan remains surprisingly reluctant to offer. The sole uncontentious issue is home visits by Japanese spouses of North Korean returnees. Two such visitations have occurred before, so there is no obstacle to resuming these, probably in the spring.

One step forward, two steps back. North Korea has recently arrested a Japanese visitor as an alleged spy. In January, DPRK media demanded apologies and compensation for the colonial period, seemingly as a precondition for more talks. All this presages a rocky road ahead.

South Korea. Although neither Korea formally files the other under *foreign* affairs (Seoul speaks of "intra-" rather than inter-Korean trade), it would be perverse not to consider this key relationship. As is well known, since Kim Dae-jung came to power two years ago the ROK has moved from the inconsistent but mostly negative approach of Kim Young-sam to a bold new Sunshine Policy: patient (if not unlimitedly) in the face of provocations, and seeking to pursue whatever channels Pyongyang is comfortable with. For now, this means business and civilian contacts. Hyundai has led the way, with tourist cruises to the North's Mt Kungang that have taken more than 150,000 southerners so far, and inter-Korean basketball matches in Pyongyang and most recently Seoul. Separately, two inter-Korean pop concerts -- the first ever -- were held in Pyongyang in December and televised on both sides of the DMZ.

Sunshine has its limits. Having played down two northern spy ship incursions in 1998, last June the ROK Navy swiftly sank a northern boat when fired on in a dispute (which may yet recur) over the west coast sea boundary and fishing rights. Hyundai's activities are mainly tribute bearing so far: it paid Pyongyang a useful \$290 million for the first year's tours, which some in Seoul fear could help arm the North Korean military. Hyundai is annoyed that its plan to build a vast export zone near Haeju, convenient for the southern port of Incheon, has been diverted by Kim Jong-il to remote Sinuiju on the border with China. Southern public opinion is divided and unsure.

The missing dimension is state to state dialogue, which the DPRK countenanced in 1990-92 but not since. The closest thing was quasi-official talks in Beijing early in 1998 and in 1999, mainly about fertilizer, which Seoul offered at first conditionally but later without strings. It hoped in exchange to discuss family reunions, but the North was not having it. Professing as it does that Sunshine is just the latest cunning southern plot to crush it, Pyongyang will not aid Kim Dae-jung by offering talks at least until after the ROK's assembly elections on April 13.

One important advance is that while the two Koreas remain enemies, they are no longer strangers. Thus the ROK's new unification minister, Park Jae-kyu, is an academic North Korea expert who as a university president visited the DPRK in 1998 to discuss exchanges. His wife, also a professor and northern-born, was actually in Pyongyang (with a media group covering the pop concerts) when her spouse got the job. For Korea, this is progress -- and every little helps.

Reaching out to Europe

When Paek Nam-sun last fall became the first North Korean foreign minister to attend the UN General Assembly in seven years, he was especially keen to cultivate European counterparts. Six agreed to meet him, including the current EU president Finland -- which in the past twice expelled North Korean ambassadors for smuggling and bribery. Will any of these other EU states follow Italy's lead? Probably not. Many think formal ties should be kept in reserve until Pyongyang's general attitude improves.

Although no major west European countries formally recognized it until Italy took the plunge, the DPRK has long found ways of maintaining a presence in the region. Its main tactic was to open missions to international organizations -- UNESCO in Paris, FAO in Rome, and the IMO (International Maritime Organization) in London -- that then functioned as quasi-embassies, despite host country disapproval. The ploy was transparent, as when Pyongyang coolly asked for a staff of 20 for its IMO office. The UK permitted it just two. France under Mitterand let the DPRK upgrade its Paris trade office (since merged with its UNESCO outfit) to a "general mission," thus conferring quasi-recognition. There is also a presence in Berlin, where the former North Korean embassy to the GDR survives as an interest section within the Chinese embassy. Germany has however steadfastly resisted Pyongyang's pleas for formal relations.

The DPRK is also in dialogue with the EU as such, holding a second round of political talks in Brussels last November (the first was in December 1998). While this strand is new, EU (earlier, EC) interest in North Korea is not. As long ago as 1985 the European Parliament made overtures to Pyongyang, but elicited no response. More recently, the EU (via Euratom) has become a board member of KEDO, and the EU has given famine aid to North Korea. But there is scant support for major initiatives unless North Korea's overall stance changes. For many that must include Pyongyang at least acknowledging its debts from the 1970s, most of which are owed to European governments and banks. The EU also has human rights concerns, an issue which others (notably the U.S.) choose not to press.

Middle Powers: Canada and Australia

The DPRK may get joy from countries of mainly European settlement, such as Canada, Australia, and New Zealand. Ottawa has been active in promoting "track two" regional dialogue in the north Pacific and elsewhere, and sees an honest broker role as a useful niche for itself as a "middle power." North Korea sent a three-man team to Ottawa in October, while a six-strong Canadian party returned the compliment in December. Each group was a mix of foreign ministry officials and academics. Moving up a notch, the next step may be a visit by a North Korean vice-minister in February, possibly preceded by a further Canadian delegation to Pyongyang in January.

While Canada is starting from scratch, Australia has a history -- and not a happy one. It went out on a limb to recognize the DPRK in 1974 -- only for North Korean embassy staff to quit Canberra mysteriously a year later, while its own diplomats were expelled from Pyongyang. After preliminary contacts last year, talks about resuming ties are expected in January or February, probably in Pyongyang. Despite lingering skepticism from this earlier episode and

misgivings in some quarters in Canberra, Australia may well give the DPRK a second chance. Last July North Korea also sent its first ever delegation to New Zealand. The subsequent shift to a more left-wing government in Auckland may improve Pyongyang's chances there.

South and East Asia: Regional Renewal

The third main focus of DPRK diplomatic initiatives is its own region -- long neglected in the quest for influence further afield, such as Africa. North Korea's oldest friend in ASEAN is Indonesia, which Kim Il-sung visited in 1964 in Sukarno's era. Ties survived under Suharto, with Indonesia keeping a large embassy in Pyongyang to watch China. Most other ASEAN members also have relations. North Korean missions in Kuala Lumpur and Singapore have hosted both overt and covert dialogue with third parties (eg KEDO and Japan, respectively).

Yet Pyongyang has also bitten the hand that feeds it, above all in Thailand: a major supplier of rice, not all of it paid for. Last March Bangkok was outraged when North Korea coolly sent a hit squad to kidnap a diplomat who had defected. But for a car accident he would have been spirited across the Laos border. This incident still reverberates: only in December were two of the North Koreans involved allowed to leave Thailand. Two more are still detained.

Such an episode gives pause for thought in Manila. The Philippines long hesitated to tie the knot with a regime suspected of backing its own communist insurgency: a habit that has seen North Korean diplomats expelled from Mexico and Sri Lanka, among others. It continues to mull the issue, with the government divided between those ready to take the plunge and others who would attach the usual conditionalities: progress on the nuclear and/or missile issues, and in inter-Korean relations. But with even Brunei having opened relations last year, Manila may well follow suit -- leaving an unforgiving Burma (Myanmar) as the sole ASEAN holdout.

Further north in Asia, two developments are worth noting. Hong Kong's reversion to China has allowed the DPRK to open a consulate there -- over the expressed opposition of the Hong Kong police, who fear this will be a base for dubious activities like North Korean offices in Macao, which have been linked to counterfeiting. And interpretation of the DPRK's closure of its embassy in Ulanbataar last August as a reprisal for Kim Dae-jung's visit three months earlier is countered by Mongolian premier Renchinnyamiin Amarjagal's trip to North Korea (as well as the South) last November. But Mongolia supports the Sunshine Policy, and has expelled North Korean diplomats for passing forged \$100 bills.

Conclusion: A New Leaf?

What then are the overall prospects for North Korea's diplomacy in the new century? This year may well see a few more countries following Italy's lead and recognizing the DPRK. Most of the remaining holdouts, however, will probably refrain unless and until Pyongyang shows itself more inclined towards peace and reform.

Forging new ties might even prove a Pyrrhic victory on one level, in that it works against the DPRK's recent policy of closing embassies to save money. By Seoul's reckoning (they still

keep score), having decided early in 1998 to close 30 percent of its overseas missions, North Korea now covers the 135 states with which it has relations with just 51 actual missions, 20 of which are accredited to more than one country. It also replaced 27 ambassadors, more than half the total, in 1999. One hopes Pyongyang will resist the temptation to cover any new costs by illicit activities, since the outrage would wipe out any small gains from the new relations.

In conclusion, the ball is in North Korea's court. Every nation on earth would welcome, and many would reward, tangible signs that the Pyongyang leopard had changed its spots. This we do not yet see. Rather, recent developments reflect mainly a more permissive attitude by others, especially South Korea. For its part, the DPRK is testing the waters and to a limited extent (as with China) seeking to mend fences. Opening ties does not equate to opening in any deeper sense. But we must hope it is a small step in that direction.

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