

# **Comparative Connections**

A Quarterly E-Journal on East Asian Bilateral Relations

Edited by  
Brad Glosserman and Eun Jung Cahill Che

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# Comparative Connections

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 Brad Glosserman and Eun Jung Cahill Che, with Ralph A. Cossa serving as senior editor, was created in response to this unique environment. *Comparative Connections* provides timely and insightful analyses on key bilateral relationships in the region, including those involving the U.S.

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

Our aim is to inform and interpret the significant issues driving political, economic, and security affairs of the U.S. and East Asian relations by an ongoing analysis of events in each key bilateral relationship. The reports, written by a variety of experts in Asian affairs, focus on political/security developments, but economic issues are also addressed. Each essay is accompanied by a chronology of significant events occurring between the states in question during the quarter. 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.

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He did it. Japanese Prime Minister Koizumi Junichiro delivered on an unprecedented package of measures to support the U.S.-led campaign against terrorism. Not only did the Japanese government act in a timely manner, but shrewd diplomacy by the prime minister disarmed critics within the region. If recent events are reminiscent of the halcyon days of the alliance, the memories may be more bittersweet than some prefer. As in the good old days, the strengthening of security ties poses a sharp contrast to those on the economic front. Trade frictions, in that old favorite, the steel sector, are one irritant. The real problem is the continuing deterioration of the Japanese economy. Tokyo's failure to take forceful action in dealing with the troubled financial sector has set off alarms in Washington. Officials in both capitals recognize that any solution depends on political courage in Tokyo and that – recent developments notwithstanding – is always in short supply.

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From the war in Afghanistan to the anthrax scares to the Asia Pacific Economic Cooperation (APEC) show to the Anti-Ballistic Missile Treaty (ABM) demise, Russia and China – together with the rest of the world – were barely able to keep up with the thrust and momentum of U.S. foreign policy in the last quarter of 2001. Despite their support for Washington, both were taken back by the persistence of Washington's "unilateralism." In their bilateral relations, Moscow and Beijing actively coordinated their policies for the U.S.-led anti-terrorism war. Toward the quarter's end, however, they started to diverge over the ABM issue.

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Since India detonated five nuclear devices in May 1998, U.S.-India relations were dominated by a nuclear dispute. With the inauguration of the Bush administration in January 2001, prospects for improved relations were promising. The Bush administration took office with misgivings about sanctions, a desire to enhance or develop security-oriented relations with “friends and allies,” concerns about China, and deep skepticism regarding elements of the nuclear nonproliferation regime such as the Comprehensive Test Ban Treaty. If these predilections were translated into policy, the U.S. and India could likely move beyond existing constraints to good relations and forge enhanced ties. In 2001, progress in U.S.-India relations, at a pace and of a character “visible to the naked eye,” did occur. However, the Sept. 11 terrorist attacks on the U.S., the renewal of U.S.-Pakistani ties in their wake, and subsequent India-Pakistan tensions clouded the horizon of U.S.-India relations.

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## Regional Overview:

# U.S.-Asia Relations on the Upswing, But . . .

by Ralph A. Cossa  
President, Pacific Forum CSIS

As the Year of the Horse comes galloping in, U.S.-Asia relations, when compared to the rocky start experienced in the opening months of the Bush administration, now appear to be on the upswing throughout the region. The one exception is on the Korean Peninsula, where Pyongyang's refusal to take "yes" for an answer has resulted in a steady decline in U.S.-DPRK relations while adding some level of stress to U.S.-ROK relations as well. Despite this post 9-11 upswing, some problems remain and may grow, especially if (as seems inevitable) Washington follows through with its Dec. announcement to formally withdraw from the Anti-Ballistic Missile (ABM) Treaty in six months. This, plus the Bush administration's current tendency to view all events through an anti-terrorism lens, has left many in Asia wondering about America's overall national security strategy and President George W. Bush's vision for Asia, even though the new U.S. president received generally good reviews for his performance at the annual APEC Leaders' Meeting in Shanghai in October. The White House's effort to closely associate itself with the APEC Shanghai Accord's blueprint for future regional economic cooperation demonstrates the Bush administration's interest in breathing new life into this important Asia-Pacific multilateral forum.

## U.S.-Asia Relations Improving

After a somewhat rough beginning (see "Bush Asia Policy Off to a Rocky Start," *Comparative Connections*, Vol. 3, No. 2), U.S. relations with East Asian nations have gradually improved, helped in no small measure by feelings of sympathy and support generated in the wake of the Sept. 11, 2001 terrorist attacks against the U.S. National self-interest lies at the base of this support. As one U.S. security specialist wisely noted, Asian nations (like most others) cannot afford to have the U.S.-led war on terrorism fail; the consequences for all would be too great. Neither can they afford to have the U.S. campaign succeed without their perceived support, lest they run the risk of being deemed irrelevant in the emerging new world order.

President Bush's visit to Shanghai in October the annual Asia Pacific Economic Cooperation (APEC) Leaders' Meeting also provided an opportunity for many Asian leaders to meet face-to-face with the new U.S. leader and most came away impressed, and a bit more comfortable about Washington's attitude and commitment toward Asia. Unfortunately, the war on terrorism forced the White House to cancel the president's

other planned stops (Tokyo, Seoul, Beijing) and pre-empted his long-awaited comprehensive Asia policy statement.

**Russia.** The new post post-Cold War strategic relationship between Washington and Moscow continued to take shape over the past quarter, spurred by two face-to-face meetings between President Bush and Russian President Vladimir Putin (in Shanghai during the October APEC gathering and in Washington and Texas during Putin's November visit to the U.S.). The chemistry between Bush and his Russian counterpart remains positive and no doubt helped the two states avoid the disastrous consequences that many had earlier predicted would come with a unilateral U.S. withdrawal from the ABM Treaty. As will be discussed in more detail shortly, this announcement, combined with reported caveats associated with Washington's nuclear reduction plans and indications that the Pentagon is contemplating future nuclear testing, will ensure more rocky days ahead, even if the relationship remains on a generally positive trajectory.

**Japan.** U.S. officials have expressed great satisfaction with the "magnificent" Japanese support for the on-going war on terrorism and are genuinely pleased with Tokyo's willingness to be a more active security partner, albeit with significant restrictions aimed at keeping military operations well within the limits of Japan's Peace Constitution, as currently interpreted. Japanese Prime Minister Koizumi Junichiro's efforts to mend fences with Japan's Chinese and Korean neighbors after last quarter's controversies (over textbooks and Koizumi's August visit to Yasukuni Shrine) were also praised by Washington. On the economic front, Koizumi's reform efforts continue to receive strong support from the Bush administration, but Washington's current patience while waiting for real results may start running thin, especially if the U.S. economy does not begin to recover and long-standing trade tensions continue to fester.

**China.** Sino-U.S. relations saw significant improvement over the past quarter, building on the upward momentum established by Secretary of State Colin Powell's July visit to Beijing. Chinese President Jiang Zemin was delighted that President Bush came to Shanghai despite the intense nature of the war on terrorism's Afghanistan campaign and was even more pleased when he agreed to pursue a "cooperative, constructive relationship" with China. Even though Bush added a third "c" – "candid" – to remind his Chinese interlocutors that differences remained and would not be swept under the table, Beijing seemed relieved that the old "strategic competitor" slogan had finally been replaced with a more positive mantra. For its part, Washington seemed equally pleased with the outcome of the meeting, with Jiang permitting an anti-terrorism statement – the first political statement ever issued at an APEC Leaders' Meeting – in addition to the normal economic declaration and otherwise providing Chinese support (with caveats) to the war on terrorism. While it would be wrong to say that a fundamental shift in U.S.-China relations has occurred (see "China: Odd Man Out in the Evolving New World Order?" *PacNet* 44) relations are clearly on the upswing, which makes it easier for both sides to deal with the many thorny issues that will continue to plague the relationship.

**Taiwan.** Some eyebrows were raised in Washington when Taiwan President Chen Shui-bian announced his decision to boycott the APEC Leaders' Meeting (due to real and

perceived Chinese insults) just as President Bush was about to conduct his first face-to-face meeting with Jiang Zemin. The Taiwan leadership has taken great pains since then, however, to assure Washington that it is not trying to undermine Sino-U.S. relations and that the Democratic Progressive Party's impressive gains during the December legislative elections and its apparent impending coalition with the new Taiwan Solidarity Union (whose spiritual leader is former Taiwan President Lee Teng-hui) will not lead to a more confrontational policy toward the mainland. Meanwhile, Taipei seems to have gotten over its initial fears that Washington would somehow cut a deal with Beijing that would swap China's support for the war on terrorism for a reduced U.S. commitment (or even a halt in arms sales) to Taiwan. Such a deal would, in truth, be politically impossible for any U.S. administration to pull off and would be unthinkable today, given the current administration's sentiments toward Taiwan.

***Korean Peninsula.*** U.S.-ROK relations remain generally positive and President Bush had a good meeting with ROK President Kim Dae-jung in Shanghai, although it failed to completely erase the memories of the considerably less successful first encounter between the two allies in Washington in March. It will likely take a presidential visit to Seoul – and smoother diplomacy than Bush frequently exhibits – to overcome growing complaints in the ROK that U.S. hard line attitudes toward North Korea are primarily to blame for the current lack of progress in North-South relations. Such views are ill-conceived, but they persist and must be dealt with. The reality is that Washington continues to stand behind its offer for dialogue “any time, any place” with Pyongyang and it is North Korea's insistence on preconditions – the most preposterous being a demand that Bush denounce his current policies and return to the policies of the Clinton administration if it wants to talk to the North – that continues to block U.S.-DPRK cooperation.

***Southeast Asia.*** U.S.-Southeast Asia relations, while mixed and in some cases quite tentative, range from, at worst, cordial to extremely good. Ties with the Philippines are most improved, given Philippine President Gloria Macapagal-Arroyo's unqualified support for the war on terrorism, which has manifested itself in low-key but previously unthinkable active U.S. participation (in an advisory capacity) in Manila's own anti-terrorism struggle against the Abu Sayyaf. Thailand has also been generally supportive of its ally's anti-terrorism effort (while trying not to antagonize its own Muslim community) and U.S.-Singapore ties remain on solid ground.

The picture is not all rosy, however. Of particular concern has been the politically expedient backsliding of Indonesian President Megawati Sukarnoputri from her initially strong expressions of support during her September visit to Washington. While Megawati no doubt felt that tempering her earlier remarks was necessary to keep her Muslim constituents quiet, this will likely reduce the enthusiasm with which Washington seeks to provide support to her beleaguered administration. The strategic rationale behind the need to help Indonesian democracy succeed has not changed, however, even if Washington's litmus test for determining who gets what kind of support has shifted since 9-11.

Meanwhile, Malaysian Prime Minister Mahathir Mohamad, who has perfected the art of saying the wrong thing (in Washington's eyes), has been sending mixed messages. He has strongly condemned Islamic terrorism in statements that set him apart from many of the world's Muslim leaders (even if one suspects domestic political motives behind many of his utterances). All indications are that Mahathir had a very cordial meeting in Shanghai with President Bush, even if his news conference shortly afterward about the evils of globalization quickly tempered any hopes by Washington that a new, more mellow Mahathir might be emerging. Mahathir reportedly also blocked a proposed expression of support for the U.S. military campaign against terrorism at the November ASEAN Summit, although one suspects that other equally unenthusiastic leaders were more than willing to let Mahathir carry the water on this issue. He did join the consensus statement condemning terrorism and the Sept. 11 attack as "an assault on all of us," thus keeping ASEAN in general on Washington's good side.

**South Asia.** Washington's relations with India and Pakistan also improved significantly during the past quarter, even as relations between the two nuclear weapons-equipped neighbors deteriorated significantly, especially after the bloody Dec. 13 terrorist attack on the Indian Parliament by alleged Kashmiri extremists. The politically expedient lifting of the remaining sanctions imposed by the U.S. after India and Pakistan came out of the nuclear closet with their 1998 tests made sense, given both their general ineffectiveness (few others supported this U.S. effort) and the need to have both states (and especially Pakistan) firmly in the U.S. anti-terrorism camp. But going back to "business as usual" neglects the real dangers that lie ahead if either country takes the next logical (or, in my view, illogical) step: the operational field deployment of nuclear warhead-equipped missiles. This would greatly increase the danger of inadvertent or unauthorized use, while encouraging both pre-emptive strikes and a "use or lose" philosophy that would "justify" a nuclear response to a conventional attack (or perhaps even threat of imminent attack) against the other's field-deployed sites. And, while one assumes that both sides' nuclear warheads are tightly guarded today, deploying them to the field makes them that much more vulnerable to seizure by terrorists or even by renegade national forces.

In truth, the U.S. is today talking about going beyond "business as usual" to establish a deeper military-to-military relationship with India, to include the initiation of arms sales, something Washington has resisted doing in the past. Yet there is little talk of strings being attached to this increased cooperation. At a minimum, Washington should seek – indeed demand – assurances (privately, if not publicly) that India will refrain from field deployment of its nuclear weapons as a *quid pro quo* for any enhanced military-to-military cooperation. Even more effective would be a coordinated message to New Delhi and Islamabad from the four major regional powers – the U.S., Russia, China, and Japan – that "business as usual" will cease if either field deploys its nuclear weapons. Unilateral sanctions after the fact have proven to be ineffective, but a carefully coordinated multilateral reminder of the political and economic costs involved in future destabilizing actions just might preclude both from taking the next dangerous step.

## **ABM Treaty Withdrawal Implications**

The ABM Treaty appears destined to end, not with a bang, but with a whimper. Earlier doomsday predictions notwithstanding, Washington's announcement last month that it intends to withdraw from the treaty (the required six months notice was given on Dec. 13) is not expected to usher in a new Cold War between the United States and Russia. Neither is it likely to undermine the other Soviet-era strategic arms reduction agreements or to prompt a new arms race between the two nuclear giants. In fact, both sides have agreed to significant new reductions in their respective nuclear arsenals coincident with the treaty withdrawal announcement.

Nonetheless, abrogating the ABM Treaty was a singularly bad idea. While Moscow has little alternative but to accept Washington's decision and to proceed with the crafting of a new, more positive relationship with Washington, this unilateral decision damages President Putin's domestic credibility and makes it harder for him to expand his level of cooperation with the U.S. While the Russians had initially been inflexible about amending the ABM Treaty, Putin had demonstrated a certain amount of political courage since Sept. 11 by announcing his willingness to adjust the treaty to take Washington's security concerns into account. The announcement comes across as an unnecessary snub to a new-found friend. Putin's critics in the Duma will take great delight in pointing out the foolishness of trying to cooperate with Washington.

The decision has also revitalized and reinforced earlier accusations of U.S. unilateralism that the Bush administration, in its thus far skillful handling of the war on terrorism, had been slowly overcoming. The man who promised the American people "leadership without arrogance" once again seems to have forgotten the second half of that pledge. Reinforcing a unilateralist image hardly seems to be in America's best national interest at a time when Washington is still attempting to hold together or even build upon its current coalition against international terrorism, especially when one recognizes that garnering international support for whatever step comes after Afghanistan will be even more difficult.

Washington's decision to unilaterally withdraw from the ABM Treaty may also unnecessarily strain relations with Japan and the Republic of Korea. While Tokyo has taken some giant leaps forward in its bilateral security cooperation with Washington, it remains deeply committed to global arms control efforts and sees the latest action (and Washington's continuing disdain for the Comprehensive Test Ban Treaty) as evidence of a growing gap in strategic thinking between these two important allies. Likewise, Seoul worries about the impact this move will have on already-strained relations between Washington and Pyongyang and on North Korea's already growing hesitancy to negotiate in good faith with the South.

Ironically, the announcement could prove to be a mixed blessing for Sino-U.S. relations. On the one hand, Beijing was quick to express its condemnation, as it does over any decision that even remotely promotes missile defense. On the other hand, it may finally prompt Beijing into serious dialogue with Washington – discussions that Beijing

previously seemed to be avoiding, hoping instead that its strategic partner, Russia, would somehow be able to hold the U.S. missile defense program in check.

Of great significance in this regard was President Bush's decision to call President Jiang at the time of the ABM announcement, to ensure him that neither the treaty withdrawal nor America's missile defense plans (which could now more aggressively be pursued) were aimed at China. Bush then repeated his offer to engage China in a strategic dialogue that would address both nations' legitimate missile-related security concerns.

In my own discussions with Chinese officials and other senior security specialists, I get the distinct impression that China somehow feels that improved Sino-U.S. relations and cooperation on sensitive issues such as missile defense are primarily up to Washington. China, they appear to argue (although not in these terms), is like a willing partner-in-waiting, hoping to be seduced, if only Washington would come courting. (My counter-argument, that in an era of equal opportunity, either side should be free to make advances, does not seem to resonate.) At the risk of hopelessly overplaying this analogy, I would argue that the Bush phone call and offer of strategic dialogue is the diplomatic equivalent to Washington's knocking on China's door with a bouquet in hand.

It's time for Beijing to stop playing hard to get. The best way for China to protect its own national security interests – i.e., to ensure that Bush's missile defense system will in fact not negate China's strategic deterrent capability (as Washington currently promises) – is to sit down and discuss the issue while Washington is still willing to talk. By the time Mr. Putin decided to talk about changing the ABM Treaty, Washington had decided to go in another direction. Beijing should not make the same mistake.

### **The Vision Thing**

As noted earlier, President Bush has yet to give a major address outlining his Asia policy. While Secretary Powell did lay out many of its components during his swing through Asia in July, there has yet to be a comprehensive statement regarding, for example, Washington's interpretation of what constitutes a more "normal" Japan or how its new "cooperative, constructive, candid" relationship with China or its expanded military relationship with India fit into Washington's overall security vision for Asia.

In the absence of such a statement, many in the region (and especially in China) have turned to the Pentagon's Quadrennial Defense Review (QDR), delivered to the Congress on Oct. 1, as the most definitive expression of U.S. national security strategy in general and East Asia policy in particular. Even though this document is primarily a Defense Department force planning document – "the product of the senior civilian and military leadership of the Department of Defense" – and not an administration-wide statement of national security strategy, it has undergone careful scrutiny in Asia (while being largely ignored in the U.S.), especially since it "benefitted from extensive consultation with the President."

As RADM Michael McDevitt (USN, ret.) points out (“The Quadrennial Defense Review and East Asia,” *PacNet* 43), the QDR “is very useful in detailing the overarching strategic concepts and world view of the Department of Defense. [It] confirms attention to the rise of China, the importance of allies, a desire for increased access for U.S. forces, the importance of having capable and militarily credible forces forward in the region, and a ringing confirmation of the importance of East Asia as a long term U.S. interest.” All of this is consistent with Defense Department East Asia strategy pronouncements during the previous administration, but it has nonetheless been cited as evidence of an American “strategic shift” toward Asia. While many of us who have spent a lifetime working on East Asia security affairs would welcome a greater awareness in Washington to Asia’s growing importance, the reality of the matter is this: if the strategic pendulum is swinging from Europe to Asia, it has currently gotten stuck at Diego Garcia and will likely remain lodged there, over Southwest Asia, for some time to come. How Asia fits in the greater national security calculus remains to be defined, especially in the post-9-11 environment. (The QDR was released after Sept. 11 but had been drafted well before the horrific attacks and largely reflects pre-9-11 thinking, even if numerous references to homeland defense and fighting terrorism were quickly added.)

As this article was being finalized, reports were circulating that President Bush planned to visit Tokyo and Seoul in February. If this proves to be true, one would hope that a major Asia policy address would precede or coincide with his overdue journey to the Far East. President Bush should also use this occasion to underscore his “any time, any place” offer to North Korea while emphasizing that his policies are in lock step with the ROK (and Japan) when it comes to their mutual willingness both to deal with or, if necessary, to deter North Korea.

### **Multilateralism Marches On . . . with U.S. Support\***

No one will accuse the Bush administration of coming to power with the same level of unbridled enthusiasm for multilateralism that characterized the first few years of the Clinton administration. But this does not imply that the current administration intends to turn its back on the multilateral process in Asia. Just as Secretary Powell’s active participation in the ASEAN Regional Forum in July signaled a willingness to participate in multilateral security dialogue, so too did President Bush’s appearance in Shanghai signal serious administration interest in the multilateral economic process as well. The administration also remains supportive of other multilateral initiatives, such as ASEAN Plus Three, which are helping to create a greater sense of cooperation among the Asian community of nations.

***APEC Meeting in Shanghai.*** Contrary to popular media reports, the White House was not focused exclusively on terrorism during the Shanghai APEC Ministerial and subsequent Leaders’ Meeting. In fact, the Bush team made a concerted effort to breathe

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\* <sup>1</sup>Pacific Forum Director for Programs Jane Skanderup made a major contribution to this section’s economic analysis.

some life into this “gathering of economies.” President Bush applauded APEC as an important vehicle “to achieve free and open trade and investment in the Asia-Pacific region” and committed Washington to APEC’s revitalization through his economic team’s self-professed pivotal role in promulgating the 2001 APEC Shanghai Accord. The White House “Fact Sheet on APEC’s Free Trade Goals” is, in fact, subtitled “The Shanghai Accord: U.S. Leadership in Achieving APEC’s Free Trade Goals.” The Fact Sheet further states, “to revitalize momentum toward APEC’s free trade goals and promote global growth, the United States proposed that APEC’s trade agenda culminate this year in the adoption of the Shanghai Accord,” leaving no question about Washington’s active role in, and close association with, the preparation of the document.

The Bush administration is promoting a “Trade Policy for the New Economy” as part of the Shanghai Accord “that commits APEC economies to pursue trade policies on services, intellectual property, and tariffs that will encourage development of the New Economy.” The White House APEC “Fact Sheet” also highlights Washington’s commitment to “capacity building,” i.e., “to reaching out to developing countries to ensure that they have the capacity to benefit from open markets,” a clear signal that it recognizes and wants to address the downside of globalization. In short, the Bush administration appears intent not only on supporting, but also on broadening and deepening, the APEC vision.

The Shanghai Accord itself represents a modest step forward in regional multilateral economic cooperation. While sprinkled with compromise language that clearly accommodates the more reluctant and resistant APEC members, the expectation for more tangible implementation measures is evident. Of particular note, according to Pacific Forum Director for Programs Jane Skanderup, is the agreement to strengthen the peer review process of the Individual Action Plans (IAPs) and to complete a mid-term stocktake of overall progress toward the Bogor Goals in 2005. The IAPs, established in 1996 at the Manila meeting, are supposed to be developed by each APEC member to outline liberalization schedules to achieve Bogor goals, and submitted voluntarily for peer review. The Shanghai Accord tries to breathe new life to this process, with the goal of all 21 members completing and submitting their IAPs over the next three annual meetings. Skanderup argues that, “for APEC, this is appropriately ambitious.”

In addition, the accord instructs trade ministers to identify concrete measures to implement the APEC Trade Facilitation Principles with the goal of reducing cross-border transaction costs by 5 percent by 2006. Ministers are also instructed to exchange trade policy information on the status of liberalization of services and adherence to tariff and intellectual property regimes. On this basis, the accord states, economies “may” develop targets by the 2002 ministerial meeting, a phrase obviously won by the pro-liberalization members. The accord also asks ministers to make recommendations on broadening the Osaka Action Agenda, agreed to in 1995, to take into account new developments such as the e-APEC Strategy. It will merit watching how these and other issues come to play as Mexico becomes the first Latin American APEC member to host the annual event, in Oct. 2002.



**ASEAN Plus Three Meeting.** The fifth “10+3” summit – which groups ASEAN with China, Japan, and the Republic of Korea – was held on Nov. 5 in Bandar Seri Begawan, Brunei. Founded against the backdrop of the financial crisis that rocked the region in 1997-98, the group had agreed on a broad “East Asia Joint Statement” at its second meeting in Manila in 1999 which laid out eight areas of cooperation in the economic, social, political, and security fields. Establishing the habit of dialogue appears the top priority, and themes this year ranged from terrorism to Mekong development to creation of a region-wide cultural or film festival. With just four years under its belt, the ASEAN Plus Three summits are still at an early stage. As Jane Skanderup notes, “it should be expected that members will approach concrete agreements with caution.” Only time will tell if this year’s agreement to establish an ASEAN Plus Three Secretariat will bring a new phase of institutionalization that really aids cooperative action.

**“Plus Three” Meeting.** The “Plus Three” group of Japan, China, and the ROK also met for the third time on the sidelines of the broader meeting. Ever so slowly, these three countries are broaching areas of economic cooperation long thought useless. There is much work to be done, as much in building domestic consensus as in building cross-border relationships. Yet progress is in the making: the finance ministers have established a regular meeting schedule, and this year the leaders agreed that economic and trade ministers will also regularly meet. In 1999, the three leaders mandated ongoing analysis and discussion among three designated policy institutes on the pros and cons of establishing a free trade area (FTA). While a three-way FTA is a long way off, these joint analyses are producing practical recommendations to expand trade, investment, and business ties in the near term.

While earlier efforts at Asian-only multilateral economic cooperation drew veiled (and occasionally not so veiled) criticism from Washington, there has been little concern expressed about current ASEAN Plus Three or China-Korea-Japan cooperative efforts and none is expected. These forms of sub-regional economic cooperation, if successful, can help promote broader regional economic cooperation and thus help move the APEC process forward. When President Bush lays out his vision for Asia, he should carefully articulate the role he expects that organizations such as the ARF, APEC, and ASEAN Plus Three will play in complementing U.S. security strategy in Asia.

### **Regional Chronology October-December 2001**

**Oct. 2, 2001:** Philippine President Gloria Macapagal-Arroyo offers support to U.S. anti-terrorism campaign including intelligence, logistical help, and the use of air space.

**Oct. 3, 2001:** U.S. Secretary of State Powell states the U.S. will make no deals on terrorism at Taiwan’s expense.

**Oct. 3, 2001:** U.S. Senate approves U.S.-Vietnam trade agreement.

**Oct. 3, 2001:** ROK and Japan agree to set up “joint textbook” panel.

**Oct. 6, 2001:** G-7 finance ministers meet in Washington, D.C.

**Oct. 7, 2001:** U.S. begins air strikes on Afghanistan.

**Oct. 8, 2001:** Japanese PM Koizumi Junichiro meets Chinese President Jiang Zemin and Premier Zhu Rongji in Beijing and expresses “heartfelt apology and condolences” for offenses during Japanese colonial rule.

**Oct. 8-9, 2001:** Anti-U.S. demonstrations erupt in four major Indonesian cities in the wake of U.S. bombing of Afghanistan.

**Oct. 8-10, 2001:** U.S. Assistant Secretary of State for East Asian and Pacific Affairs James Kelly visits Beijing to prepare for President Bush’s Shanghai APEC Leaders’ Meeting visit.

**Oct. 9, 2001:** ROK Foreign Ministry announces plans to send 450 non-combatants to support war on terrorism.

**Oct. 9, 2001:** Japanese Air Self-Defense Force’s C-130s arrive in Pakistan.

**Oct. 9, 2001:** Ralph Boyce sworn in as U.S. Ambassador to Indonesia.

**Oct. 11-12, 2001:** Asst. Secretary Kelly visits South Korea.

**Oct. 12, 2001:** DPRK postpones family reunion scheduled on Oct. 16-18 citing a “war-like situation” in Seoul.

**Oct. 15, 2001:** PM Koizumi meets ROK President Kim Dae-jung in Seoul; offers “heartfelt apology” for suffering of Korean people during Japanese colonial rule.

**Oct. 15, 2001:** Indonesian President Megawati states that no government has the right to attack another country in a fight against terrorism.

**Oct. 15, 2001:** PRC rejects former Vice President Li Yuan-zu as Taiwan’s APEC Leaders’ Meeting participant.

**Oct. 16-17, 2001:** Secretary Powell visits India.

**Oct. 17-18, 2001:** Thirteenth APEC Ministerial Meeting in Shanghai.

**Oct. 18, 2001:** Special Measures to Fight Terrorism Bill passes the Japanese Lower House.

**Oct. 21-22, 2001:** APEC Leaders' Meeting in Shanghai; Bush meets with Putin, Jiang, Kim, Koizumi, and Mahathir; Jiang with Putin, Kim, Mahathir, Koizumi, and Megawati; Koizumi with Kim and Putin; among others.

**Oct. 21, 2001:** Australian troops are sent to Afghanistan to join the anti-Taliban campaign.

**Oct. 22, 2001:** Tokyo announces planned dispatch of 700 troops in March for UN Peacekeeping Operation (PKO) in East Timor.

**Oct. 22, 2001:** Japan reduces Overseas Development Aid to China.

**Oct. 23, 2001:** On campaign trail, Chen equates acceptance of "1992 consensus" with treason.

**Oct. 24-28, 2001:** South Korean Navy conducts its first PRC port call.

**Oct. 27-28, 2001:** Chinese VP Hu Jintao meets with President Putin in Moscow.

**Oct. 28-30, 2001:** President Macapagal-Arroyo visits China.

**Oct. 29, 2001:** ROK protests Sept. 26 execution of ROK national in the PRC.

**Oct. 29-31, 2001:** A DPRK delegation participates in a Council for Security Cooperation in the Asia Pacific (CSCAP) track two meeting in Washington, D.C.

**Oct. 30, 2001:** Anti-terrorism bill passes the Japanese Upper House.

**Oct. 31, 2001:** Japanese and Philippine coast guards hold joint anti-piracy exercise off Manila Bay.

**Nov. 1, 2001:** Megawati calls for stop to U.S. air strikes in Afghanistan during Ramadan.

**Nov. 1, 2001:** Russian FM Ivanov meets with Secretary Powell in Washington, D.C.

**Nov. 2, 2001:** German Chancellor Schröder promises not to sell submarines to Taiwan.

**Nov. 3, 2001:** Secretary Rumsfeld meets with President Putin and Defense Minister Ivanov in Moscow.

**Nov. 5, 2001:** Russian Deputy DM Mamedov meets with U.S. Undersecretary of State Bolton in Moscow.

**Nov. 5-6, 2001:** ASEAN Plus Three Summit in Brunei; Koizumi, Jiang, and Kim meet in separate "Plus Three" side meeting.

**Nov. 6, 2001:** Ehime Maru salvage operations end after recovery of eight of nine missing bodies.

**Nov. 6, 2001:** Cambodian PM Hun Sen meets with Premier Zhu in Beijing.

**Nov. 7, 2001:** Two Plus Two meeting in Seoul: DM Kim and FM Han meet with Ambassador Thomas Hubbard and Gen. Thomas Schwartz, commander of USFK.

**Nov. 7, 2001:** President Kim steps down as the head of ruling Millennium Democratic Party.

**Nov. 7, 2001:** PRC ratifies the UN International Convention for the Suppression of Terrorist Bombings.

**Nov. 7-11, 2001:** Premier Zhu meets with President Megawati in Indonesia.

**Nov. 9, 2001:** Japan sends three warships to Indian Ocean to gather information.

**Nov. 9-14, 2001:** WTO ministerial trade talks in Doha, Qatar.

**Nov. 9-14, 2001:** Inter-Korean cabinet-level meeting at Mt. Geumgang, no agreement reached.

**Nov. 10, 2001:** Australian PM John Howard is re-elected.

**Nov. 10, 2001:** PRC wins WTO membership.

**Nov. 11, 2001:** G-8 foreign minister meeting in New York.

**Nov. 11, 2001:** Taiwan wins WTO membership.

**Nov. 12, 2001:** DPRK signs UN treaties to combat terrorism.

**Nov. 12-13, 2001:** President Macapagal-Arroyo visits Indonesia.

**Nov. 13, 2001:** President Macapagal-Arroyo meets with USCINCPAC Blair in the Philippines to discuss U.S. assistance for Manila's fight against Muslim extremists.

**Nov. 13-15, 2001:** President Putin meets with President Bush in Washington, D.C. and Texas.

**Nov. 14-21, 2001:** President Macapagal-Arroyo visits U.S., meets with President Bush.

**Nov. 15, 2001:** ROK and U.S. sign the USFK's land return plan.

**Nov. 15, 2001:** DM Kim and Secretary Rumsfeld meet at annual Security Consultative Meeting in Washington, D.C.

**Nov. 15, 2001:** Justus Cossa first birthday; Grandpa remains proud as can be.

**Nov. 19, 2001:** U.S. announces strong suspicions that Iraq and DPRK have developed biological weapons.

**Nov. 20, 2001:** U.S. and Japan co-host the sub-cabinet level international conference on reconstruction of Afghanistan in Washington, D.C.

**Nov. 22, 2001:** ROK tests a 100 km range missile over the Yellow Sea.

**Nov. 23-27, 2001:** PLA Deputy Chief of General Staff Xiong Guangkai and his Russian counterpart hold strategic talks.

**Nov. 25-26, 2001:** Three Japanese warships are dispatched to Indian Ocean for logistic support.

**Nov. 26-27, 2001:** Trilateral Coordination and Oversight Group meeting in San Francisco.

**Nov. 27, 2001:** Indonesia announces plans to send up to 1,000 troops for PKO in Afghanistan.

**Nov. 27, 2001:** DPRK and ROK briefly exchange small arms fire in DMZ.

**Nov. 27-30, 2001:** USCINCPAC Blair visits India.

**Nov. 28, 2001:** Vietnam ratifies trade agreement with U.S.

**Nov. 28, 2001:** DPRK rejects President Bush's call for arms inspection.

**Nov. 28-30, 2001:** PRC and Russia hold talks on combating terrorism.

**Nov. 29, 2001:** U.S. Ambassador Hubbard says U.S. is still eager to open dialogue with DPRK.

**Nov. 30, 2001:** PRC Vice FM Wang Guangya and U.S. Undersecretary of State John Bolton hold arms control talks in Washington.

**Nov. 30-Dec. 4, 2001:** Nong Duc Manh, general secretary of the Central Committee of the Communist Party of Vietnam, meets with President Jiang in Beijing.

**Dec. 1, 2001:** Taiwan legislative election: Taiwan's ruling Democratic Progressive Party (DPP) wins largest number of seats (88 out of 225).

**Dec. 1-4, 2001:** KEDO delegation visits Pyongyang. DPRK reportedly ready to accept IAEA inspections of Yongbyon.

**Dec. 1-8, 2001:** DPRK and Russia hold vice-marshal level military talks in Pyongyang.

**Dec. 4, 2001:** President Macapagal-Arroyo meets DASD Peter Brooks in the Philippines.

**Dec. 4, 2001:** U.S. Department of Defense identifies DPRK as the third most threatening nation in the world in a report to Congress.

**Dec. 7, 2001:** At least 16 U.S. soldiers arrive in Philippines for consultations to assist the Philippine governments' fight against Abu Sayyaf rebels.

**Dec. 9-10, 2001:** Secretary Powell meets with President Putin and FM Ivanov in Moscow.

**Dec. 10, 2001:** PM Koizumi meets Indian PM Vajpayee in Tokyo.

**Dec. 10, 2001:** Secretary Rumsfeld meets with Japanese DM Nakatani in Washington, D.C.

**Dec. 12-15, 2001:** President Jiang in Myanmar.

**Dec. 13, 2001:** U.S. announces its intention to withdraw from 1972 ABM Treaty.

**Dec. 13, 2001:** President Bush calls Presidents Putin and Jiang to discuss ABM decision.

**Dec. 13, 2001:** Attack on Indian Parliament by Kashmiri terrorists.

**Dec. 13-14, 2001:** ROK and Japan open high-level talks to strengthen bilateral relations. The agenda includes improvement of treatment of ethnic Koreans in Japan and joint history research.

**Dec. 13-21, 2001:** ROK DM Kim visits PRC and Vietnam.

**Dec. 15, 2001:** U.S.-India joint military drill.

**Dec. 16-30, 2001:** Twenty DPRK nuclear experts visit nuclear plants in the ROK.

**Dec. 17, 2001:** U.S. officials hold talks regarding U.S. withdrawal from ABM treaty.

**Dec. 18, 2001:** Taiwan DM Wu Shihwen visits New York.

**Dec. 18, 2001:** Thai PM Thaksin Shinawatra visits Washington, D.C.

**Dec. 18, 2001:** Secretary Rumsfeld meets with FM Ivanov in Brussels.

**Dec. 18-21, 2001:** ASEAN Regional Forum (ARF) meeting on security issues in New Delhi; DPRK and ROK participate.

**Dec. 19, 2001:** President Bush phones President Putin to discuss nuclear arms reduction.

**Dec. 21, 2001:** ROK Air Force dispatches transport aircraft to Diego Garcia to aid U.S.

**Dec. 21, 2001:** PRC and Japan reach agreement on the trade dispute over Chinese agriculture products in Beijing.

**Dec. 22, 2001:** Japanese Coast Guard exchanges fire with and sinks suspected DPRK ship in the East China Sea.

**Dec. 26, 2001:** Taipei protests FM Tanaka's remarks on Taiwan-PRC unification using Hong Kong model.

**Dec. 28, 2001:** Japan and ROK reach agreement on saury fishing.

**Dec. 31, 2001:** In an end of year report, South Korea's Defense Ministry says that North Korea remains a threat, but stops short of defining it as the main enemy.

## U.S.-Japan Relations: Making History the Hard Way

by Brad Glosserman  
Director of Research, Pacific Forum CSIS

He did it. Japanese Prime Minister Koizumi Junichiro confounded the skeptics – this writer among them – and delivered on an unprecedented package of measures to support the U.S.-led campaign against terrorism. The results are a victory for supporters of the U.S.-Japan alliance and a validation of their strategy to nudge Japan toward a greater role in regional security. And not only did the Japanese government act in a timely manner, but shrewd diplomacy by the prime minister disarmed critics within the region. This outcome is yet more remarkable given the confusion in Japan's Ministry of Foreign Affairs, courtesy of the on-going war between Foreign Minister Tanaka Makiko and the bureaucrats under her.

If recent events are reminiscent of the halcyon days of the alliance, the memories may be more bittersweet than some prefer. As in the good old days, the strengthening of security ties poses a sharp contrast to those on the economic front. Trade frictions, in that old favorite, the steel sector, are one irritant. The real problem is the continuing deterioration of the Japanese economy. Tokyo's failure to take forceful action in dealing with the troubled financial sector has set off alarms in Washington. Officials in both capitals recognize that any solution depends on political courage in Tokyo. Japan's heartening response to Sept. 11 notwithstanding, few expect similar action on the economic front.

### **Mr. Koizumi Delivers**

The prime minister's instincts served him well immediately after Sept. 11. He made all the right moves – voicing steadfast support for the U.S., a visit to New York City, the summit with U.S. President George Bush – but there were concerns over whether he could deliver the promised measures, and if so, whether they would come in time to aid the coalition. Remarkably, he galvanized Japan's sometimes balky political system and got his seven-point package through the Diet. On Oct. 18, the Lower House passed the special measures to fight terrorism legislation; 12 days later the Upper House passed the same bill. The legislation enables the Self-Defense Forces (SDF) to provide noncombat support to the U.S. coalition and to protect U.S. facilities in Japan. It also allows Japanese forces to fire against territorial violators. In a concession to the opposition, the bill has a two-year time limit, and requires that the Diet approve any deployment within 20 days of the dispatch of the SDF. To minimize chances of conflict with the Constitution, the transportation of ammunition and arms in foreign territory is not



allowed. Subsequently, on Nov. 9, the Japanese destroyers Kurama and Kirisame and the Hamana, a supply ship, left Sasebo for the Indian Ocean to support the coalition.

U.S. reaction to the Japanese moves was unanimous. The White House said “the newest contribution demonstrates the enduring strength of the Japan-U.S. relationship.” The State Department applauded the strong support and leadership of Prime Minister Koizumi, while U.S. Ambassador to Japan Howard Baker said “America is ... very pleased with the actions you’re taking and commitments that you’re making.”

One small issue did mar this otherwise happy moment: Japan’s failure to dispatch an Aegis destroyer. Since only the U.S. and Japanese navies have the high-tech vessel, it was reported that the U.S. was pushing Tokyo to dispatch an Aegis-equipped ship to support the coalition. U.S. officials denied that there was any pressure, even as questions swirled around the meaning of the U.S. exhortation for Japan to “show the flag,” reportedly made by Deputy Secretary of State Richard Armitage during a meeting with Japanese Ambassador to the U.S. Yanai Shunji shortly after the Sept. 11 terrorist attacks.

Japanese contributions to the campaign against terrorism extend considerably beyond the logistical support provided in the historic SDF legislation. Japan is striving to take a leading role in efforts to rebuild Afghanistan when the war is over. In early October, Japanese officials were canvassing other governments to win support for an international conference on Afghanistan after the Taliban. By mid-October, the U.S. and Japan were unofficially preparing for that eventuality. A month later, the two governments co-hosted a sub-Cabinet-level international conference on the reconstruction of Afghanistan, and a ministerial-level conference will be held in Tokyo in January.

The U.S. has encouraged this multidimensional effort. President Bush has acknowledged the limits that different countries face, promising that he “won’t ask nations to contribute in ways that their people won’t understand or accept,” and said that he was “more than open-minded” in coming up with ways for Japan to contribute. He specifically pointed to efforts to control the flow of money to terrorist groups and noted that Japan wants to be part of the long-term solution in Afghanistan. The U.S. has also asked Japan for financial assistance to Uzbekistan. During a December visit to Washington, Defense Agency head Nakatani Gen said Japan was prepared to help de-mining efforts in Afghanistan but provided no specifics.

### **No Rest for the Weary**

The relatively friction-free security relationship is even more astounding given other events that occurred during the quarter. On Oct. 12, the U.S. Navy began the salvage of the Ehime Maru, the Japanese fisheries training vessel that sank off the coast of Hawaii after colliding with a U.S. nuclear submarine on Feb. 9. That calamitous accident resulted in the loss of nine lives, eight of them high school students, and if mishandled could have become a serious issue for the two nations. That danger was averted, but there was the possibility that emotions would resurface during the salvage effort. The U.S. Navy handled the salvage operation with sensitivity and eventually recovered eight of the nine

missing bodies. In so doing, it contained a potentially explosive situation – one rendered even more poisonous given the international environment and the controversy surrounding Japan's efforts to participate in the anti-terrorism campaign. The accident was a stark reminder of the potentially “entangling” element of the alliance with the U.S., a rising concern of Japanese as their government has moved to raise its profile in the anti-terrorism campaign.

Another source of potential discord was President Bush's Dec. 13 announcement that the U.S. would withdraw from the Anti-Ballistic Missile Treaty (ABM), a move that Tokyo officially greeted with “understanding” but with some dismay as well. It is difficult to appreciate the depth of Japan's commitment to international arms control and disarmament. The *Asahi Shimbun* captured that sentiment in its editorial on that move, commenting that “The United States is a nuclear superpower and has a moral responsibility to uphold the ABM Treaty along with Russia, because the pact is crucial for nuclear disarmament and arms control. Unilaterally destroying an international framework that has worked for almost 30 years to suit its own needs is a selfish action the United States can take only because it is the last great power.” Again, given the international situation, particularly the U.S. war against terrorism in Afghanistan, the relatively quiet reaction to the U.S. move underscores the solidity of the Japan-U.S. relationship.

Yet another potentially troublesome development was the Oct. 19 decision by a California Superior Court judge that a court could examine claims made by former prisoners of war against Japan, ruling against the U.S. Department of Justice and the Department of State that the 1951 peace treaty foreclosed all claims against Japan. This case is not over as appeals are certain. The claims that former servicemen were exploited by Japanese corporations during the war could be explosive. Apart from maintaining that all claims were settled in the 1951 treaty, the United States government has not weighed in as it did in similar controversies that concerned Germany and Switzerland. That position is not likely to change, although there is growing support in Congress to get Japan to recognize the POW claims. It is unclear how the Japan-U.S. alliance will handle such strains.

The quarter also saw the re-emergence of base relocation issues. On Dec. 12, the mayor of Urasoe, Okinawa announced that his town would accept the relocation of the U.S. port facilities at Naha, ending a dispute that has festered since 1974. The deal was expected since February after the new mayor was elected on a campaign pledge to accept the facility. Although the details of the move have not been worked out, the mayor said the city did not want the port to expand its functions beyond those it already performs.

Then on Dec. 27, the Futenma Relocation Committee agreed on a plan to construct a runway on a reef off the coast of East Nago city that would allow the controversial U.S. Marine Futenma air station to be moved from Ginowan. Neither the scale nor the method of construction of the facility was decided. In addition, the call for a 15-year time limit on the use of the air station was put off. Foreign Minister Tanaka conceded that the time limit would prove problematic.

Finally, it is worth noting that Japan credited U.S. intelligence for alerting it to the departure of alleged North Korean spy boats from a port in North Korea. That information allowed the Japanese to track the vessels that were eventually challenged, fired upon, and sank – perhaps scuttled – with all hands on board in late December. The U.S. role was revealed within days of the incident. The prompt sharing of intelligence poses a marked contrast to previous incidents, such as the 1998 launch of a Taepodong missile by North Korea, when Japan complained that the U.S. was not providing timely information.

### **Seventh Inning Stretch**

Perhaps more important to the bilateral relationship, Seattle Mariners outfielder Ichiro Suzuki won both the American League Rookie of the Year award and the league's Most Valuable Player award. In addition to winning the sportswriters' plaudits, Ichiro's performance won him fans on both sides of the Pacific. For publics indifferent to the minutiae of the security relationship, Ichiro's stellar year provides an invaluable well of good feeling about the bilateral relationship – even Yankee fans caught “Ichiro fever,” at least until the American League Championship Series.

### **Storm Clouds Gathering**

But, as in the old days, the strength of security relations was matched by unease over the economic relationship. This time, however, the cause of concern is Japan's weakness rather than its strength. Continued deterioration of Japan's economy has triggered concern in Washington. Ominously, there is little sign that Tokyo will muster the political will to halt the economy's slide. Most observers expect conditions to get worse before they get better. The questions now are how bad will they get and what the Japanese public will do as the country faces the worst economic crisis of the postwar era.

Economic conditions are grim. The economy shrank in 2001 – estimates of the decline range from -0.7 percent to -1.4 percent. All economists agree that this is the worst recession since World War II. All sectors of the economy are weak. Bankruptcies continue to hit record levels. Industrial output fell to the lowest level in 13 years. The U.S. economy is weak, depriving Japan of a vital export market. Restructuring has pushed unemployment levels to a record high 5.5 percent, which has punished consumer confidence. The jobless rate will continue to climb; the most pessimistic forecasts have it reaching double digits. Although the government has decided to push stimulus measures, public works spending is set to fall 5 percent. The net result is yet more government debt – and this after Moody's Investors Service already downgraded Japanese government bonds to Aa2, the worst rating among industrialized countries.

The worst problem is the overhang of nonperforming loans that burdens the financial system. Official estimates put the amount of bad debt at ¥70 trillion, but some economists argue the real figure is more than twice that amount. Despite writing off some ¥40 trillion in bad debt over the past five years, efforts to provide for nonperforming loans have been

outpaced by the growth of bad debt itself. The result has been a wave of bank failures. Nearly 50 small deposit taking institutions failed in 2001; 15 small credit associations and cooperatives collapsed in one month in the fourth quarter alone.

The result is two-fold. First, there has been a credit crunch by banks as they try to shore up their shaky portfolios. Lending has contracted for 48 consecutive months and the amount of credit extended is now below the level of 1991. Second, and more worrisome, is the prospect of a financial crisis in Japan, which could, by virtue of its size, ripple through the global economy. Some would call that far-fetched, but by year's end top officials in the Japanese government, including Koizumi himself, were reassuring the world that they would act to prevent a banking crisis – conceding that just such a crisis was possible.

One measure of the concern was an anonymous statement – later attributed to White House economic policy advisor Larry Lindsay – that the U.S. was prepared to accept devaluation of the yen. Although the Treasury disavowed the comments and engaged in an unusual public spat with the White House over who set international economic policy, the yen has plunged since the middle of December. While there is no hint of a deal between the two governments, Lindsay's comment and the subsequent depreciation of the currency without protest from Washington suggest that the U.S. is sufficiently concerned to countenance an extreme – and ultimately futile – gesture to help Japan.

The U.S. is concerned about Japan's economic situation. But the problem is ultimately one of politics – i.e., there is little doubt about what has to be done; the question is whether Japanese politicians and bureaucrats can muster the will to act. Thus far, the outlook is not encouraging. Entrenched interests are fighting for their lives against Prime Minister Koizumi and they have done an excellent job of frustrating reform.

U.S. reaction is constrained by two impulses. The first is the administration's desire to distance itself from the public pressure – *gaiatsu* – for which it condemned the Clinton administration. The Bush team wants to handle its disputes with Japan quietly, a predilection that is strengthened by the second constraint: the need to not look ungrateful after Japan's unprecedented assistance on security matters. The easiest way to undermine support for the alliance in Japan would be to respond to historic moves by the government with criticism on another front.

Which actually happened. On the very day that the anti-terrorism legislation passed the Upper House, U.S. Trade Representative Robert Zoellick blasted Japan for obstructing efforts to open a new round of global negotiations. Japanese officials reacted with indignation, and President Bush a week later sent a letter to Prime Minister Koizumi urging cooperation in attempts to launch new trade talks. The letter was widely viewed as a rebuke to the USTR – and the Doha meeting did succeed in reaching agreement, so all sides could claim to have put the incident behind them.

Bilateral tensions also resurfaced during steel talks held at the end of December under the auspices of the Organization for Economic Cooperation and Development in Paris. Some

30 steel producers gathered in Paris to find ways to limit chronic overcapacity in the industry. A deal to cut international production by some 97.5 million tons hinges on the U.S. willingness to forego unilateral sanctions against countries it accuses of dumping steel in the U.S. market – Japan among them. President Bush has said that he will not give up the sanctions option, which other governments have said will scuttle the deal. This issue will come to a head in the first quarter of 2002 when the deadlines arrive for the deal and the imposition of the U.S. duties.

### **Déjà vu, All Over Again**

So, U.S.-Japan relations: a glass half-full or half-empty? No simple characterization works. Japan has taken unprecedented steps to support its ally, and the dispatch of SDF forces – and the diplomacy that accompanied it – could provide a springboard for a revamped security policy with the U.S. and within the region. But follow up is necessary. Diplomatic consultations are an option, but Japan must first make important decisions about what it wants. That takes time and political capital, and there are few signs that the country is ready for that debate.

Especially when there is the need to get Japan's economic house in order, a need that grows more pressing every day. What is more troubling is the fact that even drastic action will make economic conditions worse before they improve. The scale of the adjustment is potentially huge, but failure to act will only prolong the pain.

In short, two pillars of the bilateral relationship are again diverging. The security pillar has been strengthened, while the economic one is under strain. Ultimately, the two are linked since economic weakness undermines Japan's strategic choices. That should become clearer in 2002.

### **Chronology of U.S.-Japan Relations\*** **October-December 2001**

**Oct. 3, 2001:** U.S. Secretary of State Colin Powell requests Japanese financial aid following the ouster of the Taliban.

**Oct. 4, 2001:** U.S. federal judge dismisses a lawsuit filed against Japan by 15 Asian women who were forced to work as “comfort women.”

**Oct. 5, 2001:** Japanese Cabinet approves a bill to support U.S. counterterrorist operation. The legislation allows the Self-Defense Forces (SDF) to provide logistic and other noncombatant support to the expected U.S.-led multinational force, engage in search-and-rescue activities for missing military personnel, and carry out humanitarian relief operations for refugees.

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\* Chronology compiled by Research Assistant Nakagawa Yumiko.

**Oct. 5, 2001:** Japanese Cabinet approves dispatch of SDF aircraft to Pakistan to airlift relief supplies for Afghan refugees.

**Oct. 5, 2001:** U.S. Ambassador Japan Howard Baker says “America is very satisfied with Japan’s response.”

**Oct. 10, 2001:** Starbucks Coffee Japan Ltd. debuts on Nasdaq Japan stock market at ¥80,000.

**Oct. 12, 2001:** U.S. Navy begins salvage of the Ehime Maru.

**Oct. 12, 2001:** PM Koizumi anticipates Constitutional revision in the near future to acknowledge the SDF is a military force, but restrictions on the use of force will remain.

**Oct. 15, 2001:** *Asahi Shimbun* poll shows support rate of Koizumi administration is 71 percent, and no effect as a result of Koizumi’s support for U.S. retaliation.

**Oct. 15, 2001:** Japanese Ambassador to U.S. Yanai Shunji says U.S. and Japan are holding unofficial talks on the political future of post-Taliban Afghanistan.

**Oct. 16, 2001:** Special Measures to Fight Terrorism Bill, the SDF law amendment that enables the SDF to patrol U.S. facilities in Japan, and the *Kaijyo Hoancho* amendment, which allows the use of fire against territorial violations, pass Lower House Anti-Terrorism Special Committee.

**Oct. 16, 2001:** President Bush, in interview with *People’s Daily*, *Yonhap News*, and *Yomiuri Shimbun*, requests SDF rear support, Japan’s cooperation in checking finances for terrorist groups, and says he expects Japan to take part in nation building after the war in Afghanistan ends.

**Oct. 18, 2001:** Special Measures to Fight Terrorism Bill passes Lower House.

**Oct. 19, 2001:** California Superior Court judge rules that the court has a right to hear POWs claims against Japan, overturning a U.S. Department of Justice decision.

**Oct. 21-22, 2001:** Bush and Koizumi meet at APEC Leaders’ Meeting in Shanghai; Bush urges Japan to host peace conference.

**Oct. 30, 2001:** Anti-terrorism bill passes Upper House.

**Oct. 30, 2001:** U.S. Trade Representative Robert Zoellick criticizes Japanese agriculture policy in runup to Doha trade talks, saying “the Japanese have just said no to everything in the process, and that just won’t work.”

**Nov. 1, 2001:** Tokyo announces framework for U.S. aid by SDF.

**Nov. 1, 2001:** Standard & Poor's warns Tokyo that raising interest rates would hurt financial strength of Japan.

**Nov. 6, 2001:** Ehime Maru investigation ends after recovery of eight bodies. Ehime Maru memorial monument will be built in Honolulu upon the victims' families' request.

**Nov. 8, 2001:** President Bush is reported to have sent a letter to Koizumi urging Japan to join new round of global trade liberalization talks.

**Nov. 9, 2001:** Defense Agency head Nakatani Gen announces Japan will dispatch "two destroyers with helicopters on board and a supply ship, to a sea area leading to the Indian Ocean."

**Nov. 9, 2001:** U.S.-Japan working-level meeting agrees that Japan will dispatch supplies (food and fuel) to Diego Garcia by sea; in the area around Japan C-130s will be used.

**Nov. 12, 2001:** Urasoe Mayor Gima Mituso announces that the city will host the U.S. Navy port as an alternate site for the Naha port facilities.

**Nov. 16, 2001:** SDF dispatch framework approved by the Cabinet.

**Nov. 20, 2001:** U.S. and Japan co-host sub-Cabinet-level-international conference on reconstruction of Afghanistan in Washington D.C.: delegations from G-8, European Union, Saudi Arabia, Turkey, Qatar, the World Bank, and the Asia Development Bank attend.

**Nov. 20, 2001:** Suzuki Ichiro, Seattle Mariners outfielder, receives American League Most Valuable Player award.

**Nov. 20, 2001:** Ambassador Baker expresses disappointment at Tokyo's failure to dispatch Aegis-equipped destroyers to aid U.S.

**Nov. 27, 2001:** Japanese Finance Minister Shiokawa Masajuro says yen should be further weakened.

**Nov. 27, 2001:** Lower House approves SDF dispatch to Indian Ocean.

**Nov. 28, 2001:** Merrill Lynch Japan announces partial withdrawal from Japanese market.

**Nov. 29, 2001:** Japanese industrial output falls to the lowest level in 13 years.

**Nov. 29, 2001:** Fujitsu announces it will close a semiconductor plant in Oregon next spring.

**Nov. 30, 2001:** Tokyo announces unemployment rate reaches 5.4 percent.

**Dec. 1, 2001:** Crown Princess Masako gave birth to Princess Aiko.

**Dec. 4, 2001:** Moody's Investors Service downgrades Japanese government bond rating from Aa3 to Aa2, the worst grading among industrialized countries.

**Dec. 7, 2001:** Sixtieth anniversary of Pearl Harbor attack. Survivors from both Japan and U.S. attend the ceremony.

**Dec. 10, 2001:** Defense Secretary Donald Rumsfeld meets with Defense Agency head Nakatani in Washington, D.C.: Rumsfeld says the U.S. appreciates Japan's contribution to the anti-terrorism campaign.

**Dec. 10, 2001:** Deputy Secretary of Transportation Ford suggests possible U.S. aid to defend the Senkaku Islands in case of an emergency.

**Dec. 11, 2001:** U.S. Air Force Senior Staff Sgt. Timothy Woodland pleads not guilty to a charge of rape at Naha District Court.

**Dec. 13, 2001:** U.S. delegation led by Deputy Treasury Secretary Ken Dam visits Tokyo to hold talks on foreign direct investment.

**Dec. 14, 2001:** Japan National Security Council decides to buy mid-air refueling tankers (B-767) from Boeing Co.

**Dec. 14, 2001:** Tokyo expresses understanding of U.S. withdrawal from 1972 Anti-Ballistic Missile Treaty.

**Dec. 18, 2001:** Secretary of State Colin Powell urges Japan's economic reform.

**Dec. 21, 2001:** U.S. Special Force training facilities to be built in Hansen U.S. Marine base.

**Dec. 27, 2001:** Tokyo announces relocation of heliport from the Futenma Air Station to East Nago City. The Nago heliport will also accommodate helicopter operations now conducted from Camp Schwab.



## **U.S.-China Relations: Face to Face in Shanghai: New Amity amid Perennial Differences**

by Bonnie S. Glaser  
Consultant on Asian Affairs

The re-ordering of U.S. security priorities in the wake of the Sept. 11 terrorist attacks provided an opportunity for Washington and Beijing to work together toward a common goal. Cooperation against terrorism and the successful first-ever meeting of U.S. President George W. Bush and PRC President Jiang Zemin at the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Shanghai contributed to an improvement in the overall atmosphere of the Sino-U.S. relationship in the final quarter of 2001. At the same time, however, friction between the two countries persisted on issues of long-standing controversy, including human rights, nonproliferation, missile defense, and Taiwan. After 15 years of negotiations, China finally joined the World Trade Organization (WTO), bringing a market of 1.3 billion people into the global trading system.

### **Finding Common Ground**

As the U.S. initiated military strikes on Taliban targets and the al-Qaeda network led by Usama bin Laden in early October, China urged the U.S. to target "specific objectives, so as to avoid hurting innocent civilians," and expressed hope that peace would be restored as soon as possible. Nevertheless, Beijing backed resolutions related to countering terrorism passed respectively by the UN General Assembly and the UN Security Council and exchanged intelligence on terrorist networks with U.S. officials. Chinese leaders agreed that China's interests would be best served by clearly siding with the Bush administration in its fight against terrorism. Assisting the U.S. provided a chance to put Sino-U.S. relations on a positive track after many months of discord. China also hoped that by supporting the U.S. in the war on terrorism, it might gain international support for its crackdown on Uighur separatists deemed responsible for terrorist incidents in China's western region of Xinjiang.

### **Successful Summitry**

On the eve of the APEC Leaders' Meeting in Shanghai, Sino-U.S. relations were poised for improvement. China was grateful that President Bush had not canceled his attendance at the annual meeting of Asia-Pacific leaders due to his responsibilities in overseeing the military operation in Afghanistan. In return, it turned the agenda of the meeting, which typically spotlights economic issues and was designed to showcase China's economic

progress, to the U.S. priority of opposing terrorism. As host of the APEC meeting, China assisted the United States in forging a consensus among the member states on a firmly worded statement condemning terrorism that referenced the UN Charter, which includes the right to self-defense.

For Beijing, the highlight of the APEC Leaders' Meeting was the three-hour meeting between Presidents Jiang and Bush. The agreement on adopting a new, positive bumper-sticker for the relationship was the single most important achievement of the leaders' discussion from Beijing's perspective. Instead of engaging in strategic competition – a term that had been frequently used by Bush and his senior advisers during the U.S. presidential campaign and even in the early months following Bush's inauguration – the two leaders committed to the pursuit of a “constructive and cooperative” relationship. President Bush added the term “candid,” signaling that his administration would continue to forthrightly express its concerns about China's policies. In public remarks following their private meeting, Bush referred to China as a great power and maintained that “America wants a constructive relationship with China” and welcomes “a China that is a full member of the world community.” Bush also publicly indicated personal regret that the Beijing portion of the trip had been canceled and promised that “it will happen at a different time.”

Jiang proposed that the two countries establish a “high-level strategic dialogue mechanism” to ensure timely communication on major issues of common concern and Bush readily agreed. A senior administration official characterized this understanding as a commitment “to picking up the phone and calling, particularly if there was some area of misunderstanding.” The U.S. side judged this “a very important step forward,” since U.S. officials had been unable to contact senior Chinese officials after the accidental bombing of the Chinese Embassy in 1999 and the collision of a Chinese fighter jet with a U.S. surveillance plane last April. Following the APEC meeting, Presidents Bush and Jiang exchanged several phone calls to confer on issues such as missile defense, WTO, and the war on terrorism, but it remains to be seen whether communication channels will be available and utilized during a crisis.

President Bush thanked Jiang for China's firm support in the fight against terrorism, which, he emphasized, was provided “immediately” and with “no hesitation” and “no doubt.” In an attempt to assuage China's concerns that the U.S. would seek to secure a permanent military foothold in Afghanistan and Central Asia after the Taliban is eliminated, Bush promised Jiang that the U.S. had no intention to sustain a military presence in the region and would not pose any threat to China. Beijing agreed to expand cooperation with Washington in counterterrorism efforts, specifically in intelligence sharing and interdicting the financing of terrorist groups. Another area of common interest that the two leaders discussed was North Korea, which President Jiang had recently visited. They confirmed their joint desire for peace and stability on the Korean Peninsula and in the Asia Pacific. President Jiang even declared that China views the U.S. presence in the region as stabilizing and does not seek to expel U.S. military forces from the region.

Contentious issues were mentioned during the leaders' discussion but were not dwelled on. President Bush conveyed his personal convictions to Jiang about the importance of religious freedom. He declined to endorse Beijing's portrayal of Uighur separatists in Xinjiang as terrorists, insisting that "the war on terrorism must never be an excuse to persecute minorities." Bush also raised U.S. proliferation concerns, noting that in the aftermath of Sept. 11 there is heightened urgency to bolster efforts to prevent the spread of weapons of mass destruction and the means to deliver them. On the sensitive issue of Taiwan, President Bush reiterated the long-standing U.S. policy of "one China," but also reaffirmed his commitment to the Taiwan Relations Act. In addition, he told Jiang that Taiwan ought to be treated with respect. Prior to the summit, the Chinese side had pressed the U.S. side to agree that Bush would restate directly to Jiang that his administration does not support Taiwan independence, but apparently the U.S. refused.

Sino-U.S. trade and business ties got a boost from the summit and the general trend of improvement in U.S.-China relations. On the fringes of the first meeting between Bush and Jiang, major U.S. corporations including Microsoft, Applied Materials, Hewlett-Packard, and General Motors all announced greater investments in China. A few weeks prior to the APEC meeting, Chinese airlines signed an order for 30 Boeing 737 jetliners in a deal worth about \$1.6 billion at list prices.

### **Cooperation in the War on Terrorism**

Sino-U.S. cooperation in countering terrorism advanced this quarter with a second round of consultations held in early December in Beijing. As in the first round, which took place in Washington only two weeks after the Sept. 11 attacks, the delegations were headed by the U.S. Department of State and the Chinese Foreign Ministry respectively, but also included law enforcement and intelligence officials. The delegations for the December talks also included Defense and Treasury officials. Ambassador Francis X. Taylor, the State Department's coordinator for counterterrorism, held talks with his counterpart Li Baodong, director of the Ministry of Foreign Affairs' International Organizations Department. Taylor also met with Li Zhaoxing and Wang Yi, both vice ministers of foreign affairs, and Xiong Guangkai, deputy chief of General Staff of the People's Liberation Army.

During two days of talks on terrorism, China promised to give "positive consideration" to a U.S. request to open a Legal Attaché Office in the U.S. Embassy in Beijing, which would be run by the FBI. The office would aid in the efforts of law enforcement agencies against organized crime, money laundering, and other criminal activities. The two sides also agreed to hold semiannual consultations on counterterrorism, but Gen. Taylor emphasized in a press conference following the conclusion of his meetings that "this does not preclude frequent, in fact even daily, contacts at the experts and working levels." Taylor also announced an agreement to establish a U.S.-China Financial Counter-Terrorism Working Group and said that a small group of Chinese experts would visit the U.S. in early 2002 pursuant to this initiative.

Taylor maintained that the United States is pleased with the support China has given in the aftermath of the Sept. 11 terrorist attacks. "The Chinese government has responded quickly and positively to specific requests for assistance, and also took steps on its own to protect its borders and respond to that common threat," he said. Beijing also contributed to the U.S.-led war against terrorism in other ways. For example, China supplied a significant amount of food relief for refugees fleeing Afghanistan. Beijing agreed to provide \$121,000 to the United Nations High Commissioner for Refugees (UNHCR) and pledged to provide an additional 60 truckloads of humanitarian supplies valued at \$1.7 million. China also announced \$1.21 million in emergency aid to Pakistan and promised an additional \$12 million in assistance during Pakistani President Pervez Musharraf's Dec. 20-25 visit to China. Vice Foreign Minister Wang Yi was dispatched twice to Pakistan, once in mid-September and again in late November, to shore up that country's support for opposing bin Laden and the Taliban government in Afghanistan. In addition, China signed the International Convention for the Suppression of Financing of Terrorism and the Standing Committee of China's National People's Congress ratified the PRC accession to the International Convention for the Suppression of Terrorist Bombings. Unlike Pakistan and several Central Asian countries, however, Beijing refrained from offering the use of Chinese airfields and airspace to support humanitarian or combat operations.

### **Stalemate Persists on Nonproliferation**

In this final quarter of 2001, there was no narrowing of differences between Beijing and Washington in their dispute over a November 2000 bilateral agreement in which China committed not to export nuclear-capable missiles or its technologies and strengthen export controls on missile-related items. In August, the U.S. imposed sanctions on a Chinese firm, which it claimed had transferred missile technology to Pakistan in violation of the November 2000 agreement. U.S. officials had hoped that China would settle the disagreement before the APEC Leaders' Meeting so the two presidents could show solidarity in opposition to proliferation of weapons of mass destruction and the means to deliver them as well as terrorism. They were disappointed, however, as the Chinese continued to deny breaking international and bilateral commitments and insisted that the U.S. decision was based on inaccurate intelligence.

At the end of November, Chinese Vice Foreign Minister Wang Guangya visited Washington for talks with Undersecretary of State John Bolton that focused on proliferation in the hopes of breaking the stalemate. Progress was stymied, however, by the two sides' persisting irreconcilable interpretations of the November 2000 understanding. Beijing maintained that Chinese contracts to sell missile technology signed prior to November 2000 are not covered under the accord, while the U.S. insisted that all contracts are included irrespective of when they were concluded. China also balked at U.S. demands that it put in writing its oral agreement last year to refrain from assisting other countries to develop missiles capable of delivering nuclear weapons. Beijing noted that it was gearing up to establish a system of export controls to regulate exports of missiles and missile technology as promised the previous November, but the U.S. side judged this as insufficient progress and refused to lift the sanctions.

In an effort to play down the lack of agreement between the two sides, China's *Xinhua News Agency* reported that the consultations between Wang Guangya and John Bolton were "beneficial and constructive" and had "increased mutual understanding." The report also noted that in Wang's meetings with other U.S. officials, including Secretary of State Powell, the two sides agreed that China, the U.S., and the international community should further increase cooperation in the struggle against terrorism. Other topics covered during Wang's visit included Afghanistan, the Middle East, the situation in South Asia, and cooperation between China and the U.S. in the UN Security Council.

### **Bush Abandons ABM Treaty and Seeks to Mollify China**

President Bush's announcement of the withdrawal of the United States from the 1972 Anti-Ballistic Missile Treaty (ABM) came as a surprise to many Chinese experts who had forecast that Washington would postpone a final decision on the ABM Treaty to avert new tensions in U.S.-Russia relations that could undermine Moscow's support for the U.S.-led military operation in Afghanistan. Just hours prior to Bush's public appearance to declare that his administration was giving six-months notice of its intention to withdraw as required by the treaty, the president phoned both Russian President Putin and Chinese President Jiang to convey his decision. In the conversation with Jiang, Bush offered to hold high-level strategic talks with China, presumably aimed at assuaging Beijing's concerns that China's strategic deterrent will be neutralized by a U.S. missile defense system. Secretary of State Powell offered public reassurances, saying that the planned system would not target China, but instead "goes after those irresponsible, rogue states that might come up with a couple of missiles and threaten us." Powell said he was confident that China would eventually conclude that "this action is not intended against it."

Just three days after the president's announcement of the ABM Treaty withdrawal, a team of U.S. diplomats arrived in Beijing to consult with China on the implications of Bush's decision. Assistant Secretary of State for Arms Control Avis Bohlen led the delegation to confer with Chinese Foreign Ministry officials. Publicly, the Chinese officials muted their concerns, but privately they maintained their long-standing position that the development and deployment of missile defense systems would threaten global stability and could set off a new arms race. They insisted that preservation of the ABM Treaty would be beneficial for world peace and hoped that the Bush administration would reconsider its decision to abandon the treaty. China's Foreign Ministry spokesman declared: "We hope the U.S. will heed seriously the opinion of other countries. No matter what moves the U.S. takes, the Chinese side will continue to work with the international community to safeguard international disarmament." The U.S. side characterized the talks as "productive" and indicated that both sides had agreed to continue their dialogue on missile defense "to enhance mutual understanding."

### **China Joins the WTO**

After 15 years of negotiations, China finally joined the WTO, bringing a market of 1.3 billion people into the global trading system and accelerating the process of China's

adherence to international, market-based rules. At a meeting of WTO ministers in the Gulf state of Qatar on the evening of Nov. 11, Shi Guangsheng, head of the Chinese government delegation and minister of foreign trade and economic cooperation, delivered to the WTO director the “Instrument of Ratification Signed by Chinese President Jiang Zemin on China’s Accession to the WTO.” According to the WTO regulations, China officially became a WTO member 30 days after submission of this document.

In a speech to the ministers, Shi said joining the WTO was a strategic decision by the Chinese leadership aimed at refueling the engine for market reforms launched more than 20 years ago when China started to open its economy to the rest of the world. He also promised that China would “abide by WTO rules and honor its commitments while enjoying its rights.” Beijing’s decision to become a member of the global trading system “fully demonstrates the resolve and confidence of China to deepen its reforms and to open further to the outside world,” Shi declared.

On Dec. 11, the date that China officially became the 143<sup>rd</sup> member of the WTO, U.S. Commerce Secretary Donald Evans offered congratulations and said that Washington looks forward to China’s participation in future WTO work. He noted that the average Chinese tariff on most industrial products would be reduced from the 1997 average of 25 percent to 8 percent by January 2004, making it easier for U.S. firms to sell its products to Chinese consumers. “Their accession to the WTO will open China’s market to American exports of industrial goods, services, and agriculture to an unprecedented degree, and strengthen the world economy,” Evans stated. Other U.S. officials observed that the U.S. would closely monitor China’s future activities to ensure that Beijing honored its WTO commitments.

One day after China joined the WTO, Taiwan’s membership was approved as “the separate customs territory of Taiwan, Kinmen, and Matsu” or Chinese Taipei. In a public statement, President Bush welcomed both China and Taiwan into the international trading system. He noted WTO membership meant both would follow the same trade rules as the U.S. and other trading partners. “This, in turn, will generate greater trade and investment that will bring benefits to businesses, consumers, and workers in all of our economies,” Bush said. As required by U.S. law, prior to the Qatar meeting Bush had certified that the terms negotiated on China’s entry to the WTO in a 1999 bilateral deal had been met.

### **Hope Springs Eternal, but Uncertainty Prevails**

As 2001 came to a close, China’s analytic community engaged in intense debates about the impact of the past year’s developments on Chinese national security interests as its members prepared assessments of the international security environment for the top leadership. Attention was focused primarily on the U.S.-led counterterrorism campaign and its uncertain implications for major power relations, especially U.S.-Russia relations, and for U.S. foreign and defense policy and global security. The Sept. 11 terrorist attacks “changed the world for the United States, but for China, it is the U.S. response that has changed the world,” asserted a leading Chinese strategist.

Developments in the international situation since Sept. 11 have had both negative and positive consequences for China. On the positive side, the counterterrorism campaign is widely recognized in Beijing as a chance to improve relations with the U.S. and further integrate China into the international community. On the negative side, China is uneasy about the U.S. conducting military operations from several states close to its borders and thus hopes for an early and successful completion of the campaign in Afghanistan. Chinese experts and officials are nervous that once the U.S. attains its goals in Afghanistan it will “wantonly” use military force against other targets such as Iraq, Somalia, or Sudan, which they claim would undermine both the global coalition against terrorism and the trend toward development of a multipolar, rather than a unipolar, world. China is also worried about potential instability in Pakistan and the possibility that the Gen. Musharraf administration could fall from power and be replaced by a radical Islamic government. The possible loss of the Pakistani government’s control over its nuclear weapons is extremely worrisome. In addition, the recent flare-up of tension between India and Pakistan that carries the danger of escalation to a nuclear exchange has heightened anxiety in Beijing.

While China hopes that it can sustain the forward momentum in Sino-U.S. relations, it recognizes that this will be difficult. Cooperation in the fight against terrorism, although important to Beijing, is of far greater urgency for Washington. China has not sought *quid pro quos* for its positive contributions to the anti-terrorism war, but it hopes – perhaps even expects – that eventually there will be some payback. Beijing continues to press the U.S. to mute its criticism of China’s crackdown on Uighur separatists in Xinjiang whom it insists are linked to global terrorist networks. China also hopes that by backing the war against terrorism, Washington will be more sympathetic and accommodating to Chinese aspirations for reunifying the mainland with Taiwan. China would like to see the U.S. exercise restraint in its arms sales to Taipei and pressure Taiwan President Chen Shui-bian to accept Beijing’s “one China” principle and enter into negotiations with the mainland. The Bush administration is unlikely to comply with China’s wishes.

Moreover, other contentious issues that divide the U.S. and China remain, including human rights and proliferation, and in due time will resurface and possibly overwhelm the nascent cooperation between the two countries. Moreover, mutual suspicions about long-term intentions have not abated on either side, neither among officials nor in the general populace. Although U.S. attention is focused on the imminent threat of terrorism, it is premature to conclude that the U.S. is no longer worried about a rising China. Similarly, China is not convinced that the threat of U.S. hegemonism has receded.

## **Chronology of U.S. - China Relations**

### **October - December 2001**

**Oct. 2, 2001:** Chinese airlines sign an order for 30 Boeing 737 jetliners in a deal worth about \$1.6 billion at list prices.

**Oct. 7, 2001:** As President Bush announces the beginning of military strikes on Taliban targets and the al-Qaeda network led by Usama bin Laden, China's Foreign Ministry spokesman says that China supports the action, provided that it was limited to "specific objectives" and avoided civilian casualties.

**Oct. 8, 2001:** President Bush talks on the phone with Chinese President Jiang Zemin and thanks the Chinese government for its strong statements against global terrorist networks.

**Oct. 8-10, 2001:** U.S. Assistant Secretary of State for East Asian and Pacific Affairs James Kelly holds two days of talks in Beijing with Foreign Minister Tang Jiaxuan and other Chinese officials to prepare for the first meeting between Bush and Jiang.

**Oct. 9-11, 2001:** U.S.-China human rights talks take place in Washington, D.C. Lorne Craner, assistant secretary for the Bureau of Democracy, Human Rights, and Labor, headed the U.S. delegation to the three-day talks. China was represented by Li Baodong, the Foreign Ministry's director for international organizations.

**Oct. 11, 2001:** China insists the international community should help it stamp out violent Muslim separatism in its far west, saying this was "part and parcel" of the global anti-terrorism fight.

**Oct. 19, 2001:** Presidents Bush and Jiang meet for over three hours in their first ever face to face meeting on the sidelines of the APEC meeting in Shanghai.

**Nov. 8, 2001:** A Foreign Ministry spokesman says that China ratified a UN treaty against terrorist bombings and will sign a second UN treaty targeting terrorist financing.

**Nov. 8, 2001:** Former President George Bush tells business leaders in Hong Kong that he is "very pleased that the United States and China and other countries are shoulder-to-shoulder in unity in their determination to win against international terrorism." Bush calls China's support of the U.S. war on terrorism "a rather courageous stand" that should improve historically fragile ties between Washington and Beijing.

**Nov. 10, 2001:** World Trade Organization meeting in Doha approves the admission of China. One day later, the WTO clears Taiwan to join.



**Nov. 11, 2001:** Shi Guangsheng, head of the Chinese government delegation and minister of foreign trade and economic cooperation, delivers to WTO Director General Mike Moore the “Instrument of Ratification Signed by Chinese President Jiang Zemin on China’s Accession to the WTO.”

**Nov. 12, 2001:** Presidents Jiang and Bush conduct a telephone conversation. Bush congratulates China on its accession to the WTO and the two leaders exchange views on opposing terrorism.

**Nov. 20, 2001:** A Foreign Ministry spokeswoman says that China is firmly opposed to the proposed sale of diesel submarines to Taiwan by U.S. companies.

**Nov. 30, 2001:** Chinese Vice Foreign Minister Wang Guangya holds talks with U.S. Undersecretary of State John Bolton in Washington on arms control and the prevention of proliferation. He also meets with Secretary of State Colin Powell and Undersecretary of State Marc Grossman.

**Dec. 5-7, 2001:** China and the U.S. hold a three-day working group meeting to promote military maritime safety under the Sino-U.S. Military Maritime Consultative Agreement.

**Dec. 6, 2001:** Ambassador Francis X. Taylor, the State Department’s coordinator for counterterrorism, holds a press conference in Beijing after two days of talks with Chinese officials on cooperation in the fight against terrorism. He was hosted by his counterpart Li Baodong, Director of the International Organizations Department in China’s foreign ministry.

**Dec. 11, 2001:** U.S. Commerce Secretary Donald Evans congratulates China on becoming the 143rd member of the WTO.

**Dec. 13, 2001:** President Bush calls President Jiang to notify him that he plans to withdraw from the 1972 Anti-Ballistic Missile Treaty and offers to hold high-level strategic talks.

**Dec. 13, 2001:** China’s Foreign Ministry spokesman expresses concern at U.S. plan to withdraw from the 1972 ABM Treaty and calls for talks on the issue.

**Dec. 17, 2001:** A team of U.S. diplomats led by Assistant Secretary of State for Arms Control Avis Bohlen held talks in Beijing on the U.S. decision to withdraw from the 1972 ABM Treaty.

**Dec. 27, 2001:** President Bush signs a proclamation granting permanent normal trading relations status to the PRC, terminating the annual Jackson-Vanik trade certification process for China. The change takes effect Jan. 1, 2002.

**U.S.-Korea Relations:  
The Winds of War from Afghanistan  
Sweep the Korean Peninsula**

by Donald G. Gross  
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The war against terrorism in Afghanistan largely shaped the development of U.S.-Korean relations this quarter. Although the actual conflict took place far away, new U.S. military and diplomatic needs, South Korea's alliance responsibilities, Bush administration rhetoric, and North Korea's reactions complicated and altered security relations on the Peninsula.

**U.S.-Korea Security Issues**

In late September, South Korea gave a measured response to the war in Afghanistan by offering logistical and medical support to U.S. forces. The Korean government expressed a willingness to send combat forces in response to a U.S. request, but did not seem eager to deploy them overseas. In part this reluctance arose from the thin domestic political support for Korean casualties in an unanticipated war. Seoul was also deeply worried about complicating its important relations with nations in the Middle East during this unsettled period. The seemingly precarious state of the South Korean economy, apparently falling further into recession, seemed to exacerbate the government's nervousness.

The first adverse effect of the war on U.S.-North Korea relations arose in mid-October. For logical military reasons, President Bush issued a warning to North Korea that it should not doubt U.S. resolve to defend South Korea, even while the war in Afghanistan continued. No doubt some administration officials were worried that North Korea might take advantage of the U.S. focus on combating al-Qaeda terrorism by engaging in some military provocation.

In addition to Bush's rhetorical effort to reinforce deterrence, the U.S. Air Force reportedly deployed an unspecified number of F-15 fighters to South Korea at the same time. The new fighters were intended to fill the vacuum left by the departure of the Kitty Hawk task force carrier group from Japan to support the Afghanistan effort.

Before and during the subsequent APEC Leaders' Meeting in Shanghai, President Bush publicly criticized North Korean leader Kim Jong-il and at one point accused him of "timidity" for failing to take up the U.S. offer to resume bilateral negotiations. U.S. Ambassador to South Korea Thomas Hubbard attempted to soften U.S. public diplomacy at the end of October by reiterating the U.S. desire to begin talks with North Korea unconditionally. Hubbard also called for North Korea to join the coalition of nations fighting terrorism and proposed that North Korea supply the U.S. with any information it had on Usama bin Laden or his organization.

In general, North Korea reacted to the hardened U.S. rhetoric and perceived military build-up on the Peninsula as a threat of attack and began ratcheting up its anti-U.S. rhetoric accordingly. The overall message of North Korea's statements was that the U.S. should not consider North Korea a "second Afghanistan" and that the North Korean military would inflict heavy casualties on any attacking U.S. forces. The North Korean "rhetorical offensive" could be construed as its own effort to "deter" U.S. military action. On a regular basis, U.S. newspapers were carrying reports of discussions, among Bush advisers, on where "next" to extend the war on terrorism – and North Korea may well have been nervous about the effect of the war on U.S. policy toward so-called "rogue states."

The on-going stalemate in U.S.-North Korea relations and the anti-terrorist measures accompanying U.S. military action in Afghanistan materially affected North-South diplomacy in mid-November. After five days of talks, the two sides were unable to even agree on a bland closing statement and broke off their negotiations without a plan for resumption. Among the casualties of this breakdown were a planned round of reunions by divided family members and efforts to enhance cross-border transportation links in the area of the Mount Geumgang tourism project.

U.S.-North Korean relations and North-South relations deteriorated in tandem through early December. In mid-November, U.S. Under Secretary of State John Bolton condemned North Korea's biological weapons program during a speech at a UN conference in Geneva. Shortly thereafter, President Bush called for new inspections of North Korea's nuclear facilities, as called for under the 1994 Agreed Framework. (Although North Korea is technically only required to submit to inspections by the International Atomic Energy Agency (IAEA) after the completion of a substantial amount of construction but before it receives the key components for the first light-water reactor, several years hence, the IAEA has urged that the "process" of compliance begin much sooner.)

Both U.S. statements caused North Korea to once again intensify its propaganda attacks on the United States and caused some South Korean officials to react with dismay. South Korea reportedly asked U.S. officials whether the statements about North Korea's weapons of mass destruction (WMD) signaled a change in U.S. policy supporting the 1994 Agreed Framework.

To assure South and North Korea of U.S. intentions, Assistant Secretary of State James Kelly supported a joint communiqué at a regular meeting of the Trilateral Coordination and Oversight Group (among South Korea, Japan, and the U.S.) in San Francisco in late November, which reaffirmed the U.S. commitment to both the 1994 Agreed Framework and the Korean Peninsula Energy Development Organization (KEDO) light-water reactor project. Almost at the same time, a State Department spokesman stated that the U.S. would continue humanitarian aid to North Korea, despite U.S. concerns about North Korea's WMD capability. And Ambassador Hubbard once again publicly reiterated the U.S. desire to resume bilateral negotiations "unconditionally" with North Korea as soon as possible.

Continuing on a positive track, the first high-level, public diplomatic contact between the U.S. and North Korea occurred in early December when KEDO Executive Director Charles Kartman visited Pyongyang and then Seoul for consultations. At the Pyongyang meeting, surely by pre-arrangement, North Korea announced its willingness to accept international inspection of one of its nuclear laboratories. This statement effectively showed some North Korean diplomatic flexibility on the inspection issue and reduced tension with the United States to some extent. In so doing, North Korea continued its resistance to more intrusive IAEA nuclear inspections that are only legally mandated when the light-water reactor project moves closer to completion.

In late December, South Korea announced that in view of the U.S. military success in Afghanistan, it would end its domestic state of alert and return to normal security levels. At roughly the same time, the U.S. reportedly decided to withdraw the reinforcements of F-15 fighters that were deployed to Korea in October. Following these moves, some South Korean officials speculated that an issue complicating North-South relations (which had led to the impasse in November's ministerial talks) would be resolved.

Although North Korea once again in December indicated an interest in signing various UN conventions against terrorism, it did not respond directly to the lowering of South Korea's alert level or the re-deployment of U.S. forces. Rather, Kim Jong-il called for North Korea's military forces to maintain high combat capability and North Korean media referred to the U.S. diplomatic posture toward North Korea as a "peace hoax."

### **Trade Issues**

The most controversial trade issue to emerge during the quarter arose from the decision of the U.S. International Trade Commission (ITC) to investigate foreign steel exporters, including those from South Korea, for allegedly causing unfair harm to the U.S. steel industry. The purpose of the ITC investigation was to determine the extent of such harm and to calculate the punitive tariffs that should be imposed on foreign steel makers.

South Korea reacted to the U.S. decision by expressing strong "disappointment" and accusing the United States of adopting protectionist policies to bolster its ailing domestic steel industry, despite the supposed U.S. commitment to free trade. On a practical level, the ROK government adopted a strategy of joining forces with European countries that

stood to be negatively affected by the U.S. investigation. South Korean trade negotiators met with European Union officials in November and again at the Organization for Economic Cooperation and Development (OECD) steel industry conference in December to agree upon various “countermeasures” they would take to protest the U.S. action.

Despite these reactions, the ITC moved ahead with its investigation and in mid-December recommended a 5-40 percent tariff on 16 steel import products from various countries. South Korean steel industry sources predicted the U.S. would impose an approximately 20 percent tariff on Korea steel exports, until the U.S. steel industry is restructured to become more competitive. At the time the tariffs were announced, Korean officials said they would continue working with the EU to persuade U.S. officials that the tariffs would damage free trade in the steel sector.

During December, Seoul and Washington also held preliminary discussions concerning a U.S.-South Korea Free Trade Agreement (FTA). Leaders of the big Korean conglomerates reportedly pushed for an FTA because of the greater access it would give them to the U.S. market in the steel, auto, and other industrial sectors. Nevertheless, Ambassador Hubbard indicated that a new FTA was not a U.S. priority at this point. Rather, he stressed that much had to be done to open the Korean market further to foreign trade and investment. He called for Korean companies to restructure themselves, to reduce heavy debt burdens, and to adopt measures bringing more transparency in corporate governance and financial accountability.

On the issue of autos, in particular, General Motors’ pending purchase of Daewoo Motors, and the resulting access to the Korean market it would provide, went far to reduce U.S.-South Korean trade friction in this sector. Korean auto imports to the U.S. boomed in 2001, with sales of more than 500,000 units, while U.S. auto sales in the ROK remained at the level of a few thousand.

### **Other Bilateral Issues**

In early December, the U.S. Federal Aviation Administration (FAA) upgraded South Korea’s aviation safety rating after lowering it in August. The new Category I rating means that South Korea has met all the safety regulations prescribed by the International Civil Aviation Organization. As a practical matter, the new rating allows Korea to launch new routes, increase flights to the United States and change the types of aircraft used on these routes. The FAA downgraded Korea’s safety rating in August after Korea failed to heed warnings and take the requisite steps to meet safety standards that the FAA regularly strives to enforce.

After more than an eight-year delay, South Korea and the U.S. resumed their negotiations in mid-December on the relocation of the U.S. forces from Yongsan Army base in downtown Seoul. In the early 1990s the U.S. agreed to return the Yongsan base, a huge and valuable piece of prime real estate, if South Korea bore the financial burden of relocation. The catalyst for the new negotiations was a reported decision by the U.S. military command to build new apartment buildings on the base to house soldiers and

their families. Civic groups vociferously opposed this plan when reports about it were leaked to the media. Evidently to defuse criticism, the U.S. agreed to resume the overall negotiations at the same time as the ROK Defense Ministry expressed support for the new construction.

### **Future Prospects**

At the end of the quarter, observers were split on the future direction of U.S.-North Korean as well as North-South relations. One scenario saw hard-liners in the Bush administration eventually becoming dominant in shaping U.S. policy. With the U.S. emerging triumphant from its military success in Afghanistan, the argument went, one of the “next” rogue states requiring U.S. attention would be North Korea. In the face of continued tough rhetoric from the U.S., including U.S. demands for more nuclear and biological weapon-related inspections, North Korea might then engage in some military provocation – mainly for the purpose of demonstrating its own toughness and continuing a strategy of brinkmanship that had proved successful in the past. The Bush administration, of course, would not take kindly to this threat and, once provoked, would engage in correspondingly tough military moves of its own.

Under the other scenario, observers saw North and South Korean engagement moving forward, in part out of a mutual desire to prevent conservative elements in the U.S. administration from successfully undermining inter-Korean reconciliation. (In the South Korean press, some politicians have argued that the U.S. was deliberately “sabotaging” North-South talks for reasons of its own.) Following a possible visit to North Korea by State Department Korea Coordinator Jack Pritchard or another special envoy, North Korea might agree to fully resume the bilateral talks that have been suspended since the end of the Clinton administration. By explaining U.S. intentions to continue the process of diplomatic engagement with North Korea, the special envoy could arguably overcome North Korean fears of being sandbagged or coerced in new bilateral talks.

Whether either of these scenarios or some third variation comes to pass remains to be seen. In any event, the effects of the U.S. war against terror in Afghanistan and elsewhere will continue to be felt, over the coming months, on the Korean Peninsula.

### **Chronology of U.S.-Korea Relations October - December 2001**

**Oct. 5, 2001:** At the UN, North Korea expresses regret for terrorist attacks on U.S.

**Oct. 8, 2001:** Seoul expresses full support for U.S. military attacks against terrorists in Afghanistan.

**Oct. 9, 2001:** Seoul announces it will send 450 non-combatants on medical and transport missions to assist U.S. efforts in Afghanistan.

**Oct. 12, 2001:** North Korea postpones family reunions citing South Korea's security alert following terrorist attacks in the U.S.

**Oct. 17, 2001:** President Bush warns North Korea not to take advantage of U.S. involvement in the Afghanistan conflict.

**Oct. 19, 2001:** President Bush and President Kim Dae-jung meet at the Shanghai APEC conference.

**Oct. 23, 2001:** U.S. says foreign steel exporters including South Korea committed trade violations. North Korea says President Bush's criticism of Kim Jong-il was "imprudent."

**Oct. 26, 2001:** Ambassador Hubbard calls for South Korea to improve trade balance with the U.S.

**Oct. 31, 2001:** Ambassador Hubbard urges North Korea to join the U.S. and the international coalition in the war against terrorism.

**Nov. 4, 2001:** North Korea demands the U.S. remove it from the U.S. list of nations that suppress religious freedom.

**Nov. 6, 2001:** South Korea and the U.S. announce the postponement of their joint "Foal Eagle" military exercise until spring 2002.

**Nov. 12, 2001:** North Korea ratifies UN anti-terrorism treaty.

**Nov. 14, 2001:** North and South Korea break off talks without agreement; North Korea accuses the South of heightening tensions through anti-terror measures.

**Nov. 15, 2001:** At annual U.S.-Korea Security Consultative Meeting, the U.S. requests that South Korea buy Boeing fighters.

**Nov. 19, 2001:** At a Geneva conference, U.S. Under Secretary John Bolton accuses North Korea of developing biological weapons. In Washington, D.C., Asst. Secretary of State James Kelly says U.S. is still "hopeful" for resumption of dialogue with North Korea.

**Nov. 20, 2001:** South Korea and European Union agree to cooperate in resisting U.S. steel quotas.

**Nov. 22, 2001:** Bank of Korea reports South Korean economy grew 1.8 percent in third quarter.

**Nov. 26, 2001:** President Bush demands North Korea accept inspection of its suspected programs for producing weapons of mass destruction and halt missile sales.

**Nov. 27, 2001:** North and South Korea exchange gunfire at the DMZ.

**Nov. 26-27, 2001:** At a trilateral meeting, South Korea, Japan, and the U.S. reconfirm their support for the 1994 Agreed Framework.

**Nov. 29, 2001:** U.S. reaffirms it will provide humanitarian assistance to North Korea. Ambassador Hubbard reiterates Washington's readiness to resume talks with North Korea.

**Dec. 1, 2001:** On the arrival of KEDO Executive Director Charles Kartman, Pyongyang agrees to open a nuclear laboratory to international inspection.

**Dec. 3, 2001:** KEDO and North Korea sign agreement on quality assurance and warranties for two light-water reactors.

**Dec. 6, 2001:** FAA upgrades South Korea's aviation safety rating after Korea revises laws and regulations in accordance with international standards.

**Dec 7, 2001:** Bank of Korea estimates economic growth of 3.9 percent in 2002.

**Dec. 8, 2001:** U.S. recommends tariff on steel imports, including those from South Korea.

**Dec. 10, 2001:** EU indicates that North Korea is willing to sign five more anti-terror international agreements.

**Dec. 12, 2001:** U.S. and South Korea hold high-level consultation over relocation of the Yongsan Army base, also discussing controversial U.S. plans to build new housing.

**Dec. 13, 2001:** Korean Defense Ministry backs U.S. plan to build large apartment complex at Yongsan Army base, despite protests.

**Dec. 14, 2001:** Reports surface that the U.S. has proposed a visit by State Dept. Coordinator Jack Pritchard to Pyongyang.

**Dec. 16, 2001:** U.S. Forces, Korea reportedly plans to use the Yongsan Army base as a new "hub," despite some calls for relocation away from the center of Seoul.

**Dec. 18, 2001:** Visiting U.S. official to Seoul indicates U.S. interest in a U.S.-Korea Free Trade Agreement.

**Dec. 19, 2001:** F-15 fighters deployed to Korea in October will reportedly be returning to the U.S. in December.

**Dec. 21, 2001:** South Korean military lifts the high-alert status of its forces put in effect after the Sept. 11 terrorists attacks in the U.S.



## U.S.-Russia Relations: *De facto* Alliance or Temporary Rapprochement?

by Joseph Ferguson  
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As was the case at the end of the preceding quarter, the global war against terrorism and the war against the Taliban government in Afghanistan continued to galvanize the U.S.-Russia relationship and to give it a newfound purpose. The summit meetings between Presidents Bush and Putin in Shanghai in October and in the United States in November went off very well. Differences over issues like the Anti-Ballistic Missile Treaty (ABM) and missile cuts were smoothed over as a united front in the war against terrorism was presented.

Nevertheless, the United States vowed to push forward with the development of a missile defense (MD) system, contrary to what many assumed would be a shift in U.S. strategy after the terrorist attacks on Sept. 11. U.S. forces were able to utilize bases and assets in two Central Asian countries with Russian approval, also contrary to what many assumed would be the case in mid-September. Within the U.S., the nation focused almost exclusively on the war in Afghanistan.

But in Russia, the war brought up a wider debate that has simmered in Russia for centuries: whether to join with the West or to define Russia's own unique path. President Vladimir Putin seems to prefer the former, but voices of opposition are beginning to question the wisdom of such a choice. Can Putin continue to dominate the Russian political world or will his decision to go with the West divide the Russian leadership? These questions are much more important to the people of Russia than the war against terrorism and the debates over arms control. Ultimately, they are important questions for the United States, as well.

### **The War in Afghanistan**

The war against the Taliban government in Afghanistan has proven to be more successful than perhaps either government in Moscow or Washington originally envisioned. For the U.S., the rapid demise of the Taliban was an unquestionable victory. Although the battle against al-Qaeda will have to be carried out for much longer, the host government in Afghanistan has, for now at least, been eliminated, which was a major goal. For Russia, the quick collapse of the Taliban regime is seen more as a double-edged sword. The Russian leadership has long viewed the Taliban as a cancer threatening to spread through

Central Asia and into the Caucasus. Therefore, its elimination was a major goal in Moscow. As recently as late in 2000, the Russian government had purportedly sent feelers to the U.S. concerning joint bombing raids against Afghanistan from bases in Central Asia (see “Return to Realism; Fewer Bear-hugs Expected,” *Comparative Connections*, Vol. 2 No. 4).

Many in Russia, however, are wary of the U.S. military presence in Uzbekistan and Tajikistan and wonder whether this could be the precursor for permanent U.S. military bases in Central Asia. At the other extreme, many in Russia feel that once the U.S. has accomplished its goals in Afghanistan, it will withdraw from the region, creating a vacuum that Russia is ill-prepared to step into. The website *Strana.ru*, which is seen as a quasi-official Kremlin mouthpiece, published an analysis of the Russian press in which both sets of views were demonstrated to have received almost equal attention in all the major dailies. The Russian daily *Nezavisimaya Gazeta* published in October one analyst’s views on what he called a new “*de facto* alliance” between Russia and the United States. This view was echoed in an article published in November in the English-language daily *Moscow Times* by U.S. Ambassador to Russia Alexander Vershbow.

Meanwhile, other Russian press reports describe a growing unease among some leaders (especially in the military leadership) about the direction Putin is taking Russia. They point out that both Mikhail Gorbachev and Boris Yeltsin were seen to have followed the West too blindly and that in the end this was partly their undoing. Some generals have openly criticized Putin for being “too compliant” to the U.S. *Izvestia* reported that even the average Russian citizen is wary about moving too closely toward the U.S. and NATO.

Perhaps most significant for many Russians, the relative ease of the U.S. military campaign and the success of the sustained air assault further highlights Russia’s decline as a major power. Though Russia’s economic performance has improved over the past two years, its leadership and its people are ever sensitive to the issue of Russia’s status. Many feel that by following blindly behind the U.S., Russia is simply becoming even more marginalized in the world and demonstrating its impotence.

### **Summits in Asia and America**

The war in Afghanistan has only temporarily lessened the bilateral focus on arms control that had previously dominated the relationship. At their meeting during the Shanghai APEC Leaders’ Meeting in October, Presidents Bush and Putin appeared to move beyond the strictly anti-terror dialogue that had come to be the sole talking point after Sept. 11. The two sides reportedly began discussions on the status of the 1972 ABM Treaty (according to *The New York Times*) in order to lay the groundwork for what was expected to be some sort of an agreement inked at the upcoming Texas summit.

The meetings in the U.S. went off very well in the eyes of the White House. The Texas *tête-à-tête* was replete with barbecue, country music, plenty of backslapping, *bonhomie*, and mutual admiration. To the surprise of many, however, no major announcement was forthcoming after the three days of meetings. In Washington, Bush had announced his

intention to slash the nation's long-range nuclear arsenal to between 1,700 and 2,200 weapons over the next decade. Putin, however, was evasive in his reply to Bush's statement, perhaps in response to pressure from certain groups at home. And though Putin had made statements prior to his arrival in the U.S. suggesting that he would be flexible in discussions over the ABM Treaty, the two leaders apparently left Texas agreeing to disagree, as had been the case. This apparent change in Putin's stance might also be attributable to pressure from political groups in Russia. This is at least what the press in Russia was claiming.

Not long after the Texas summit meeting in December, President Bush hinted in a speech at the Citadel Military Academy in South Carolina that the U.S. would soon announce its withdrawal from the ABM Treaty. The reaction from Russia was surprisingly muted, most likely because the move had been anticipated in Moscow since Bush took office at the beginning of the year. In a talk soon after Bush's speech Putin stated that though a U.S. withdrawal from the ABM Treaty was not a "crime," it was a "mistake." *Izvestia* stated that the decision had been discussed off-the-record at Bush's ranch in Crawford. Leaders in the Russian Duma responded as expected, threatening to abrogate the START II Treaty. Many Democrats in the U.S. Congress were also upset at Bush's "hasty" decision.

What irked many in Russia was that they expected the U.S. to soften its stance on the ABM Treaty and NATO expansion in return for Russia's unqualified support for U.S. actions in Afghanistan. In addition, Putin had announced Russia's withdrawal from its communications base in Lourdes, Cuba and the naval base in Cam Ranh Bay, Vietnam. Many in Russia considered these major concessions to the U.S. and expected equal concessions in return. New plans to include Russia in a NATO consultative body (19+1) were outlined by NATO Secretary General George Robertson in his November Moscow visit, but many Russians considered these mere bread crumbs. Many had hoped for either a postponement of NATO enlargement, the continuation of the ABM Treaty, or some sort of debt relief. With nothing on the horizon in terms of major U.S. concessions, influential Moscow weekly *Kommersant' Vlast* argued that Russia's "sacrifices are likely to prove one-sided – if not fatal."

This is where Vladimir Putin finds himself: between a rock and a hard place. He wants Russia to draw closer to the West, but how far can he afford to go? Will it be far enough to please his creditors in the West? Or will it be so far that he will lose political ground at home?

Thus far, Putin's position in the Kremlin seems unassailable. Most mainstream liberal and conservative political parties and movements back his position. The Russian Communist Party opposes him. This is to be expected.

But what is likely more ominous for Putin is the rise of dissenting voices within the emasculated, but still influential, Russian military. Putin holds the support of the so-called "power ministries" (defense, emergencies, foreign affairs, interior), and he is backed by his group of *siloviki* (represented by many of his former KGB colleagues from

St. Petersburg and former internal security *apparatchiks*). But how far he can go with their support is subject to debate. He seems to have distanced himself from and alienated many in Yeltsin's inner circle (the so-called "family"), whose power has not been completely eclipsed.

In spite of Putin's seemingly ironclad grip, there is room for dissension and potential political opposition at home. The situation in Afghanistan and the convoluted arms control picture have begun to complicate Putin's political position. He is counting on U.S. and European assistance in this regard. Once he feels he can no longer count on the U.S. and Europe to deliver, we may see some hedging on his part to cover himself politically.

### **The Eurasia Factor and China**

China has been quietly supportive of the war in Afghanistan. Though it officially opposes war and bombing as instruments for political settlements, the reaction to U.S. bombings has been muted. The Taliban was seen in Beijing as a potential trouble case, especially considering the fact that al-Qaeda has supposed ties to Uighur separatist groups operating in Xinjiang. China will not miss the Taliban.

Nevertheless, for many of the same reasons Russia views the events in Afghanistan in two ways, and for additional reasons as well, China is wary of U.S. actions there. The stepped-up U.S. presence in Central Asia cannot be viewed benignly in China. As Chinese leaders probably see it, political control in Central Asia means control of the resources of the region. China has had high hopes for the development of these resources. In addition, China does not want to see a U.S.-Russia deal on missile defense that leaves China out in the cold. As the Russian bi-weekly *Sovietskaya Rossiya* reports, the Chinese leadership is in a quandary. On the one hand, it cannot permit even a virtual devaluation of its nuclear forces in the eyes of its people and the international community. On the other hand, it would be extremely politically dangerous for China to reply by building up its nuclear forces.

This is where Japan factors in. The Japanese leadership has responded to U.S. calls to support military actions in Afghanistan with a show of the Japanese flag in the Indian Ocean. This can only be of concern to the Chinese leadership. Additionally, if China builds up its nuclear forces in response to a U.S. deployment of an MD system, leaders in China and across Asia fear that this would give Japan the impetus to beef up its forces even more and perhaps even one day to deploy its own nuclear force. Meanwhile, Russia's leadership has tried to reassure Beijing that the strengthening of relations with the U.S. is in no way at the expense of the Sino-Russian "strategic partnership."

The ramifications of Sept. 11 are still shrouded in a cloud of dust much like Manhattan was for weeks after the attacks. What is clear is that U.S.-Russia relations are in a dramatic transition period, and this affects not only the international political situation throughout Asia, but also the internal political dynamics of various countries. Nowhere is this more so than in Russia.

## **Chronology of U.S.-Russia Relations**

### **October - December 2001**

**Oct. 7, 2001:** The U.S. and Great Britain begin air strikes in Afghanistan. Russian President Vladimir Putin immediately praises the strikes, saying they are a just response to the Sept. 11 tragedy.

**Oct. 17, 2001:** U.S. Commerce Secretary Don Evans, leading a delegation to Moscow of U.S. corporate leaders on the first high-level trade mission of the Bush administration, praises Russia as a reliable U.S. partner and says both countries will reap economic rewards from fast developing ties.

**Oct. 19, 2001:** U.S. President George Bush and Russian President Putin meet in Shanghai on the occasion of the APEC Leaders' Meeting. Putin reaffirms his strong support for the U.S. in its war against terrorism. Talks are reportedly held on the status of the ABM Treaty.

**Oct. 26, 2001:** The U.S. decides to postpone two missile defense tests ahead of next month's U.S.-Russia summit; Russian lawmakers praise the decision.

**Oct. 30, 2001:** U.S. House lawmakers reject an effort by Representative Chet Edwards, (D-TX), that would have added \$131 million to a \$173 million program that helps Russia guard its nuclear facilities.

**Nov. 1, 2001:** Russian Foreign Minister Igor Ivanov and U.S. Secretary of State Colin Powell meet in Washington to work out an agenda for the upcoming presidential summit in Texas.

**Nov. 3, 2001:** U.S. Secretary of Defense Donald Rumsfeld visits Moscow on his way to Central Asia, he visits with Putin and his Defense Minister Sergei Ivanov to discuss the military campaign in Afghanistan.

**Nov. 5, 2001:** Russian Deputy Foreign Minister Georgii Mamedov meets with U.S. Undersecretary of State John Bolton in Moscow to discuss strategic offensive weapons and missile defense.

**Nov. 13, 2001:** Putin arrives in Washington for three-day U.S. visit. During the first meeting President Bush proposes reducing U.S. nuclear arsenal to between 1,700 and 2,200 warheads. Putin says he will "try to respond in kind" but offered no hard numbers.

**Nov. 15, 2001:** Bush and Putin fly to Texas to continue their summit at Bush's ranch in Crawford. Though the atmosphere and camaraderie are great, there is no announcement on a decision of the status of the ABM Treaty.

**Nov. 26, 2001:** U.S. Energy Secretary Spencer Abraham arrives in Russia to represent the U.S. government at a ceremony marking the completion of the Caspian Pipeline Consortium route from Kazakhstan to the Black Sea. Abraham also meets with his Russian counterpart, Igor Yusufov.

**Nov. 26, 2001:** Russian troops from the Ministry for Emergency Situations unexpectedly arrive in Kabul with the announced mission of erecting a field hospital and re-establishing a Russian Embassy in the city.

**Dec. 5, 2001:** Russia and the U.S. state they will slash their strategic weapons stockpile to the levels required by the START II treaty, signed by the U.S. and the Soviet Union in 1991. A Russian Foreign Ministry statement announces that the number of vehicles had been reduced to 1,136 and the number of nuclear warheads to 5,518, well below the ceilings of 1,600 and 6,000 established by the Strategic Arms Limitation Treaty.

**Dec. 9, 2001:** After visits to Uzbekistan and Kazakhstan, Powell arrives in Moscow for talks with Putin and Igor Ivanov. Powell reportedly leaves Moscow unable to declare victories either on the long-simmering missile defense issue or on a firm commitment from Russia on reducing its nuclear weapon levels.

**Dec. 11, 2001:** The White House announces that the “time is near” to move beyond the 1972 ABM Treaty amid signs that President Bush would formally announce U.S. withdrawal plans.

**Dec. 13, 2001:** U.S. announces its withdrawal from the ABM Treaty.

**Dec. 18, 2001:** At a NATO conference in Brussels U.S. Secretary of Defense Rumsfeld meets with Russian counterpart Ivanov to discuss the campaign in Afghanistan and Russia’s participation in NATO’s 19+1 plan.

## U.S. - Southeast Asia Relations: Mixed Reactions in Southeast Asia to the U.S. War on Terrorism

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Southeast Asian states displayed a range of reactions to U.S. President George Bush's call for international support for the war on terrorism. Enthusiastic endorsement characterized the Philippine response as well as more quiet backing from Singapore. Thailand's support was slower and more tentative. Both Indonesia and Malaysia, while deploring the Sept. 11 attacks on the United States, tempered their sympathy with warnings that the U.S. not target Islam generally. Most of these reactions can be explained by the domestic politics of each state and the Muslim proportions of their respective populations.

### **Overview**

While the Southeast Asian states declared their sympathy for the United States in the wake of the Sept. 11 terrorist attacks, their willingness to become a part of the U.S.-initiated global war on terrorism varied. The strongest response came from Philippine President Gloria Macapagal-Arroyo, who fully backed the U.S. with the offer of Philippine air bases and troops. She also accepted U.S. advisors to assist the Philippine military in its hunt for the Abu Sayyaf kidnapper-terrorists on the southern island of Basilan. President Macapagal-Arroyo undoubtedly hoped that her enthusiastic support would lead to substantial new U.S. military and economic aid. She has not been disappointed.

At the other extreme are Indonesia and Malaysia, both with predominantly Muslim populations. Indonesian President Megawati Sukarnoputri, on a visit to the U.S. one week after the atrocities, denounced the attacks in the strongest possible terms. Back home, however, she tempered her remarks by warning that the U.S. war on terrorism did not give one country the right to attack another. The Indonesian president was repositioning herself to take account of the strong Muslim parties in Parliament and more general Islamic opposition to U.S. attacks on Afghanistan.

In late August, before the terrorist attacks on the United States, the heads of Indonesia, Malaysia, the Philippines, and Singapore held a series of meetings on how to deal with Islamic extremists. Of particular concern is the large number of Malaysian, Indonesian,

and Filipino Muslim students who have been going to overseas Islamic religious schools where they come under the influence of hard line Islamic teachers. The attacks on the U.S. have accelerated efforts by the ASEAN members listed above to reduce the number of young men going abroad for religious study as well as to share intelligence on the activities of Islamists in their countries. These efforts are being undertaken independently of the U.S.-backed global coalition so that Malaysia and Indonesia can participate without appearing to be under a U.S. umbrella.

While ASEAN leaders in Brunei signed a declaration on joint action to counter terrorism at its seventh summit in early November, the declaration calls for little more than the exchange of information on terrorist activities. No operational coordination to seek out and hunt down terrorists operating cross-nationally was discussed, revealing once again ASEAN's limitations as a security mechanism.

### **The Philippines: A Staunch U.S. Ally and Aid Recipient**

Faced with a ruthless, if small, radical insurgent Islamist group in the southern Philippines –the Abu Sayyaf – and a persistent communist flare-up in Luzon, President Macapagal-Arroyo saw some immediate benefits in associating the Philippines with the U.S. war on terrorism. In desperate need of U.S. aid for a sputtering economy and military assistance to armed forces whose hardware had deteriorated to an almost unusable state, the Philippine offer of political support to Washington was accompanied by a substantial shopping list.

Soon after the Sept. 11 attack, President Macapagal-Arroyo enunciated an anti-terror policy that matched those of America's NATO allies, including close cooperation with the United States, making Philippine air space and facilities available – including Clark Air Base and Subic port – to transiting U.S. forces; the enactment on Sept. 30 of anti-money laundering legislation. and even combat troops to Afghanistan if requested by the United Nations.

The Philippines is particularly keen on obtaining U.S. arms and technical assistance to enhance its ability to suppress the Abu Sayyaf, which operates from the southern Philippines but has also conducted a kidnapping raid in Malaysia's Sabah. The Abu Sayyaf's kidnapping operations have reportedly netted the group some \$20 million in ransoms, some of which goes to buy support from the local population in Mindanao and some to purchase arms and other supplies. While a number of Philippine analysts believe that the Abu Sayyaf has become simply a criminal gang, the Sept. 11 attacks led to greater scrutiny, including its earlier links to al-Qaeda.

U.S. officials have stated that the Abu Sayyaf links to Usama bin Laden are sufficient reason to expand military assistance to the Philippines, though there is no evidence of these relations in recent years probably because kidnapping proceeds have provided Abu Sayyaf with more than enough money.



President Macapagal-Arroyo's visit to Washington in November as Southeast Asia's most vocal supporter of the U.S. war on terrorism was rewarded with a sizable military and economic assistance package. Some \$100 million in military aid was immediately provided over a five year program with another \$150 million under negotiation. The package included a C-130 transport plane, helicopters, a patrol boat, armored personnel carriers, 30,000 M-16 rifles, and anti-terrorist training. Left-leaning Congressmen and other Philippine nationalists are not so enthusiastic about the new embrace of the U.S., however, fearing that it could restore the old neocolonial relationship that had been broken a decade ago with the exit of U.S. forces from Clark and Subic.

In October, approximately 30 U.S. military anti-terrorist specialists visited Philippine forces in Mindanao to assess equipment needs and discuss strategy in hunting down the Abu Sayyaf, which has managed to elude the Philippine Army on Basilan and Sulu islands. Currently, the insurgents hold three hostages, two of which are a U.S. missionary couple. U.S. advisors with the Philippine forces beginning in January will be permitted to carry weapons for self-defense.

The Philippines has also led an effort to obtain ASEAN's endorsement for a regional anti-terrorist campaign as well as the creation of a core anti-terrorist group composed of the Philippines, Indonesia, and Malaysia. The tripartite core group would focus on international linkages among extremists from each country. President Megawati suggested broadening the anti-terror coalition to include Singapore and Thailand (thus making it the original ASEAN Five); the association tabled this proposal for further research. Nevertheless, Macapagal-Arroyo has offered to hold anti-terrorist simulation exercises among the five, all of whom have agreed to participate.

### **Indonesia: Pulled in Two Directions**

Confronting radical Islamic groups in Indonesia fighting in Aceh, Sulawesi, and the Moluccas, as well as parts of Java, President Megawati had to tread carefully in responding to the U.S. anti-terrorism campaign. In early October, she issued a political statement condemning terrorism and stating Indonesia's readiness to cooperate with any UN collective action. The statement avoids endorsing U.S. retaliation against Afghanistan and "calls on all parties to avoid open war." However, in reaction to efforts by some Islamic radicals to seek out Americans for expulsion as well as violent anti-U.S. demonstrations, the Indonesian president insisted that such actions be halted, warning that "sanctions" will be imposed if they are not.

The Indonesian Ulema Council, a group of top Islamic leaders, called on Muslims to prepare for *jihād* if Afghanistan is attacked. Although Islamic radicals account for only a small portion of the population in the world's largest Islamic country, they have upset domestic stability in a number of locations and undermined the Indonesian government's efforts to entice foreign investors to come back. Exacerbating the domestic situation are divisions within the army and between the police and army over how to deal with religious strife. Indonesia's traditional tolerant religious pluralism is under assault; the religious conflict between Christians and Muslims that had been suppressed for decades

under former President Suharto has erupted with the political shift to democracy since 1999.

Nevertheless, the bedrock of Islam in Indonesia consists of a pair of moderate, broadly-based organizations, Muhammadiyah and Nahdlatul Ulama, which claim a membership that totals one-fourth of the population. They advocate the maintenance of a clear boundary between politics and religion and in early November discussed the development of a joint strategy to counter small militant religious groups. One of its leaders, the rector of the Syarif Hidayatullah State Institute of Islamic Studies, stated that demonstrations by radicals against the U.S. and its Western allies tarnished the image of Islam in Indonesia as a tolerant and moderate religion that emphasized peace and harmony. While small-scale anti-U.S. demonstrations have occurred in many Indonesian cities, of the 10,000 Americans living in the country, it is estimated that less than 500 have left. In a two-pronged strategy, President Megawati has deplored the loss of civilian lives in Afghanistan as a result of U.S. bombing while authorizing the police to crack down on anti-U.S. demonstrations throughout the country. Indonesian Vice President Hamzah Haz also condemned the anti-U.S. rallies as damaging to the country's economic recovery.

Indonesia has displayed ambivalence toward U.S. efforts to block financial support for terrorist movements. There are literally thousands of Islamic charities in Southeast Asia. To scrutinize those in Indonesia risks a significant Muslim backlash. Moreover, neither the Finance Ministry nor Bank Indonesia is equipped to monitor the thousands of financial transactions coming from overseas to non-governmental organizations. Nevertheless, in late October, an apparent compromise was reached whereby Indonesia agreed to freeze the bank assets of terrorism suspects identified by the U.S. but avoided any large-scale review of all Islamic charitable activities.

In exchange for Indonesia's general endorsement of the U.S.-led anti-terrorism campaign, President Megawati was promised \$530 million in financial aid after her September visit to Washington. In late October, the U.S. Senate also indicated that military ties could be restored if a number of political conditions are met involving the prosecution of those who killed UN aid workers in West Timor, stronger evidence of civilian control of the military, and the release of political detainees.

In sum, the Indonesian government deserves stronger political, economic, and military ties with Washington and other Western powers but must temper its ardor in order not to exacerbate tensions with militant Islamic elements that view the West as having embarked on an anti-Islamic crusade. Indonesia's economic recovery depends heavily on reassuring Western investors that the country's future is secure, while Megawati's own political future depends on defusing militant Muslims. Needless to say, these are complex and not entirely compatible tasks.

## **Malaysia: An Arms-Length Policy**

As in Indonesia, Malaysian Prime Minister Mahathir Mohamed must also address Islamic sensibilities in his response to the U.S. war on terrorism. Like Megawati, Mahathir is the leader of a moderate Islamic state who must face his own extremists while avoiding riling the masses. His primary fear is that Washington's anti-terror campaign and U.S. pressure on Malaysia to cooperate will give rise to militant activities in the country. In fact, the prime minister had used the threat of militant Islam to crack down on the primary opposition Islamic Party of Malaysia (PAS) even before the attacks on the U.S.

Since Sept. 11, U.S. media reported that Malaysia was one of the countries the FBI asked to hand over suspected terrorists. Mahathir responded by saying, according to *The New Straits Times*, that although extremist groups exist in Malaysia, they "are directing their attacks at us, and we can take care of them. They are not attacking the United States." Mahathir is also concerned that the U.S. war in Afghanistan could destabilize the Islamic world and, by implication, make it harder for moderates such as himself to rule. To the contrary, however, the fundamentalism of PAS has fragmented the other members of the opposition coalition leading to its virtual disintegration and thus strengthening the ruling Barisan Nasional. More moderate Malays, who had been attracted to the opposition coalition, have become alienated by PAS's vitriolic anti-U.S. rhetoric and demonstrations in front of the U.S. Embassy.

Malaysia has also protested, as has Indonesia, against the U.S. State Department's November decision to place more stringent visa application procedures on Muslim men from Malaysia and 24 other countries, though the Malaysian press noted Secretary of State Colin Powell's statement that the new restrictions would be temporary. Even the head of Malaysia's opposition Chinese party, the Democratic Action Party (DAP), warned that the new visa restrictions would only strengthen the impression that the U.S. is waging war on Islam.

Within ASEAN, Mahathir opposed any resolution backing U.S. military action and argued that the group should only endorse a UN General Assembly resolution condemning terrorism. At its early November leaders' meeting, however, ASEAN rejected Mahathir's attempt to go on record against U.S. actions in Afghanistan and instead issued a statement condemning terrorism and the attacks on the U.S. as "an attack against humanity and an assault on all of us."

## **Thailand: A Reluctant Ally**

Two days after the attacks on the U.S., the Thai Foreign Ministry stated that the country would stand with the U.S. "as always." Prime Minister Thaksin Shinawatra, however, has taken a more ambivalent position. Initially he insisted that Thailand would wait for a joint ASEAN resolution and that any use of Thai bases by U.S. forces would require ASEAN approval. Other Thai officials dismissed these qualms, insisting that U.S. use of U-Tapao airbase was a matter of Thai sovereignty only and U.S.-Thai agreements. Thaksin offered a guarded endorsement of the U.S. airstrikes on Afghanistan on the grounds that U.S.

action “was a result of the UN’s decision to dismantle and end the networks of terrorism.”

Thailand’s reluctant support for U.S. actions is a product of sensitivity toward Muslim communities in the south. The Muslim Organization of Thailand has called for a national boycott of U.S. goods and services while thousands of southern Muslims have demonstrated against the U.S. bombing of Afghanistan. At the same time, a top Muslim organization leader opposed terrorist attacks saying they were against Islam’s prohibition of harming innocent people.

Thailand has supported U.S. efforts to block the funding of terrorists and had passed an anti-money laundering law prior to Sept. 11, motivated by the need to control drug trafficking. Bangkok also announced that Cobra Gold 2002, an annual joint U.S.-Thailand military exercise, would include an anti-terrorist training arrangement.

### **Implications for U.S. Policy**

Although Southeast Asia is not a major theater for the U.S. war on terrorism and because Southeast Asian leaders have their own agendas in both endorsing and condemning U.S. actions in Afghanistan (and beyond), Washington should be cognizant that its anti-terror campaign is closely watched in the region. To maximize Southeast Asian support for U.S. actions, particularly the monitoring of Islamic extremists and their overseas funding, the Bush administration should continue to emphasize that its efforts are directed at terror and not Islam. In each Southeast Asian state, Washington must demonstrate that cooperation with the U.S. is mutually beneficial and will not exacerbate the political troubles of regional governments.

## **Chronology of U.S.-Southeast Asia Relations October – December 2001**

**Oct. 2, 2001:** U.S. Ambassador to Cambodia Kent Widemann says he is confident the Hun Sen government is prepared to conduct a trial of the surviving Khmer Rouge leaders, although the UN has not yet been invited to initiate and help fund the tribunal.

**Oct. 2, 2001:** The Philippines announces that the U.S. has made a number of authorized overflights of the country to the Arabian Gulf area; a presidential spokesman says the U.S. would have to make a formal request for each overflight in the future.

**Oct. 3, 2001:** The Central Islamic Committee of Thailand asks the government to refrain from providing military bases to the U.S. for reprisal attacks on Afghanistan.

**Oct. 3, 2001:** Vietnam welcomes the U.S. Senate’s ratification of the Vietnam-U.S. Trade Agreement.

**Oct. 4, 2001:** U.S. Ambassador Robert Gelbard castigates the Indonesian government for not providing proper protection to Americans who are being threatened by radical groups.

**Oct. 4, 2001:** Elements of the Moro Islamic Liberation Front in the southern Philippines threaten to retaliate against U.S. civilians if Afghanistan is attacked.

**Oct. 4, 2001:** Indonesia issues a political statement against terrorism and condemns anti-U.S. protests and harassment of Americans in Indonesia.

**Oct. 5, 2001:** U.S. Ambassador to Thailand Richard Hecklinger states that the main form of cooperation against terrorism asked from Thailand is the sharing of intelligence and the enhancement of coordination between law enforcement agencies of both countries.

**Oct. 6, 2001:** A U.S. Federal court finds Indonesian Gen. Tommy Lumintang liable for human rights violations in the 1999 East Timor elections and awards \$66 million in damages to a group of East Timor plaintiffs.

**Oct. 6, 2001:** The Philippines pledges to help the U.S. pursue the flow of money from al-Qaeda to terrorist networks in the Philippines.

**Oct. 8, 2001:** Prime Minister Thaksin Shinawatra states that Thailand supports U.S. strikes against the Taliban because they are authorized by the UN resolution against terrorism.

**Oct. 9, 2001:** Ralph Boyce sworn in as U.S. Ambassador to Indonesia.

**Oct. 9, 2001:** Anti-U.S. demonstrations erupt in four major Indonesian cities in the wake of U.S. air strikes in Afghanistan.

**Oct. 10, 2001:** The Philippines announces that the U.S. will send military advisors to Mindanao to provide training for Philippine forces in their hunt for terrorists linked to the al-Qaeda network.

**Oct. 10, 2001:** Thai Defense Minister Gen. Chavalit Yongchaiyudh dismisses reports that U.S. warplanes are using U-Tapao airbase to refuel on the way to Afghanistan. The Thai-U.S. military cooperation agreement allows U.S. planes to refuel in Thailand but not to stage attacks on third countries from Thai soil.

**Oct. 12, 2001:** Indonesian Vice President Hamzah Haz urges the U.S. to stop air attacks on Afghanistan and present solid proof to the world that Osama bin Laden was responsible for the Sept. 11 attacks.

**Oct. 12, 2001:** Police use water cannons to disperse some 4,000 demonstrators gathered around the U.S. Embassy in Kuala Lumpur to protest U.S. air attacks on Afghanistan.

**Oct. 15, 2001:** Malaysian Foreign Minister Syed Hamid Albar warns that prolonged military attacks on Afghanistan could destabilize the Islamic world.

**Oct. 18, 2001:** Thailand orders 30 second-hand Huey helicopters from the United States to be added to the 90 already in service. Provided as a free gift by the U.S., Thailand will still pay \$1 million per aircraft for refurbishment and transportation.

**Oct. 19, 2001:** Thailand refuses a U.S. request to station supply ships in the Gulf of Thailand.

**Oct. 22, 2001:** The Council of Muslim Organizations of Thailand calls for a boycott of U.S. products while the war in Afghanistan continues.

**Nov. 1, 2001:** Indonesian President Megawati Sukarnoputri urges the U.S. to halt military attacks on Afghanistan during Ramadan.

**Nov. 2, 2001:** Indonesia, after a long delay, agrees to freeze bank accounts of terrorist suspects as the U.S. has requested.

**Nov. 4, 2001:** U.S. officials claim that the Philippine terrorist group Abu Sayyaf has links to Usama bin Laden, though Philippine specialists do not believe the relationship has been active for about a decade.

**Nov. 5, 2001:** ASEAN summit in Brunei adopts a declaration of joint action to counter terrorism.

**Nov. 8, 2001:** The U.S. Senate introduced several new conditions before direct military-to-military relations can be restored with Indonesia including the punishment of the individuals who murdered three humanitarian aid workers in West Timor, establishing a civilian audit of armed forces expenditures, and granting humanitarian workers access to Aceh, West Timor, West Papua, and the Moluccas.

**Nov. 8, 2001:** Indonesia's two largest moderate Muslim organizations, Nahdlatul Ulama and Muhammadiyah, discuss adopting a common strategy to counter small militant religious groups that have tarnished Indonesian Islam's reputation through violent demonstrations against the U.S. and its allies.

**Nov. 11, 2001:** The U.S. State Department announces a five-fold increase in military financing to the Philippines from \$2 million to \$19 million in the 2003 budget.

**Nov. 11, 2001:** Malaysian Prime Minister Mahathir Mohamad condemns new U.S. visa restrictions on Muslims from several countries including Malaysia.

**Nov. 15, 2001:** Indonesian authorities criticize the new U.S. visa restrictions on Muslims from 25 countries as discriminating and undermining the U.S. claim that it is targeting terrorists not Islam.

**Nov. 20, 2001:** At a White House meeting, President Bush promises President Macapagal-Arroyo all the aid she needed to fight the Abu Sayyaf terrorists. He pledged up to \$100 million in security assistance and a further \$1 billion in trade benefits.

**Nov. 21, 2001:** A Thai military source states that the 2002 “Cobra Gold” exercise would include an anti-terrorist scenario involving U.S. special forces.

**Nov. 28, 2001:** Hanoi ratifies a far reaching trade agreement with the U.S. that will lead to an average cut in U.S. tariffs on Vietnamese goods to about 4 percent.

**Dec. 7, 2001:** U.S. lists the Philippine communist insurgent guerrillas on Washington’s terrorist list, a development hailed by the Philippine military.

**Dec. 10 and 18, 2001:** The U.S. Senate and House respectively pass separate resolutions thanking the Philippines for its support and sympathy since the Sept. 11 terrorist attacks.

**Dec. 11, 2001:** U.S. praises the Thai military for its peacekeeping leadership role in East Timor and its drug suppression activities in Thailand.

**Dec. 18, 2001:** Thai Prime Minister Thaksin’s visit to Washington is greeted with disappointment in the Thai press. Little of consequence in either economic or political benefits occurred, perhaps because of Thailand’s tentative support of the U.S. anti-terrorist campaign.

## China-Southeast Asia Relations: Gains for Beijing in an Otherwise Gloomy Quarter

by Lyall Breckon  
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Confronted with rapid and largely uncomfortable shifts in the security environment around China's entire perimeter – the war in Afghanistan, U.S. military forces in Central Asia, new levels of military cooperation between the United States and both Pakistan and India, Moscow's turn toward Washington, and Japan's removal of some restrictions on use of its military forces – Beijing must regard Southeast Asia as the one arena in which it made some gains during the quarter.

China intensified efforts to strengthen economic and political relations with all its Southeast Asian neighbors. With high-level attention, and approaches tailored to the sensitivities of individual countries, it consolidated a close relationship with Myanmar, laid the groundwork for improved cooperation with Indonesia and the Philippines, and set much of the agenda for the ASEAN Plus Three summit in Brunei in November, where it won approval in principle for an ASEAN-China free trade area (FTA). With its customary practice of establishing principles first in bilateral relations, China signed some 23 formal agreements with Southeast Asian governments during the quarter.

Many of the goals of China's forward-leaning regional diplomacy are not inconsistent with U.S. interests, including increased intra-regional trade and investment, stability in energy relationships, and developing industrial infrastructure. Concerns center on whether growing interdependency in such areas binds China in an open, constructive regional system – as the Southeast Asians hope – or provides increased political leverage that Beijing can use to try to dominate its neighbors and weaken the U.S. role in Asia.

### **The Brunei ASEAN Plus Three Summit**

Trade and investment issues were the focus of the ASEAN summit meeting with China, Japan, and the ROK Nov. 5-6, which immediately followed ASEAN's own meeting of heads of government. Most of the ASEAN economies are performing sluggishly or are in recession with trade figures down and slackening consumer demand in the U.S. generating pessimistic forecasts for 2002. ASEAN states see China, with a claimed growth rate of 7 percent, as both a threat and an opportunity.



The threat comes from competition for investment: the formerly high-flying Southeast Asian economies used to win 80 percent of the region's foreign direct investment. Now China is receiving that 80 percent, and many of its neighbors fear they have become non-competitive in the world market.

The opportunity China presents, as seen by some Southeast Asian leaders, is a vast export market and a potential source of new investment in sectors where China and Southeast Asian economies are complementary. The FTA was first raised by Chinese Premier Zhu Rongji a year ago. It promised to remove tariffs for the ASEAN states altogether in the region's fastest growing market.

It is not clear, however, that the ASEAN countries will actually gain from an FTA with China. China's labor costs are lower than those in almost all the Southeast Asian economies, and it will probably be reluctant to export capital that it needs at home to create jobs for its own expanding workforce. Prior to the November summit, Malaysia, Indonesia, and Vietnam all expressed reservations about an FTA with China, fearing that Chinese products would swamp their own industries. Philippine President Gloria Macapagal-Arroyo noted that the ASEAN-China FTA idea would have to be studied carefully. Singapore was the most aggressive in pushing for agreement and was supported by Thailand.

In any event, China's FTA proposal won ASEAN's endorsement in principle Nov. 6 with a proviso that ASEAN's least developed members – Laos, Cambodia, and Myanmar – should receive preferential treatment. ASEAN leaders agreed that officials would study the concept over the next year with the goal of making a final decision at the ASEAN Plus Three summit in Cambodia in late 2002.

At the same time, the summit deferred consideration of a broader South Korean initiative to include Japan and the ROK in an East Asian FTA. China argued against a region-wide FTA on grounds that Japan and the ROK would not agree to lift protective tariffs against agricultural imports from Southeast Asia.

Also at the summit, China expressed willingness to accede to the ASEAN Treaty of Amity and Cooperation and reiterated that it would sign the Southeast Asia Nuclear Weapon Free Zone protocol. Both are symbolically important to ASEAN. (The United States and several other nuclear weapon states still have differences with the nuclear free zone.) Zhu made no promise, however, to meet ASEAN's hope China would sign a Code of Conduct in the South China Sea, limiting his commitment to "dialogue and consultations."

China's goals at the summit, and more generally in its regional diplomacy, could be read in PRC Vice Foreign Minister Wang Yi's assessment of the results: "Southeast Asian countries' increased trust in China and the notable rise of China's influence and position."

## **China and Indonesia: Shared interests**

Chinese leaders clearly sensed an opportunity to broaden relations with Indonesia under Indonesian President Megawati Sukarnoputri. President Jiang set the tone in a meeting with Megawati on the margins of the Shanghai APEC Leaders' Meeting in October by frankly expressing the hope that Megawati would follow the precedent of her father, former President Sukarno, in developing relations with China.

Premier Zhu followed up with a state visit to Indonesia Nov. 7-11. Interests of both parties were served during Zhu's visit. Megawati's government received uncritical endorsement of its efforts to grapple with its grave internal difficulties, including separatist movements in Aceh and Irian Jaya, widespread religious and ethnic strife, and economic stagnation. On a practical level, Indonesia was looking for export opportunities and investment from China. For its part, China doubtless wanted to boost its influence in ASEAN through increased cooperation with the association's once and future leading member. China also sought to further the normalization process begun in 1990 by gaining permission to open banking facilities in Jakarta. Faced with growing energy needs as its economy expands, China is looking for sources of natural gas within the region, while Indonesia is developing large gas fields and is looking for customers.

China and Indonesia signed six agreements on a range of issues during Zhu's visit. One, covering a Chinese grant for economic and technical assistance, demonstrated Beijing's ability to foster its image as an aid donor with relatively small amounts of money – in this case \$5.7 million. Agreement was also reached on reopening the Bank of China office that was closed in 1967, on encouraging tourist travel from China to Indonesia, and on double taxation and cooperation in agriculture. The tone of the visit was markedly more cordial than contacts with China under Suharto. In public appearances Megawati made a point of dropping the customary, but somewhat derogatory, Indonesian language term for China, in favor of a straight transliteration of the Mandarin Chinese name. In addition to his official meetings, Zhu met with leading ethnic Chinese businessmen and community leaders and presided with Megawati at the founding of a China-ASEAN Board of Commerce in Jakarta.

Following Zhu's visit, in December Megawati sent a team to Beijing headed by her husband, Taufik Keimas, to lobby, among other things, for Indonesia's bid to sell Guangdong Province 3 millions tons of liquefied natural gas (LNG) per year from BP's Tangguh field in Papua Province (formerly Irian Jaya).

## **China and the Philippines: Progress on Economic Issues, None on Island Claims**

Philippine President Gloria Macapagal-Arroyo's state visit to China Oct. 28-30 was aimed at expanding Philippine exports to China, encouraging investment from China in Philippine enterprises, and gaining China's cooperation in fighting transnational crime, in particular narcotics trafficking. She also pushed for China's agreement to sign a multilateral Code of Conduct for the South China Sea – or at minimum, to make a firmer

commitment from Beijing not to use force or expand its military presence in the Spratly Islands that both countries claim.

Total trade between the two countries reached \$3.1 billion in 2000, up 37 percent from the preceding year, but headed sharply downward in 2001. China wants increased access to infrastructure projects in the Philippines, arguing that it is able to build quality facilities, e.g., railroads, at low cost. The Philippines seeks to increase exports to China, mainly in agricultural, marine products, minerals, and service sectors. Both sides expressed the hope that cross-investment between the two countries would increase. Macapagal-Arroyo and PRC President Jiang Zemin witnessed the signing of three bilateral agreements to counter terrorism and organized crime, including an extradition treaty and an agreement on intelligence exchange. Twelve business deals were signed between Philippine entrepreneurs and representatives of Chinese enterprises during the visit.

There was no progress on territorial issues in the South China Sea, however. The day before Macapagal-Arroyo departed Manila, the Philippine Air Force announced it had discovered four Chinese Navy vessels at Mischief Reef, the most sensitive territorial issue for Manila. Chinese leaders avoided any commitment to sign a multilateral Code of Conduct, agreeing only that sovereignty issues should be settled “under international standards and regional consensus.” China offered, and Macapagal-Arroyo agreed, to seek joint development projects in the disputed area, such as marine preservation and environmental protection. Bilateral joint development is a potential trap for the ASEAN claimants, however. A Philippine-China project that excluded other claimants, most importantly Vietnam – whose claims cover most of the islands that Beijing and Manila also claim – would create divisions within ASEAN that could only benefit China.

### **China and Myanmar: Old Friends Refurbish Ties**

Visiting Myanmar Dec. 12-15, President Jiang Zemin met a warm welcome from a government with many friends. No relationship is firmer than that of Myanmar and China, although Jiang’s visit was probably made in part to bolster this pre-eminence. Myanmar has had some recent success in diversifying its international contacts, in particular with India, which believes China wants to gain military access through Myanmar to the Indian Ocean area. Yangon has reportedly expressed dissatisfaction with the quality of the military equipment provided by China and is seeking new hardware from Russia and other suppliers. Sources say Russia is also helping establish a nuclear power plant in central Myanmar.

Setting the tone, Jiang observed at the outset of his visit that China-Myanmar friendship “is a beautiful flower, carefully nurtured” by generations of leaders on both sides. In his meeting with Tan Shwe, chairman of the State Peace and Development Council, Jiang said the two countries have a deep brotherly relationship. In an oblique reference to the junta’s suppression of Nobel Prize winner Aung San Suu Kyi and her party, Jiang told the leader of Myanmar’s military government that “the world is colorful and every country is entitled to choose a development path suited to its own conditions.”

Seven agreements were signed during the visit. The most important dealt with border control. China has been increasingly concerned about the flow of narcotics from Myanmar into its southern region, as cross-border trade from Yunnan has burgeoned since Beijing encouraged it a decade ago. Other agreements covered border control, economic and technical cooperation, plant and animal quarantine, fisheries, and oil and gas exploration. Jiang promised to encourage greater Chinese investment in Myanmar, which now totals only about \$30 million, and reportedly offered a total package of aid and investment of \$100 million. As in other Southeast Asian countries, China argued for more extensive use of Chinese firms in building local infrastructure. Details were not made clear about China's assistance in developing modern road connections from Yunnan through Myanmar to the coast, but reports of this project are credible in light of China's interest in creating a new route for its exports.

### **China and Vietnam: Party Secretary Visit Makes No Progress on Spratlys/Paracels**

Nong Duc Manh, general secretary of the Communist Party of Vietnam, was in Beijing Nov. 30-Dec. 4 on his first visit since taking over the party leadership. Jiang commended Manh's execution of earlier agreements to develop bilateral relations. Their joint statement was short on concrete actions but reported that the two countries had signed agreements on soft loans and economic cooperation. China will provide \$40.5 million for a copper mining project and \$3.6 million in other grant aid. Both sides promised not to use force in the South China Sea and – pending settlement of their overlapping island claims – to cooperate in weather forecasting, response to natural disasters, and environmental protection in the sea (issues similar to those agreed to with President Macapagal-Arroyo in October).

At the eighth round of China-Vietnam border talks in Hanoi Nov. 14-15, the parties agreed on delineation of disputed areas of the land border, where differences have already been reconciled in principle, and discussed differences over their maritime borders. The first tablet on the land border, between Mong Cai and Dongxing, was ceremonially emplaced Dec. 27, and the two governments declared that they would complete planting 1,600 markers within three years. An experts' meeting on the much more difficult problem of sea boundaries was held in Beijing Dec. 17-18, but no progress was reported. China and Vietnam have signed an agreement on demarcation of the border in the Tonkin (Beibu) Gulf, but the thorniest issues are further out in the South China Sea, including the contested Spratly and Paracel Island groups.

In a move preceding the latest round of border talks, obviously intended to bolster its claims in the Spratlys, Hanoi announced Oct. 2 that it had discovered 18<sup>th</sup> century temples and tombs in the Spratlys and Paracels that prove that the islands belong to Vietnam. A Spratlys/Paracel historic site on an island off Quang Ngai province will be constructed to preserve "relics and heritages" from the generations of Vietnamese who – according to Hanoi – owned, developed, and controlled the two archipelagos for centuries.

## **Policy Implications**

From the standpoint of U.S. regional policy, China's forward leaning diplomacy among the ASEAN countries bears watching. It is not necessarily, or in every case, negative for the United States. Economic interdependence is a corollary of globalization and cuts both ways. If China becomes more dependent on energy supplies from Southeast Asia, its interest in regional stability increases. On the other hand, if Indonesia is locked into long-term supply relationships with China, it could become vulnerable to pressure from Beijing.

On issues important to the U.S., including military transit and access through Southeast Asia, China may try to use this pressure to curtail cooperation. It would meet resistance from governments that rely on a capable U.S. forward presence to ensure that no power, including China, makes Southeast Asia its fiefdom. This resistance will be strengthened if the United States takes the long view and maintains robust relations with all its ASEAN friends, including those that are less immediately relevant to the war on global terrorism.

## **Chronology of China-Southeast Asia Relations October-December 2001**

**Oct. 13-16, 2001:** Vietnamese Deputy Prime Minister Nguyen Cong Tan and a delegation including officials and entrepreneurs visit China's Hainan Province. Vietnam is now Hainan's fifth largest trading partner.

**Oct. 17, 2001:** *Xinhua* reports that Vietnam Airlines will open new routes from Beijing to Saigon and from Kunming to Hanoi in response to growing tourist traffic between the two countries.

**Oct. 19-22, 2001:** President Jiang Zemin meets with Singapore Prime Minister Goh Chok Tong, Malaysian Prime Minister Mahathir Mohamad, and Indonesian President Megawati Sukarnoputri in Shanghai on the sidelines of the APEC Leaders' Meeting.

**Oct. 20, 2001:** Abu Sayyaf guerrillas release Chinese national Zhang Zhongyi, who was kidnapped with three compatriots Aug. 12.

**Oct. 25, 2001:** A delegation of the Lao People's Revolutionary Party led by Bouasone Bouphavanh, member of the Political Bureau of the Central Committee and director of the party's General Office, meets with Zeng Qinghong, alternate member of the Political Bureau of the Communist Party of China (CPC) Central Committee.

**Nov. 2-3, 2001:** Vietnam hosts a seminar on relations with China, marking the 10<sup>th</sup> anniversary of the normalization of Vietnam-China relations.

**Nov. 6, 2001:** Cambodian Prime Minister Hun Sen meets with Chinese Premier Zhu Rongji in Beijing.

**Nov. 12, 2001:** Chen Jinhua, vice chairman of the National Committee of the Chinese People's Political Consultative Conference and president of the China Economic and Social Council, begins a visit to Indonesia.

**Nov. 15, 2001:** Chinese Vice Premier Qian Qichen tells a delegation led by Sukamdani Sahid Gitosardjono, general chairman of the Association of the Indonesia-China Economic Social and Cultural Cooperation, that China attaches great importance to developing bilateral relations with Indonesia.

**Nov. 16-18, 2001:** A Chinese delegation led by Vice Foreign Minister Wang Ye visits Vientiane and reaches agreements with the Lao Foreign Ministry on enhancing cooperation between the two ministries in preparation for a forthcoming visit to China by Lao Prime Minister Bounnhang Vorachit.

**Nov. 20, 2001:** At a meeting with Chinese Economic and Trade Commission Deputy Chairman Zhang Zhigang, Vietnamese Prime Minister Phan Van Khai says trade between the two countries will reach \$3 billion in 2001 and calls for more Chinese investment.

**Nov. 20, 2001:** China's Defense Minister Chi Haotian meets with Chea Sar Ren, deputy commander of the Cambodian armed forces. The Cambodian commander tells Chi that the PLA serves as a model for the Cambodian armed forces.

**Nov. 22, 2001:** *Xinhua* reports that China broke up a "cross-border terrorist gang" belonging to the Myanmar Democratic Allied Army, operating in both northern Myanmar and Yunnan Province of China. Six persons were sentenced to jail terms.

**Nov. 29, 2001:** Wei Jianxing, a member of the Standing Committee of the Political Bureau of the CPC Central Committee, making the rounds in Southeast Asia, meets with Jose Ma A. Rufino, the national executive director of the ruling Lakas-National Union of Christian Democrats-United Muslim Democrats party. He calls for expanded party-to-party exchanges as a means of strengthening China-Philippines relations.

**Dec. 1, 2001:** The Asian Development Bank (ADB) in Manila announces a new 10-year strategy for increasing cooperation among the six Mekong riparian states, adopted by China's Yunnan Province and Myanmar, Cambodia, Laos, Thailand, and Vietnam. The ADB said the new Mekong strategy would involve 10 flagship projects requiring \$900 billion in investment.

**Dec. 3, 2001:** King Norodom Sihanouk of Cambodia, with Queen Monineath, arrives in Beijing for "a routine checkup and recuperation."

**Dec. 4, 2001:** China delivers a high-resolution satellite ground station to Myanmar's Ministry of Transport for use in improving its meteorological services. China has provided weather forecasting equipment to Myanmar's Department of Meteorology and Hydrology in the past.

**Dec. 6, 2001:** The Central Bank of Thailand and the People's Bank of China sign a currency swap agreement that would provide a credit of up to \$2 billion, if necessary to help Thailand out of a foreign exchange payments crisis. It is the first such agreement under the "Chiang Mai initiative" of 1998, proposed by China and approved by the 10 ASEAN states.

**Dec. 13-14, 2001:** CPC Standing Committee member Wei Jianxing visits Phnom Penh and meets with PM Hun Sen. Wei also meets with Norodom Ranariddh, president of the Cambodian National Assembly and chairman of the FUNCINPEC (Sihanoukist) party.

**Dec. 18, 2001:** Xiong Guangkai, deputy chief of the PLA General Staff, meets in Beijing with a delegation led by Nguyen Khac Nghien, commander of Vietnam's first military region.

**Dec. 24, 2001:** China signs an Agreement on Economic and Technical Cooperation with Cambodia providing for an interest-free loan of \$9.67 million over five years, starting Jan. 1, 2002.

## China-Taiwan Relations: Economics is Still the Story

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Taiwan's Dec. 1 legislative elections have brought dramatic changes in Taiwan politics, but their implications for cross-Strait relations are not yet clear. Both China and Taiwan have said the elections do not change their basic policies, but whether a coalition will be built with Taiwan President Chen Shui-bian, who may participate in it, and Beijing's reassessment of Chen's longer term prospects remain uncertain. Meanwhile, despite the absence of institutional dialogue, Taipei has gradually implemented a range of measures to expand cross-Strait economic relations, and both Taipei and Beijing have been admitted to the World Trade Organization (WTO). Economic interdependence's potential to shape cross-Strait relations is symbolized by the pending, but not yet approved, joint venture between Chinese Petroleum Corporation and China National Offshore Oil Corporation for exploratory drilling in the Taiwan Strait.

### **Election Campaigning**

Cross-Strait relations and the identity issue played significant roles in the often vituperative campaigning for the Legislative Yuan (LY) and County Magistrate elections on Dec. 1. Former President Lee Teng-hui reasserted himself by fostering the development of a new political party, the Taiwan Solidarity Union (TSU), dedicated to promoting his "Taiwan first" policies. Lee campaigned actively, identifying himself with the aspirations of Taiwanese for a new national identity. He bitterly attacked the Kuomintang (KMT) as an "alien regime" and KMT Chairman Lien Chan for allegedly "selling out" Taiwan to the PRC. The KMT suffered from these attacks and tried without much success to parry them by charging Lee with inciting inter-communal tensions. Lee's actions eventually forced the KMT to formally expel him from the party. During the campaign, President Chen chose to emphasize his differences with the PRC by reiterating categorically that he would never accept its definition of "one China" and asserting that acceptance of the "1992 consensus" would be tantamount to treason.

Less noticed, the moderate chairman of the Democratic Progressive Party (DPP), Hsieh Chang-ting, maneuvered a resolution through the party convention in October that stated that party resolutions bore equal weight with the party's charter. This arcane maneuver was intended to play down the significance of the "independence" clause in the DPP Charter without removing that clause. Hsieh underlined his purpose by saying afterward



that the more recent moderate resolutions were more important reflections of current policy than the older charter.

### **Post-Election Dynamics**

The LY election produced a major setback for the KMT and the virtual disappearance of the pro-unification New Party (NP), while the DPP and the Peoples First Party (PFP) made significant gains and the TSU won more seats than expected. President Chen made clear throughout the campaign that his intention was to form a coalition after the election that would give him a majority in the LY. He has pursued two different approaches to achieve this. First, he has proposed a “national stabilization alliance” and the negotiation of a formal coalition agreement with opposition parties willing to join him. At the same time, he has talked of building an LY majority by cooperating with the TSU, with like-minded independents, and with disaffected KMT members whom he might lure into defecting. In the latter case, he has not talked of a coalition agreement, presumably on the assumption that the DPP would dominate such a grouping. These two approaches would have quite different implications for cross-Strait relations.

Thus far both the KMT and the PFP have declined to join Chen’s alliance and there have been no defections from KMT ranks. Consequently, it is not clear how Chen will achieve a majority in the LY or what impact that political constellation would have on cross-Strait relations. As his initial efforts have not borne fruit, Chen’s close advisors have said the coalition-building effort will have to wait until mid-January.

Recognizing that there would be concerns in Beijing and elsewhere about cross-Strait relations, President Chen soon after the election stated that there would be no change in his administration’s cross-Strait policies.

### **Beijing’s Role and Reaction**

In contrast with the last two presidential election campaigns, Beijing kept a remarkably low profile during this campaign. It was hardly a secret that Beijing hoped the opposition parties would do well, but Beijing generally avoided actions and statements that might have been interpreted as interference. The Taiwan Affairs Office’s (TAO) regular monthly news conference that would have occurred in late November was postponed so that questions about the election would not have to be answered on the record.

Privately, TAO officials told visiting Americans that they were not concerned about the election. Before the election, they voiced what was then close to the conventional wisdom that the DPP would get about 80 seats and the TSU only a handful. Therefore, they opined that Chen would remain well short of an LY majority. This judgment implicitly reflected Beijing’s tendency to be overly optimistic about the prospects of those it views favorably. It was two days after the event before the first reports on the election outcome appeared in the official Chinese media. Beijing could not have been happy with the results. The two parties that had been the focus of its united front work over the past 18 months suffered: the KMT retained only about half the seats it had won in the previous LY election and the pro-unification New Party won only one seat and

essentially disappeared as a significant factor in Taiwan politics. To make matters worse from Beijing's perspective, the TSU did better than expected, in effect ensuring that its old nemesis, Lee Teng-hui, would continue to play a significant political role.

When the initial official reaction came five days after the elections, TAO spokesman Zhang Mingqian said very little about the election. Zhang matter-of-factly reaffirmed standard Beijing policy including the call for Chen to accept the "one China" principle as the basis for renewed dialogue. Dec. 16 was the 10th anniversary of the founding of the PRC's Association for Relations Across the Taiwan Strait (ARATS). Beijing used the occasion to have TAO director Chen Yunlin and ARATS Chairman Wang Daohan reiterate its willingness to resume dialogue on the basis of the "one China" principle. As has been the case for the past year, these points were made without any threats or sense of urgency. President Jiang's New Year's remarks struck the same tone.

### **Removing Barriers to Economic Expansion**

Throughout this quarter, Taipei has moved expeditiously and unilaterally to remove some of the barriers that have impeded the expansion of cross-strait trade and investment ties by implementing recommendations from the Economic Development Advisory Conference (EDAC) and preparing for WTO accession. The most significant steps, announced in November, concerned investments in China. Taipei ended the requirement that Taiwan firms set up companies in third countries as vehicles for their investments in China – in effect authorizing direct investments. Offshore Banking Units (OBU) in Taiwan were authorized to deal directly with banks in China. In addition, Taipei lifted the *de facto* ceiling of \$50 million on individual investments, stated that investments under \$20 million would be handled through simplified screening within 30 days, and significantly reduced the number of sectors in which investments were prohibited. A new government-industry commission has begun reviewing and expanding the list of approved investment categories, making the decision to authorize manufacture of notebook computers in China. A decision to authorize investments in eight-inch wafer fabrication plants is expected soon. As is so often the case, some of these changes merely legalize investments already underway; nevertheless, the decisions are significant.

Taipei also took a number of other less important steps, which together reflect the momentum behind the new "active opening, effective management" policy adopted at the EDAC. In October, Taipei substantially liberalized the conditions governing travel and residence by business visitors from the mainland. It announced new regulations for the naturalization of the roughly 60,000 mainland spouses of Taiwan citizens. It liberalized the functions of the "offshore transshipment center" in Kaohsiung by permitting for the first time transshipped raw materials and intermediate goods to be used at designated manufacturing areas within Taiwan. In October, Taipei authorized certain banks to open representative offices in China; in December, Beijing approved the first two such offices. In November, Taipei announced plans to begin accepting PRC tourist groups in January, starting with PRC citizens residing outside China. The Mainland Affairs Council (MAC) announced that athletes from Taiwan would be permitted to pursue their careers in

professional sports leagues in China. Needless to say, the aim of all these actions is to benefit Taiwan in hard economic times.

For the past six months, negotiations have been underway between Taipei's Chinese Petroleum Corporation and Beijing's China National Offshore Oil Corporation. In 1995-96, these companies jointly conducted seismic studies for oil and gas in the Tainan Basin, an area in the southern portion of the Taiwan Strait. Subsequently, cooperation went into abeyance. Following visits to Beijing in October and negotiations in third countries, it was reported that a \$20 million joint venture deal to conduct exploratory drilling in the Tainan Basin was near. This long discussed deal has not yet received official approval, but a MAC official told the media in December that the proposal was under "final review." Such a deal between these two state-owned corporations in the sensitive Strait area would represent a significant development reflecting the growth and potential of cross-Strait economic interdependence. Its approval would represent significant political decisions by Taipei and Beijing.

### **WTO Accession, Finally, but What Next?**

The accession of China and Taipei to the WTO was finally approved at the ministerial meeting in Doha in November. Beijing completed the ratification process and became a full WTO member on Dec. 12; Taipei's membership was finalized on Jan. 1. Accession will facilitate the further expansion of cross-Strait economic ties as Taiwan firms take advantage of the gradual liberalization of the China market and as Taipei takes steps to dismantle the special restrictions it imposes on imports and investments from China. However, implementation will present problems for Beijing and Taipei. For example, how many restrictions will Taipei be willing to remove unilaterally without consultations with Beijing? MAC Chairperson Tsai Ying-wen has said that some product restrictions can be lifted unilaterally but that other issues such as service sector access and some standards will require consultations. Would Beijing agree to such consultations without political conditions? Taiwan can use specific WTO safeguards provisions to deal with import surges and will have access to countervailing duty mechanisms, but these procedures also involve consultations and fact-finding procedures that China may or may not agree to implement with Taiwan.

Beyond these WTO-specific questions, there is the possibility that the WTO could be a venue for broader economic talks between Beijing and Taipei. President Chen and other Taipei officials have repeatedly stated their hope that the WTO could be used in this way. However, consistent with earlier indications, Beijing's minister for foreign trade and economic cooperation and other officials have said that it would not be appropriate to deal with cross-Strait economic issues at the WTO. Just what can be done through the WTO remains to be seen.

## **Trade and Investment**

The slump in major international markets has had an impact on cross-Strait trade, much of which is tied to Taiwan-invested enterprises manufacturing in China for global markets. Consequently, Taiwan's exports to China declined during the summer and fall. However, since Taiwan's exports to other major markets have fallen more rapidly than those to China, the importance of the China market has increased. In August, China was for the first time Taiwan's largest export market, accounting for 21.5 percent of Taiwan's global exports that month. Total cross-Strait trade during the first 10 months reached \$24.6 billion, up slightly over last year because China's exports to Taiwan increased.

While gauging cross-Strait investment is always harder, Taiwan's statistics indicate that investments in China increased about 16 percent during the first 10 months. Anecdotal reports indicate that many information technology (IT) sector companies are aggressively making the investments needed to profit from the next IT expansion. In October, Taiwan Semi-conductor Manufacturing Company (TSMC) Chairman Morris Chang, long a critic of investing in the mainland, announced that the time had come for TSMC to consider investing there.

## **Policy Implications**

Despite the uncertainties remaining after the election, it seems clear that tensions will remain low in the Taiwan Strait at least in the short term. Both Beijing and Taipei are preoccupied with more pressing domestic concerns. For the time being, Beijing continues to appear relaxed that Chen will not make moves toward independence and confident that long-term trends are in its favor. After Chen's relations with the LY become clearer, Beijing will undoubtedly reassess the pros and cons of negotiating with him. Like political leaders in Taipei whose eyes are already on the 2004 presidential election, Beijing will need to assess the implications of Chen's prospects for winning a second term.

Taipei's earlier fears that Sino-U.S. cooperation in the war against terrorism would undermine Taiwan's ties with the U.S. have eased. This seems to reflect Taipei's awareness that U.S. support has not diminished and that the extent of U.S.-China cooperation has been limited.

## **Chronology of China-Taiwan Relations October – December 2001**

**Oct. 3, 2001:** U.S. Secretary of State Powell states the U.S. will make no deals on terrorism at Taiwan's expense.

**Oct. 11, 2001:** On the 1911 anniversary of the founding of the Republic of China, President Jiang Zemin repeats standard positions on Taiwan.

**Oct 12, 2001:** Taipei civil aviation executives meet counterparts in Beijing.

**Oct. 15, 2001:** Beijing objects to Taipei's selection of Li Yuan-zu for Asia Pacific Economic Cooperation Leaders' Meeting.

**Oct. 17, 2001:** Taipei economic ministers attend APEC ministerial meeting in Shanghai.

**Oct. 18, 2001:** Beijing Foreign Minister Tang Jiaxuan humiliates Taipei Economic Minister Lin at APEC ministerial press conference.

**Oct. 19, 2001:** President Chen announces Taipei will not participate in APEC Leaders' Meeting.

**Oct. 19, 2001:** Presidents Bush and Jiang meet at APEC and reportedly exchange standard views on Taiwan.

**Oct. 20, 2001:** DPP convention adopts resolution reducing importance of "independence clause" in the DPP Charter.

**Oct. 23, 2001:** On campaign trail, Chen equates acceptance of "1992 consensus" with treason.

**Oct. 29, 2001:** Mainland Affairs Commission (MAC) eases restrictions on PRC business visitors.

**Oct. 29, 2001:** Taipei says China was Taiwan's largest export market (21.5 percent) in August.

**Oct. 31, 2001:** Premier Chang announces liberalization of "offshore transshipment center" functions.

**Oct. 31, 2001:** Beijing states cross-Strait trade issues should not be resolved via WTO.

**Nov. 7, 2001:** Taiwan's Executive Yuan (EY) announces broad liberalization of investments in mainland.

**Nov. 8, 2001:** Beijing calls for removal of all Taiwan restrictions on investments in PRC.

**Nov. 10, 2001:** WTO approves PRC accession.

**Nov. 11, 2001:** WTO approves Taiwan's accession.

**Nov. 11, 2001:** After UN General Assembly speech, FM Tang calls Chen "a liar."

**Nov. 16, 2001:** Seven companies submit proposals to U.S. Department of Defense for constructing submarines for Taiwan.

**Nov. 23, 2001:** EY announces plans to begin accepting PRC citizen tourist groups.

**Nov. 26, 2001:** MAC lifts ban on Taiwan athletes pursuing careers in mainland leagues.

**Dec. 1, 2001:** Taiwan holds legislative elections; the DPP becomes largest party.

**Dec. 3, 2001:** Chen says elections do not change his cross-Strait policy.

**Dec. 5, 2001:** Beijing official comments moderately on election results, says no change in Beijing's policy toward Taiwan.

**Dec. 6, 2001:** PRC invites elected officials from offshore islands to visit China.

**Dec. 10, 2001:** Taiwan police delegation begins two-week tour of PRC.

**Dec. 12, 2001:** China's WTO membership process is completed.

**Dec. 16, 2001:** TAO and ARATS leaders repeat call for cross-Strait dialogue based on "one China" principle.

**Dec. 18, 2001:** Press reports PRC is censoring textbooks used in Taiwan schools in China.

**Dec. 20, 2001:** Organization for Economic Cooperation and Development (OECD) announces observer status for Taipei and Beijing in its committees.

**Dec. 20, 2001:** Press reports Chinese Communist Party establishes first overt party cell in a Taiwan-invested enterprise.

**Dec. 25, 2001:** TAO says no contact with the DPP until independence clause removed from its charter.

**Dec. 31, 2001:** President Jiang's New Year's statement contains standard statements on Taiwan.

**Jan. 1, 2002:** President Chen welcomes Taiwan's membership in WTO, calls for "constructive cooperation" with China.

## North Korea-South Korea Relations: On, Off, On Again?

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A frustrating quarter for inter-Korean relations was an apt, if sad, close to a disappointing year. Hopes raised by the resumption of official talks in September, with Pyongyang producing a long and seemingly serious list of concrete agenda items, were dashed when the North refused to come to Seoul for future meetings – citing security concerns post Sept. 11. The South finally accepted North Korea's Geumgangsan resort as a venue, but talks in November broke up with no agreement: the first time this has happened in the latest era of North-South relations. Hence there was no progress either on such specifics as trans-DMZ rail/road links, the Kaesong industrial zone, and family reunions. There was even a brief exchange of gunfire at the DMZ, though this may have been accidental.

Still, the year ended with two glimmers of hope. With minimal publicity, a Northern team spent a fortnight visiting Southern nuclear facilities under Korean Peninsula Energy Development Organization (KEDO) auspices, and Seoul announced the lifting of its state of alert, so removing Pyongyang's pretext for not talking. There is thus a fair chance that official dialogue will resume early in 2002. Whether it will get anywhere is another matter. With ROK President Kim Dae-jung a lame duck in his final year in office, and the U.S. war on terrorism adding new issues like bioweapons to the big pile of bones that Washington may choose to pick with Pyongyang, North Korean leader Kim Jong-il has little incentive to yield much to Seoul, except perhaps to get a better deal than is likely from the next occupant of the Blue House, whoever that may be. But as with the missile deal that it missed with former U.S. President Bill Clinton, North Korea might now have left it too late.

### **On, Off, On Again?**

The quarter began well. The fifth North-South ministerial talks, held in Seoul Sept. 15-18 after a hiatus of six months, had agreed to have further meetings in a dozen specific fields (see "Back on Track?" *Comparative Connections*, Vol. 3. No. 3), with dates fixed for five in October alone. Talks on reviving tourism to Mt. Geumgang were held on Oct. 3-5 at the North's resort, with agreement to meet again on Oct. 19. Next up was a fourth round of family reunions due on Oct. 16-18, eagerly awaited by 100 separated kin already chosen from each side. But just four days before, Pyongyang unilaterally postponed these meetings, as well as the visit to Seoul of a taekwondo team due on Oct. 20,

claiming that the ROK's heightened alert status since Sept. 11 meant that South Korea was "very dangerous for numerous civilians to fly."

Bureaucrats are made of sterner stuff. The North maintained that economic talks and the sixth Cabinet-level meetings, set for the end of the month, would still go ahead. But it then added a rider, again on alleged security grounds: the venue for all official dialogue must be its Mt. Geumgang resort, rather than alternating between Seoul and Pyongyang as hitherto. A dismayed South Korea protested at all this, both on principle and logistical grounds: Geumgang is far from either capital, lacks adequate facilities, and Southerners can only come and go by boat. Yet on Oct. 30 Seoul accepted this venue, rather than see the whole peace process go back on ice.

The sixth round duly opened on Nov. 9, a fortnight later than scheduled. Geumgangsán lived down to expectations, with a power cut at one stage halting proceedings for some hours. That seemed symbolic, for the lights also went out on the peace process. The venue issue was an insoluble sticking point: the South insisted on returning to the old alternation of capitals for future talks, but the North adamantly refused to come to Seoul. Despite a two-day extension until Nov. 14 and a last minute one-on-one meeting between the two delegation heads, the meeting closed without agreement or even a joint statement: the first time this has happened in any inter-Korean dialogue since the June 2000 summit. As a result, all the dozen-odd channels of substantive lower-level discussions remained frozen throughout the quarter after all.

### **Sept. 11 Sinks Inter-Korean Dialogue**

What happened? In essence, and for the second time this year, it was noises off rather than any intrinsic knots that scuppered inter-Korean dialogue. In both there is a U.S. connection, yet it is simplistic to blame Washington – especially now. But just as back in the spring, a new U.S. administration and Bush's harsh words gave North Korea's hawks the excuse they needed to suspend the Peninsula's peace process, so this fall Sept. 11 and its aftermath offered a still more cogent pretext. Taken literally, it hardly holds water; after all, a Northern team had come to Seoul for the fifth Cabinet talks days after Sept. 11 without voicing any such concerns.

The difference, a month later, was surely the start of the U.S. military campaign in Afghanistan. However specious and shifting the reasons cited – safety concerns gave way to charges that the South's alert status was a hostile act against the North – it is plausible that this momentous turn of global events gave leader Kim Jong-il pause. And though it is beyond our scope here, subsequent developments showed that North Korea is not wrong if it now feels more in the firing line; the U.S. has now added bioweapons to its already long list of concerns regarding the DPRK. Unfortunately, if predictably, rather than seeking like Iran to use the new situation to improve its ties with the U.S., Pyongyang's initially ambivalent reactions have increasingly settled back into the familiar pattern of strident and defiant rhetoric against all comers. This will not help.



## **Good Day, Sunshine**

Yet it takes two to stop tangoing. After three years of humoring the North's perversities, the Southern worm finally turned. North Korea's explanation of the November talks' failure was to attack the South's newish unification minister, Hong Soon-young, as a hardliner. Even ROK President Kim Dae-jung reportedly listened in stony silence, a sign of displeasure, when Hong debriefed him. Conversely, the Grand National Party (GNP), South Korea's main opposition – and favorite to return to power in next December's presidential election – that usually criticizes sunshine as appeasement, praised Hong's firm stance. Two factors arise here. As an experienced diplomat, Hong was unlikely to be taken in or yield to every Northern whim; whereas his predecessor Lim Dong-won, the architect of the Sunshine Policy, had a vested interest in keeping it afloat.

More important, the public mood in South Korea has turned sour at the North's antics and lack of any sincere or lasting reciprocity. With Kim Dae-jung going into his last year of office as an ever lamer duck, his Millennium Democratic Party (MDP) has two elections to fight this year – local polls in June, before the big one in December – and there are no votes in being perceived as kowtowing to Kim Jong-il. Hence if and when inter-Korean dialogue resumes in 2002, as it probably will, North Korea is likely to face a South less accommodating and more insistent on getting something tangible in return for its aid. This in turn may incline Pyongyang to continue stalling for yet another year, until it knows whom it will face in the Blue House from 2003 through 2008. If that turns out to be GNP leader Lee Hoi-chang, whom the North regularly excoriates, it may have to change its tune – and will get even shorter shrift, though rhetoric apart, Lee would continue engagement in some form. But with a likely meltdown of the existing parties adding to the political uncertainty in Seoul, Pyongyang has little incentive to give ground before 2003.

## **Churches Aid, but Business is not Brisk**

As ever, obstinacy has its price. South Korea's latest proposed tranche of food aid, as much as 400,000 tons of rice, will now at least be delayed. But with even the GNP backing this aid – if only as a sop to Southern farmers, who last year grew more rice than the ROK these days cares to eat – Pyongyang can probably count on it eventually arriving in any case. Besides, North Korea's harvest last year – the best since 1995 – means it should not run short of grain until the spring.

Also, to reiterate, a vital difference between the current Korean peace process and earlier false dawns is that it is no longer a state monopoly. So even if the two governments are not talking, civilian and business contacts still continue. As the year ended, a Southern team went to Mt. Geumgang to discuss joint unofficial celebrations of the lunar New Year in February – hopefully less contentious than the last such event, in August. On the aid front, Southern non-governmental organizations (NGOs) (mainly religious) are substantial donors to the North, giving 73 billion Won (\$57 million) in the year through November, nearly three times the \$21.4 million given by international NGOs. The bulk of aid (\$245 million) continued to come from UN relief agencies, however, mainly grain

from the World Food Program (WFP), through which South Korea, the U.S., and others channel most of their official contributions.

Business contacts also continued, but they aren't brisk. Most Southern firms remain wary of the North, not least because many who did take the plunge have regretted it. (A *Newsweek* article on South-North business bore the title: "See Ya, Suckers.") Inter-Korean trade in 2001 looks set to fall below 2000's record \$425 million: a mere 0.13 percent of South Korea's total trade, but fully 18 percent of North Korea's. One deal approved in November may help in 2002. Kookyang Shipping will invest a modest W6.2 billion (\$4.77 million) to upgrade facilities at Nampo, the port for Pyongyang, in the hope of halving the time for loading and unloading (still mostly manual) from the current three days.

### **Hyundai's Cruise Blues**

The east coast shipping forecast is bleaker. In another sad symbol of the current state of inter-Korean ties, Hyundai's cruise tours to Geumgangsán were drastically curtailed in December and may soon close down entirely. In its day this venture was the vanguard of the Sunshine Policy: attracting over 400,000 tourists in its first three years, and building practical trust that paved the way for the June 2000 summit. Yet political success was bad business. Hyundai's patriarch Chung Ju-yung agreed to pay almost \$1 billion over six years in license fees alone, as well as build all facilities from harbors to hotels. North Korea put in not a penny, except for supplying labor.

So this project was uneconomic from the start; it has lost over \$500 million to date. With passenger numbers falling as the novelty wore off, Chung's death last March and Hyundai's fragile overall finances have left the tours unsustainable. Governments have hardly helped, despite October's talks. North Korea allows late payment, but has not eased terms or opened a promised cheaper land route. The South too has lost interest, despite making its official tourist agency, the Korea National Tourism Organization (KNTO), a partner to keep the project afloat. So although these tours enabled a political breakthrough, their lesson is that future projects must be based on real mutual benefits – not one-way largesse.

### **One-Way Ticket**

If its cruise tours were avowedly a loss-leader, Hyundai's other great hope was – the past tense seems inevitable, at present – its planned industrial estate near Kaesong, just north of the DMZ. This in turn is in practice contingent on the cross-border road and rail link first agreed in 2000, but which North Korea has yet either to formally ratify or embark on serious construction. By contrast, South Korea has already all but finished its side of the railway, and on Sept. 30 it reopened a 6.8 km section of restored track from Munsan to the Imjin river.

Seoul hopes pressure from Russia will trump the Korean People's Army (KPA) resistance to turning the front line into a front door. Kim Dae-jung and Russian President

Vladimir Putin are both keen to see an “iron silk road” – more prosaically, a freight route linking South Korea and Europe via Siberia. Kim Jong-il’s lengthy train journey to Moscow last summer included a rail agreement, and Russian engineers have since inspected all 630 km of the DPRK’s relevant track. But upgrading this will be costly and pointless unless the missing link to Seoul is filled in. This project thus remains a touchstone of Kim Jong-il’s sincerity. If it happens, then – to use an inapt metaphor – we really are motoring.

### **Signs of Hope: Alert Lifted, Nuclear Visit**

Just when the year seemed set to end in winter chill, December brought two hints of a thaw. South Korea lifted its post-Sept. 11 state of alert, thus removing Pyongyang’s pretext for not visiting. Days earlier, a 20-strong DPRK delegation had slipped into Seoul for a two-week inspection tour of nuclear facilities. Though under the multilateral auspices of KEDO, this raised hopes that bilateral ties too may soon resume. Typically, Pyongyang insisted on minimal publicity. The group visited power plants at Uljin, training centers near Busan, Taedok science town, and Doosan and other firms building components for the two light-water reactors (LWRs) for the North’s Shinpo site. Another 290 Northern nuclear engineers are scheduled to come South for training in the second half of 2002.

If that Rubicon is crossed, it will be doubly important: confirming that the LWRs are on track and as a wider precedent. Training is one of many frustrations for the few Southern businesses operating in North Korea: it has to be done expensively in China, since the North will not let its workers go South and rarely allows Southern managers in. But it is unclear if this signals any wider easing. KEDO too has problems: the LWRs are six years behind schedule, and demands for Pyongyang to come clean on its nuclear history (thought to include illicit diversion of plutonium) cannot be put off indefinitely. Growing pressure in 2002 for full International Atomic Energy Agency (IAEA) inspections could see Pyongyang react by keeping its engineers home, or even disowning the 1994 Agreed Framework. Though beyond our scope here, a new North Korean nuclear crisis is a real risk.

### **One Country, Two Planets**

Even if the nuclear peril is averted, the price of Pyongyang’s slowness to adapt is huge. In December the ROK National Statistical Office highlighted the chasm between the two Korean economies, which now hardly fit on one graph. In 2000 ROK national income was \$455 billion, the DPRK’s just \$17 billion. Even the per capita gap – the South has twice as many people (47 million) – was almost 13:1, \$9,628 against \$757. In trade the ratio was 139:1, Seoul’s \$333 billion dwarfing Pyongyang’s \$2.39 billion. For exports, the gulf was a staggering 244:1; the South exports more in 36 hours than the North in an entire year (\$560 million). In 2000 South Korea produced 3.12 million vehicles and 43.1 million tons of steel; respective Northern figures were 6,600 and 1.09 million, for ratios of 472:1 and 40:1.

While this chasm is ominous for long-term reunification, for now it means small change from the South goes a long way in the North. In December the Korea Development Institute (KDI) challenged the twin grumbles often heard: Seoul is too generous and gets nothing back. According to KDI, the current government has given a mere \$190 million in four years to the North. That is 0.1 percent of total budget, 0.017 percent of GDP, and less than the \$260 million given during 1995-97 under Kim Young-sam, now a fierce critic of North Korea. It is also much less than Hyundai has put in – and just 0.15 percent of the \$130 billion (and counting) of public money that has so far gone for financial restructuring to bail out loss-making banks and others. This is a tiny price to pay for reduced tension on the Peninsula, which in KDI's view in turn boosts inward investment.

While one may quibble about the precise figure – which seems not to include various tranches of food aid donated via WFP – KDI's general point and perspective is sound. As the German precedent shows, far larger sums will be required eventually: perhaps quite soon, if Kim Dae-jung's offer made almost two years ago of support for modernizing the DPRK's infrastructure comes to fruition before he leaves office. Especially at a time of short-run disappointment and raised international tension, it is all the more important to keep one's eye on the prize and take the long-run view. Korea will be reunified; it will cost a fortune, but less so the sooner it starts – above all if it can happen gradually rather than via collapse, much less through the nightmare of war.

### **Three Hot Winds and 007 Feels the Heat**

A few final footnotes. A DPRK radio review of the year, highlighting “10 hot winds of 2001,” singled out three inter-Korean events: the death in March of Hyundai's founder Chung Ju-yung, Liberation Day celebrations on Aug. 15, and Japan-based singer Kim Yon-ja's concert tour in April, the first ever by a Southern artiste. None of these, be it noted, involved the South Korean government – except that the Aug. 15 fallout brought down the ruling coalition in Seoul.

Then *Hanchongryon*, the ROK radical student body, blasted MGM for making North Korea the villain in the latest James Bond movie as a “cultural terrorist act” against the Korean people. It threatened to obstruct shooting, which starts in January. In fact the plotline – filched from the South Korean thriller *Swiri*, a fact that *Hanchongryon's* patriots strangely overlooked – is more subtle, with a hard line DPRK agent trying to kill a moderate Northern general who wants peace.

North Korea has other friends in Seoul besides student hotheads. A *Korea Herald* editorial on Japan's sinking of a suspected DPRK spy ship called Pyongyang's critique of alleged Japanese expansionism “not too far ... from the historical truth.” “Let the sun shine on,” the Seoul daily urged: “the international community should increase efforts to engage North Korea so it can open and change, instead of driving it into a corner.” The trouble is that, even allowing for new twists like Sept. 11, the recent record – between the Koreas, and more widely – has little to show by way of real results from engagement. And Pyongyang needs no help from anyone else to paint itself into corners. One can but hope, but perhaps not expect, that 2002 will be better.

## **Chronology of North Korea - South Korea Relations October - December 2001**

**Oct. 3, 2001:** Inter-Korean talks on how to revitalize tourism open at Mt. Geumgang.

**Oct. 5, 2001:** Joint statement announces agreement on reviving tourism, including to discuss opening a land route to Mt. Geumgang.

**Oct. 9, 2001:** The two Koreas exchange lists of names for the fourth family reunions, set for Oct. 16-18.

**Oct. 11, 2001:** South Korea says it will offer 400,000 tons of grain to the North.

**Oct. 12, 2001:** North Korea unilaterally cancels family reunions, claiming that South Korea's heightened security alert status makes it unsafe for civilians. Seoul protests vigorously.

**Oct. 13, 2001:** The North proposes that the next tourism talks be held at Mt. Geumgang.

**Oct. 16, 2001:** The South proposes that the tourist talks be held at its own Mt. Sorak and that economic talks due on Oct. 23-26 take place in Seoul as previously agreed.

**Oct. 18, 2001:** The North suggests a week's postponement for tourism and economic talks, but insists on Mt. Geumgang as the venue for both these and the next ministerial meetings.

**Oct. 19, 2001:** The organizing committee for the Asian Games, to be held in Busan in the fall of 2002, sends an official invitation to the DPRK.

**Oct. 22, 2001:** South Korea regrets the North's failure to implement agreements reached at the fifth ministerial talks, and insists that Pyongyang remain the venue for the next round as agreed.

**Oct. 24, 2001:** Seoul says it would also accept Mt. Myohyang, north of Pyongyang, as a venue.

**Oct. 25, 2001:** North Korea insists on Mt. Geumgang.

**Oct. 30, 2001:** South Korea accepts Mt. Geumgang as venue for the sixth ministerial talks.

**Nov. 6, 2001:** South Korea threatens to link rice aid to progress on family reunions.

**Nov. 9, 2001:** Sixth North-South ministerial talks open at Mt. Geumgang.

**Nov. 12, 2001:** Talks at Mt. Geumgang are extended an extra two days. Reports suggest – as it turns out, prematurely – that the next round of family reunions has been agreed.

**Nov. 14, 2001:** Ministerial talks at Mt. Geumgang end with no agreements or joint statement. North Korea blames the ROK unification minister for being obstructive.

**Nov. 19, 2001:** For the second day running, a DPRK patrol boat crosses the Northern Limit Line (NLL). The ROK rescues and returns a Northern fishing boat that had drifted south.

**Nov. 21, 2001:** Seoul's Unification Ministry approves a Won 6.2 billion (\$4.77 million) investment by the ROK's Kookyang Shipping to improve cargo handling at Nampo, the port for Pyongyang.

**Nov. 21, 2001:** Seoul says it will not subsidize Hyundai's Mt. Geumgang tourism business.

**Nov. 25, 2001:** The Seoul daily *Chosun Ilbo* reports that most *chaebol* are shelving projects they had planned in North Korea, as they are more trouble than they are worth.

**Nov. 27, 2001:** The KPA fires three machine gun rounds at an ROK guardpost in the DMZ, which returns fire. No one is hurt. No explanation is given, but the incident does not escalate.

**Dec. 6, 2001:** South Korea says it will simplify regulations on inter-Korean exchanges.

**Dec. 10, 2001:** Kim Dae-jung predicts that Korea will be reunified peacefully within 20 years.

**Dec. 16, 2001:** A 20-strong North Korean nuclear delegation arrives unannounced in Seoul under KEDO auspices for a two-week tour of Southern nuclear and related facilities.

**Dec. 17, 2001:** The North's Committee for the Peaceful Reunification of the Fatherland reiterates a commitment to dialogue, but renews criticism of the South's unification minister.

**Dec. 21, 2001:** South Korea's Defense Ministry reveals that its post-Sept. 11 heightened security alert status was phased out in late December.

**Dec. 21, 2001:** Seoul's National Statistical Office publishes figures on the widening economic gap between North and South. Southern per capita income was 12.7 times higher than that of the North in 2000.

**Dec. 21, 2001:** South Korea says it will provide the North with 100,000 tons of maize via the UN World Food Program.

**Dec. 27, 2001:** Hyundai announces a further cut in its Geumgangsan cruise tours from January, from 10 down to four monthly sailings. Speculation grows that the tours will cease altogether.

**Dec. 29, 2001:** South Korea reveals that 570 North Koreans defected to the ROK in 2001: the highest ever annual total, and almost double 2000's 312. (The eventual year-end total was 583.)

**Dec. 30, 2001:** North Korea's nuclear delegation leaves Seoul after its inspection tour.

**Dec. 30, 2001:** A Southern NGO delegation arrives in Mt. Geumgang to discuss joint lunar New Year celebrations with Northern counterparts, to be held around Feb. 12, 2002.

**Dec. 31, 2001:** In an end of year report, South Korea's Defense Ministry says that North Korea remains a threat, but stops short of defining it as the main enemy.

**Dec. 31, 2001:** Kim Dae-jung pledges to continue the Sunshine Policy in his last year of office.

**China-Korea Relations:  
Keeping the Eye on the (WTO) Prize  
While Containing Consular Crises**

by Scott Snyder\*  
Korea Representative, The Asia Foundation

The fourth quarter always brings a heavy diplomatic schedule of high-level bilateral Sino-Korean exchanges in conjunction with the annual Asia Pacific Economic Cooperation (APEC) and ASEAN Plus Three meetings. These exchanges were overshadowed by an event that did not even occur in Asia: China's official entry into the World Trade Organization (WTO) in Doha, Qatar, after 15 years of negotiations. Widespread expectations are that China's WTO entry will revolutionize China's economic relations with the world and will powerfully transform Sino-Korean trade and investment relations, although not always in positive ways.

More remarkable testimony to the significance of that event for the Sino-ROK relationship, however, is that shocking consular developments between China and the ROK – including China's execution of an ROK citizen on drug smuggling charges without adequate representation provided by the ROK government; the discovery of over 60 illegal Chinese stowaways, including 25 dead, in a failed attempt at illegal entry into South Korea via a local fishing boat; and an ROK Constitutional Court ruling overturning a Korean law that selectively provided special rights to overseas Koreans that the Chinese government views as threatening to state sovereignty – hardly made ripples given the tidal wave of expectations for Sino-ROK economic relations. In addition, South Korean naval ships made their first port call to the Chinese mainland, and Defense Minister Kim Dong-shin met with his counterpart in Beijing during a week-long visit to expand Sino-ROK military exchanges in December.

Sino-DPRK trade volumes also grew exponentially, almost doubling during the first half of 2001, but that relationship remains insignificant in comparison with the over \$31 billion Sino-ROK trade volume in 2001, which allowed China to surpass Japan as South Korea's second largest trade partner. China also surpassed the United States as the largest site of foreign direct investment from South Korea in 2001. The true significance of recent crises in Sino-ROK consular relations is that they were so quickly resolved,

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\* The opinions expressed in this article are those of the author and do not necessarily represent the views of The Asia Foundation.



with virtually no political impact on the burgeoning Sino-South Korean economic relationship.

### **Sino-Korean Consular Toll:**

#### **One Korean Citizen Executed; 25 Chinese Stowaways Dead**

The Oct. 26 news that a 41 year-old South Korean male surnamed Shin had been sentenced to death on drug trafficking charges and executed one month earlier by local authorities in Northeastern Heilongjiang Province without notice to the South Korean government was shocking to many South Koreans. It generated a strong domestic outcry, with ROK President Kim Dae-jung issuing a public appeal to the PRC to respect the 1963 Vienna Convention on Consular Relations, which stipulates that host governments have an obligation to inform other governments if citizens of their nation are detained or imprisoned. Even more shocking was the real story as it came out a week later: the PRC government had notified the South Korean consul general in Shenyang of this case on a number of occasions, but no action had been taken by ROK officials on behalf of their citizen, who had been detained on drug trafficking charges in 1997, to ensure proper legal counsel or equal treatment from Chinese authorities.

The PRC had notified South Korean officials in Beijing and/or Shenyang of the 1997 detention, the 1999 trial and the court ruling of an impending execution that was released on Sept. 25, 2001, the date of Shin's execution. However, Ministry of Foreign Affairs and Trade (MOFAT) mishandled its own internal communications, and these documents were not reported to supervisors within the ROK MOFAT. Foreign Minister Tang Jiaxuan also issued an apology to his South Korean counterpart for the PRC's handling of the incident in a Nov. 4 meeting on the sidelines of the ASEAN Plus Three meeting in Brunei. Foreign Minister Han Seung-soo publicly apologized before the ROK National Assembly on Nov. 7 and ordered that consulate staffs be increased through local hiring and that the current consular affairs system be overhauled so as to ensure proper communications and consular representation for overseas Korean nationals. Within one month of the incident, the ROK and the PRC began negotiations on an agreement on consular procedures in an effort to ensure that such an incident is not repeated. Five South Korean officials have been disciplined following the incident. Minister of Political Affairs Lee Kyu-hyung of the Korean Embassy in Beijing received a warning and Director General for Consular Affairs Kim Kyung-keun was reprimanded. In addition, four consular officials were recalled from Beijing and Shenyang and received salary cuts and warnings for their handling of the case.

Shin's execution and the brouhaha surrounding it overshadowed an even more tragic case this quarter involving the failed effort of a South Korean fishing vessel to illegally deliver over 60 Chinese nationals to Korea. During the night of Oct. 5, the Korean fishing boat took on its human cargo in the seas off of Jeju Island from a Chinese vessel after having spent a week at sea with almost nothing to eat. These individuals, already weakened from starvation, were jammed into a cargo hold, and the bodies of several who died during the voyage were thrown overboard by the Korean fishermen in charge. By the time the ship and its human cargo were discovered at noon on Oct. 7, 25 of the 60 Chinese stowaways had perished.

This event stimulated calls in the South Korean media for stronger measures to prevent illegal trafficking, including a more effective Korean Coast Guard, but there are many more instances of trafficking that have gone undetected, including the use of entertainment visas as vehicles through which international gangs have brought ethnic Koreans from China as well as women from Russia and Southeast Asia to work in Korean brothels. Ethnic Koreans from China (known as *Chosonjok*) have in recent years flocked to South Korea as a destination for high-wage employment where they had been able to earn as much as 10 times more than average salaries in Northeastern China in the mid-1990s, although now the wage differential has reportedly dropped to about three times the average wage in the ethnic Korean regions of Jilin Province. About half of the over 100,000 known illegal immigrants to South Korea (those who have overstayed their visas) are from China, and a large proportion of those individuals are *Chosonjok*.

South Korea had earlier this year been cited by a U.S. State Department report on the subject as a country with one of the least developed infrastructures for responding to trafficking in persons.

These cases also highlight the growing problems with drug trafficking into Korea, mostly from China. Although South Korea has been known as a country with a relatively low level of drug use, recent cases involving Korean TV and movie personalities have dramatized the increase in demand for illegal drugs, especially at certain clubs near major South Korean universities. This demand has been met at least partially by international organized crime links with groups in China and Russia. The Supreme Public Prosecutor's Office reports that the amount of methamphetamine confiscated from smugglers from China has increased three-fold during 2001 to over 150 kg.

### **Unconstitutional Act on Overseas Ethnic Koreans: Impact on the *Chosonjok***

In 1999, the ROK National Assembly passed a controversial Act on Overseas Ethnic Koreans, which gave preferential immigration and legal rights to Koreans who had emigrated from the ROK after its founding in 1948. By designating only ethnic Koreans who had emigrated following the founding of the ROK, the legislation privileged ethnic Koreans living in the United States over Koreans whose families had been forcibly taken to Japan during World War II or Chinese or Russian ethnic Koreans whose families may have left the Korean Peninsula during the Japanese colonial rule prior to 1945. The legislation had been a source of controversy among *Chosonjok* who had come to Korea in recent years, but could not enjoy the same preferential treatment that had been given to other overseas ethnic Koreans. In fact, the Rev. Suh Kyong-sok, a leader of a major South Korean non-governmental organization, the Korean Sharing Movement, called a hunger strike for 20 days in the fall and led a major demonstration among the *Chosonjok* in October to call attention to this issue. Likewise, the newly-established Korean Commission for Human Rights received many complaints from *Chosonjok* regarding this law during its first weeks in operation earlier this year.

The Constitutional Court ruling of Nov. 29 declares that the Act on Overseas Ethnic Koreans discriminates unfairly against certain groups of ethnic overseas Koreans and orders that the law be revised by 2003. While many overseas ethnic Koreans who could

not enjoy benefits under this law may be looking forward to equal treatment in the future, one consideration taken into account at the time the law was drafted was the PRC's likely objection to a law that would give special immigration privileges to a group of its own citizens on the basis of a particular ethnicity on the basis that those privileges might infringe on privileges of citizenship that flow from the authority of the state. Obviously, such laws might be perceived as setting precedents for other ethnicities in the PRC, including Mongolians and possibly even Tibetans. Since Korea has historically been ethnically homogeneous, the concepts of ethnic and national unity are not easily distinguished in Korean discourse. Certain nationalist Korean historical claims to large parts of northeastern China, including the Korean ethnic autonomous region of Yanbian in the PRC, have been made by Koreans on the basis of the concept of ethnicity rather than the state as the fundamental measure of national unity. The revision of this law and its implementation is likely to receive close attention from the PRC, and may become the source of additional consular disputes between China and South Korea in the future.

### **Sino-DPRK Economic Relations: A Dramatic Upswing**

Although PRC President Jiang Zemin's visit to Pyongyang was overshadowed by the subsequent global shift in focus caused by the events of Sept. 11, the visit did reaffirm the PRC's critical role as the DPRK's most reliable trading partner. Chinese scholars have recently estimated that the PRC's aid to the DPRK represents one-third of China's overall development assistance budget, up from one-quarter several years ago. The PRC continues to provide the DPRK with approximately 1 million tons of oil and 1.5 million tons of coking coal each year, in addition to the 200,000 tons of grain that were promised by the PRC earlier last year. The official numbers don't include assistance that might flow to Korea at the provincial or local level. The Korea Trade and Investment Promotion Agency (KOTRA) has estimated that the PRC gave \$23.9 million in assistance during the first half of 2001, an almost 80 percent increase over Chinese assistance during the previous year. The number of DPRK refugees to South Korea via China and other third countries has also nearly doubled to almost 550, compared to 312 in 2000. Newly-arrived PRC Ambassador to South Korea Li Bin has continued to defend the PRC's position of denying refugee status for North Korean defectors to China, despite pressure from various South Korean citizens' groups, which claim that there are between 30,000-200,000 North Korean refugees hiding illegally in the PRC.

### **China's WTO Entry: Who Will Get the Prize?**

Now that the PRC has officially entered the WTO, Sino-ROK trade, investment, and political ties have intensified noticeably and will likely have a mixed effect on Sino-ROK economic relations, as has been explored in past quarters (see "Economic Interests Uber Alles," *Comparative Connections*, Vol 3, No. 2). In the near term, there are valuable mutual benefits, as South Korea has positioned itself as a critical provider of materials and offshore capacity essential to China's continued modernization. One immediate pay-off is that the ROK economy has remained in positive territory despite negative growth across the rest of the region. In fact, the global recession has intensified the ROK economic flight to China as an engine for continued economic growth, as China has replaced the United States as the number-one destination for ROK foreign investment and

has edged out the U.S. as the second largest number of visitors to South Korea, behind Japan. China has also surpassed Japan as South Korea's number-two trading partner, and China's shares of South Korea's imports and exports are increasing dramatically year by year.

The negative influences of China's entry into the WTO will show themselves as cheap Chinese agricultural goods flood the Korean market and as China becomes a stiff competitor that may supersede Korean shares in third-country markets. In the absence of a bilaterally agreed *modus operandi* applied to specific contentious sectors, China and South Korea, as the number one and number two leading targets of dumping cases in the world, may become frequent users of WTO rules to settle bilateral trade disputes as they arise. The benefits of trading with China and of positioning to gain a share of China's domestic market are balanced, and perhaps eventually will be outweighed, by an erosion of Korean competitiveness with China internationally. Several *chaebol* including Samsung, SK, and LG continue to restructure themselves and adapt new management strategies in preparation for expanded roles as players in China's domestic economy.

The Korea Institute for Industrial Economics and Technology (KIET) projects that China's WTO entry will boost bilateral trade by 10 percent, and the Korea Institute for International Economic Policy has forecast an increase of \$1.3 billion in exports and \$300 million in imports, with the most promising sectors being fiber, clothing, plastic products, steel, automobiles and auto parts, electronics and electronic parts, and machinery equipment. In particular, POSCO has three joint-venture steel factories in China and plans to invest \$100 million by 2003. China's demand for Korean steel has increased by almost 20 percent this year. The Korean petrochemical and shipbuilding sectors are likely to experience increased demand from China in the near-term, but will face decreasing competitiveness after 2005 due to Chinese investments and international joint ventures in these sectors that are likely to make China into a fierce and probably dominant competitor in global markets. China Unicom placed a supplemental order with Samsung Electronics for 200,000 additional circuits in Hebei and Tianjin, and Korean companies hoped to capture half of all code-division multiple access (CDMA) handsets sold to China by foreign suppliers during 2002 while gearing up for additional CDMA systems bidding in early 2002.

In early November, at the height of the consular crisis over the PRC's execution of a Korean national, ROK Deputy Prime Minister Jin Nyum met with his PRC counterpart, State Planning and Development Commission Chairman Zeng Peiyan, for comprehensive sector-by-sector discussions of the Sino-Korean economic relationship. The two economic leaders agreed to enhance economic cooperation in mobile services, finance, autos, nuclear power generation, and high-speed railway development. They affirmed the interest of companies such as Samsung, LG Electronics, and KT (Korea Telecom) in participating in China's CDMA systems and mobile telecommunications sector development, discussed the expansion of Korean financial and insurance service companies in China, expressed interest in participating in the construction of two to four 1 million kilowatt nuclear power plants set to be built by 2005, and sought approval for Hyundai-KIA to launch automobile factories in China. In addition, Sino-Korean trade promotion activities and information sharing/coordination continued to expand, including

consultations among Chinese and Korean financial securities regulators and financial supervisory commissions. In addition, the decision to launch three-way coordination meetings among Japanese, Chinese, and Korean economic ministers in Brunei is the first practical step toward pursuing a China-Japan-Korea free trade zone.

**Strategic Implications of China's Rise:  
Korean Balancer or Tripwire between the U.S. and China?**

China's rising share in Korea's external economic relations and cultural complementarity will inevitably constrain Korean political cooperation with the United States in the event of U.S.-PRC confrontation and could produce strains in the U.S.-ROK security alliance, although the alliance remains critical in Korean perceptions as a counterweight to rising future Chinese influence on Korea. Korean security specialists with a focus on China recognize that the rise of China is "the most serious security dilemma that the ROK will face in the mid- to long-term." When confronted with the contradictions inherent in balancing Korea's rapidly developing economic interests on the one hand with the requirements of the U.S.-ROK security alliance on the other, Korean analysts argue that the Cold War is over and it is no longer necessary to view political, security, and economic relationships in zero-sum terms. Korean analysts examine the level of economic interdependence between the U.S. and China and conclude that the nature of the U.S. relationship with China is different from the former Soviet Union, arguing that the possibility of a "partnership-like relationship" between the U.S. and China should not be excluded in the future. Given the stakes involved, many Korean analysts appear to be in denial regarding prospective Sino-U.S. confrontation, and the ROK government "has taken no concrete steps in planning on these issues."

South Koreans favor strategies that avoid escalation of U.S.-China disputes and emphasize cooperative relationships between Washington and Beijing. Given the intermittently confrontational track of the U.S.-PRC relationship, the issue of how to deal with China is gradually becoming a likely source of future differences in the U.S.-ROK relationship. It is important for diplomatic consultations and coordination on policies toward the PRC to be enhanced as a vehicle for minimizing alliance differences and building support within the alliance relationship. Despite Korea's growing trade with China, Seoul knows that the foundation for a prosperous trade relationship with China is its security relationship with the United States and under current circumstances will choose the relationship when pressed to do so. However, the PRC is developing new-found economic leverage as South Korean economic prospects are integrated with its own domestic economic expansion. Thus, the ROK's continued liberalization and a strong U.S. economic presence – as market for Korean goods, as investor in the Korean market, and as guarantor of regional economic and security stability – will increasingly become an essential underpinning to ensure that Korea's orientation and feelings of shared values remain strongly with the U.S., despite Korea's cultural affinity for China.

## **Chronology of China-Korea Relations**

### **October - December 2001**

**Oct. 7, 2001:** Twenty-five Chinese die among 60 stowaways seeking illegal entry into South Korea in a tiny storage room of a South Korean fishing boat off Jeju Island.

**Oct. 16, 2001:** PRC Foreign Minister Tang Jiaxuan and ROK Foreign Minister Han Seung-soo discuss President Jiang Zemin's early September visit to the DPRK on the sidelines of the APEC ministerial meeting in Shanghai.

**Oct. 20, 2001:** ROK President Kim Dae-jung meets with PRC President Jiang on the sidelines of the APEC Leaders' Meeting in Shanghai.

**Oct. 24-28, 2001:** A South Korean destroyer, an escort, and a support ship make the South Korean Navy's first port call to the PRC mainland in Shanghai.

**Oct. 26, 2001:** The PRC notifies the ROK Embassy in Beijing of the execution of a Korean national one month after his execution on Sept. 26 for drug trafficking.

**Oct. 29, 2001:** President Kim expresses regret over Beijing's execution of a South Korean citizen in late September without giving prior notification to the ROK government. ROK Foreign Ministry files official protest with PRC Embassy in Seoul.

**Nov. 1, 2001:** The ROK government requests that the PRC investigation allegations that two South Korean citizens imprisoned in the PRC on drug trafficking charges were denied rights to consular protection and were physically abused by Chinese authorities.

**Nov. 2, 2001:** ROK retracts its protest that the PRC had failed to provide notification to the national government as stipulated by a 1963 Vienna Convention after receiving confirmation from the PRC government that Heilongjiang Province officials had notified the Korean consulate in Shenyang that Korean nationals had been arrested and held in custody on drug-related charges.

**Nov. 2, 2001:** ROK Deputy Prime Minister Jin Nyum and PRC State Development Planning Commission Chairman Zeng Peiyan meet in Seoul and agree to enhance economic cooperation in mobile services, finance, autos, nuclear power generation, and high-speed railway development.

**Nov. 4, 2001:** FM Tang and FM Han discuss diplomatic incident involving the execution of an ROK national in northeastern China.

**Nov. 5, 2001:** At ASEAN Plus Three meeting in Brunei, President Kim, PRC Prime Minister Zhu Rongji, and Japanese Prime Minister Koizumi Junichiro agree to establish a trilateral forum among economic ministers to strengthen economic cooperation.

**Nov. 6, 2001:** Samsung Electronics wins a \$20 million order from China Unicom for code-division multiple access (CDMA) systems for 200,000 circuits in Hebei and Tianjin, China.

**Nov. 7, 2001:** ROK FM Han issues an apology at the National Assembly for his ministry's failure to protect Korean nationals in the PRC following the execution of a Korean national convicted in PRC courts of drug smuggling.

**Nov. 19, 2001:** The ROK recalls four consular officials based in China held responsible for failing to properly handle the case of an ROK national who was executed.

**Nov. 20-23, 2001:** Over 118 Korean small- and medium-size businesses are represented at the "Korea Product Show 2001," held at the China International Exhibition Center in Beijing in a KOTRA-sponsored attempt to promote Korean goods following the PRC's WTO entry.

**Nov. 28, 2001:** Outgoing PRC Ambassador to the DPRK Wang Guozhang pays a farewell visit to Supreme People's Assembly Presidium President Kim Yong-nam.

**Nov. 29, 2001:** The ROK Constitutional Court ruled that part of the 1999 Act on Overseas Ethnic Koreans unconstitutionally discriminated against ethnic Koreans from China and Russia, ordering the law to be amended by the end of 2003.

**Dec. 1, 2001:** The 2002 Japan-Korea World Cup soccer tournament first-round assignments are made in Busan. The Chinese national team is assigned to a first-round berth that will be played in Korea, with Chinese press reporting that 60,000-100,000 Chinese soccer fans may flock to Korea to see the national team play.

**Dec. 5, 2001:** The PRC State Economic and Trade Commission ruled that polystyrene imports from South Korea, Japan, and Thailand do not damage related industries in China.

**Dec. 6, 2001:** Newly-appointed PRC Ambassador to the ROK Li Bin supports efforts to promote peace and stability on the Korean Peninsula at the inaugural ceremony of the Korea-China Forum, composed of about 70 lawmakers.

**Dec. 12, 2001:** The ROK Ministry of Finance and Economy announces the easing of adjustment tariffs for imported seasoned cuttlefish, frozen pollack, loach, and cloth towels from China as part of an effort to lower trade friction with China.

**Dec. 13-19, 2001:** ROK Defense Minister Kim Dong-shin makes a one-week visit to China to meet with Chinese military and political leaders to discuss increased defense exchanges and cooperation.

**Dec. 16, 2001:** ROK Ministry of Information and Communication Kim Dong-sun announces following a visit with China Unicom Director Wang Jianzhou in Beijing that South Korea and China may jointly push for developing a wireless Internet platform in the first half of next year.

**Dec. 17, 2001:** Beijing City Vice Mayor Liu Zhihwa arrives in Seoul to discuss coordination for international sporting events such as the 2002 World Cup and the Beijing Olympics and the possibility of establishing a Chinatown in Seoul.

**Dec. 18, 2001:** The Yeosu maritime police in South Jeolla Province hand over 35 Chinese illegal immigrants and the ashes of 13 individuals who suffocated on a boat while trying to enter China in early October. Another 12 victims remain unaccounted for.



## Japan-China Relations: From Precipice to Promise

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Japan's relations with China entered the last quarter of the year still reeling from the aftershock of Japanese Prime Minister Koizumi Junichiro's Aug. 13 visit to the Yasukuni Shrine, while the October Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Shanghai loomed on the diplomatic calendar. Further complicating the relationship were Koizumi's efforts to provide rear-area military support to the United States in its war against terrorism. The deployment of Japan's Self-Defense Forces (SDF) to the Indian Ocean and Persian Gulf region again risked resurrecting history-related issues in China and across the region.

At the same time, an on-going trade dispute, involving Japanese provisional sanctions on Chinese agricultural products and China's retaliation against Japanese manufactured goods, threatened to escalate with Tokyo setting a Dec. 21 deadline for resolution or the imposition of formal, long-term sanctions. A last-day deal allowed both sides to declare victory and to look ahead, in a spirit of cooperation, to 2002 and the 30<sup>th</sup> anniversary of the normalization of Japan-China relations.

Given the troubles of history, textbooks, and trade, which marked relations throughout much of the past year, the personal efforts of Prime Minister Koizumi and Chinese President Jiang Zemin during the October-December quarter appear to have stabilized the bilateral relationship and opened the door to a promising new year. Encouraging the efforts of the two governments are rapidly expanding private sector relationships. During the final quarter of the year, Japanese investment and industry continued to surge to the mainland.

### **From the Yasukuni Shrine to the Marco Polo Bridge**

Since the Yasukuni Shrine visit, the prime minister had repeatedly made known his interest in meeting with China's leadership, and on Oct. 1 Koizumi announced he was prepared to travel to Beijing in advance of the APEC Leaders' Meeting. In Beijing, however, the Foreign Ministry stayed on its post-Yasukuni message that deeds – not words – were essential to improve relations. The following day, Japanese Chief Cabinet

Secretary Fukuda Yasuo told reporters that the prime minister's schedule would make a pre-APEC visit to China difficult, even as reports of Beijing's willingness to agree to a pre-APEC visit began to surface.

On the evening of Oct. 4, the chief Cabinet secretary announced that the prime minister would visit Beijing Oct. 8 to meet with President Jiang and Premier Zhu Rongji. Initial spadework for the visit began in mid-September in meetings between the Japanese ambassador and China's Vice Foreign Minister Wang Yi. According to the *Asahi Shimbun*, China set three conditions for an early visit: an understanding of history, a visit to the Marco Polo Bridge, and some indication of thinking with regard to a Yasukuni visit next year. At the same time, Beijing expressed the strong desire that the prime minister would use the words "apology," "regret," and "remorse" in his dialogue with Jiang. Doing so would make it possible to avoid reference to the Yasukuni visit and the textbook controversy.

The chief Cabinet secretary's announcement and the timing of the trip surprised the Japanese media, given the complexities normally involved in arranging such a visit. But external events were moving both Tokyo and Beijing toward an understanding. For Koizumi, Japan's response to Sept. 11 and the possibility of being cold-shouldered at the October APEC meeting in Shanghai were combining to make a meeting with Jiang a top priority. Similarly, in addition to history, Jiang also had other interests at stake – namely, the success of the APEC meeting, which would be judged decidedly less successful if Japan was not in attendance.

On Oct. 8, both after his visit to the anti-Japanese War Memorial and during his meeting with Jiang, Koizumi spoke of his apology and regret for the victims of Japanese aggression and his determination that war should not again occur. The prime minister's use of the word "*owabi*" (apology) marked the first time that a Japanese prime minister had ever used the expression with regard to the China war. The *Asahi* reported that Koizumi had previously made up his mind to use the words if he had the opportunity to visit China.

Jiang welcomed the prime minister's visit as evidence of "the will to improve bilateral relations." In this regard, he stressed the importance of "actions," such as the prime minister's visit to the Memorial Hall. This was in line with Jiang's principle of "taking history as a mirror and looking forward to the future in the handling of China-Japan relations." Jiang noted that the relationship has had its twists and turns, its ups and downs, but when difficulties arise they are invariably tied to the issues of history, such as the Yasukuni Shrine and textbooks.

Looking ahead to next August, Jiang, without asking for a commitment from the prime minister, made clear that visits to the Yasukuni Shrine would complicate relations. As for textbooks, he stressed the importance of telling the truth about the past to the younger generation. Also, with regard to the future, Jiang expressed his understanding of Japan's role in the war on terrorism and, from Koizumi's perspective at least, appeared "less severe" than he had anticipated.

Zhu also took up the issues of history texts and Yasukuni. The controversies provoked a strong reaction across Asia and suggested that Japan had yet fully to resolve issues of the past. Noting that “unless the resolution of these problems was given the highest priority,” bilateral relations “could not be fundamentally improved.” Zhu hoped that Japan would adopt a correct attitude toward the issues.

As for Japan’s response to the war on terrorism, Zhu observed that expanding the sphere of SDF activities at a time when issues related to history remained unresolved held the possibility of heightening concerns across Asia. He urged Koizumi to think very carefully about the issue. Koizumi raised the matters of China’s agricultural exports, but Zhu characterized the dispute as a “small matter” to be resolved by those directly involved.

Having served the respective needs of the prime minister and the Chinese leadership, both sides put a positive spin on the visit and moved on to the APEC meeting in Shanghai. Koizumi and Jiang met again in Shanghai on Oct. 21 and discussed plans for activities to commemorate the 30<sup>th</sup> anniversary of the normalization of Japan-China relations in 2002. Both leaders also committed their governments to an early resolution of the outstanding economic issues.

Shortly after the Oct. 8 visit, Japanese Foreign Ministry sources revealed that the visit of Li Peng, which had been postponed earlier in the year because of the downturn in relations, was again under consideration for the spring of next year. Also under consideration was a visit by Deputy Prime Minister Wen Jia Bao.

### **Security – The War on Terrorism**

Koizumi’s meeting with China’s leadership yielded their “understanding” of Japan’s support for the United States in the war on terrorism as well as the caution that Japan proceed with great care in the overseas deployment of the SDF. Later in the autumn, during the Diet debate over the unfreezing of restrictions on Japan’s participation in UN peacekeeping operations, China’s Foreign Ministry commented that, from the perspective of history, Japanese actions in the military field raise sensitive issues and expressed the hope that Japan would act with prudence.

In a Nov. 11 interview posted on the *People’s Daily* website, Jin Xide, director of the Japan Office in the Chinese Academy of Social Sciences, addressed issues regarding Japan’s special anti-terrorist legislation, which, he observed, “signifies a major change in Japan’s postwar foreign security strategy.” While the “direct reason” for the legislation was to support the U.S., Jin explained that for a decade Japan “has tried to break out of the sacred zone that bans Japan’s dispatch of the SDF overseas.” During the 1990s Japan had adopted the UN Peacekeeping Operation Cooperation Law; revised the Self-Defense Forces Law to allow for the rescue of Japanese citizens overseas; revised the U.S.-Japan Defense Guidelines; and passed the Law for Emergencies in Areas Surrounding Japan.

The war on terrorism provided an “opportunity” for Japan to make another “major stride.”

Jin explained that the “direct” reason the legislation moved quickly through the Diet is attributable to the majority enjoyed by the three-party coalition and the lack of an effective opposition. Another reason at the level of public opinion was that the younger generation in Japan, which “is increasingly becoming the main stream, lacks knowledge about the damage caused by the War of Aggression...” That is why little effort was made “to oppose the dispatch of the SDF overseas.” He went on to say that even for the U.S., Japan’s response “has been a bit too enthusiastic” and predicted that its “rush” to deploy the SDF overseas will have “a great impact on regional stability” and cause Japan’s neighbors “to react.”

Jin did not touch on the relationship of the SDF deployment to Japan’s Constitution. A month later, China’s Foreign Ministry displayed no hesitation. During consultations in Beijing on Nov. 21, Chinese diplomats told their Japanese counterparts that the deployment of the SDF into the Indian Ocean, sanctioned by Japan’s special anti-terrorism law, failed to comport with the heretofore “defense of Japan only” formulation and thus violated Japan’s Constitution. Japan, in turn, regarded China’s excursion into Japan’s Constitution as interference in Japan’s domestic affairs.

On Dec. 17, the *Sankei Shimbun* broke the story of the November meeting. The next day, Vice Minister of Foreign Affairs Nogami Yoshiji commented at a press briefing: “We Japanese know best what is in our Constitution.” The dispatch of the SDF was “in support of international operations against terrorism”... recognized by the United Nations and “naturally” constitutional.

Lost in the contretemps was a statement on the SDF deployment made on Nov. 21 by China’s Vice Foreign Minister Wang Yi to Japan’s Deputy Foreign Minister Takano Toshiyuki to the effect that “if the United Nations plays the leading role and under this framework, the countries concerned, including Japan, extend cooperation based on their own circumstances, we will welcome it.” This statement, reported by the *Nihon Keizai Shimbun* on Dec. 14, seemed to reflect the consensus, reached during late November Japan-China consultations in Beijing, that terrorist groups have become “a major factor that affects global security.”

## **Trade Tensions**

In April, Tokyo, reacting to a surge in Chinese agricultural imports, imposed temporary safeguards on the Chinese leeks, shiitake mushrooms, and reeds used in the making of tatami mats. In June, Beijing retaliated by imposing 100 percent duties on the importation of Japanese automobiles, cell phones, and air conditioners. Attempts to resolve the dispute made little progress over the course of the summer and early autumn. Tokyo argued that China must first remove its retaliatory measures, while Beijing insisted that Japan take the first step and end its temporary safeguards. According to

government estimates, Japanese automobile companies stand to suffer approximately ¥420 billion in lost sales should the dispute continue through 2002.

The temporary safeguards were set to expire on Nov. 8 and would be followed by decision on extending formal, long-term restrictions, up to four years in duration. During the APEC ministerial meeting, Japan's Minister of Economy, Trade, and Industry (METI) Hiranuma Takeo met with his Chinese counterpart Shi Guangsheng in an attempt to move the dispute toward resolution. Anticipating Chinese retaliation and a further escalation in the trade dispute, Tokyo, at the end of October, resolved to intensify efforts to find a compromise and to postpone a decision on full-scale sanctions beyond Nov. 8.

With pressures building on Tokyo – a government survey released Oct. 31 showed a surge in the import of the three commodities and a resulting decline in domestic prices – working-level talks were held in Beijing on Nov. 1. Again, a resolution of the dispute proved illusive. Subsequently, Tokyo set Dec. 21 as a deadline for the negotiations.

In early December, following another round of working-level talks, it was decided to move the negotiations up to the political level, and on Dec. 11, METI Minister Hiranuma and Agriculture, Forestry, and Fisheries Minister Takebe Tsutomu met in Beijing with Shi. While their efforts failed to produce a settlement, both sides agreed to continue talking.

The denouement came Dec. 21 during talks between Hiranuma, Takebe, and Shi again in Beijing. While details of the arrangement were not disclosed, Japan agreed not to apply permanent sanctions on Chinese agricultural imports, while China agreed to lift its retaliatory measures on Japanese automobiles, air conditioners, and cell phones. At the same time, the two governments agreed to set up mediation boards, with government and industry representatives, to discuss and resolve trade disputes. The establishment of mediation structures followed a mid-December decision to begin regular economic consultations on bilateral trade issues in the coming year.

One sign of the Koizumi government's intent not to let the trade issues spiral out of control was METI's decision to postpone for six months a scheduled Oct. 15 decision on an appeal from Japan's towel industry for emergency safeguard protection. (See "Spiraling Downward," *Comparative Connections*, Vol. 3 No. 2.) The decision was eased by a fall in towel imports from China. August 2001 towel imports grew 2.1 percent over August 2000 imports; this was down from the July 2001 increase of 8.6 percent over July 2000. Overall towel imports from August 2000 to July 2001 grew at a rate of 10.1 percent; from August 2000 to August 2001, they increased at 8.5 percent.

### **Japanese Business – Moving to the Mainland**

Even as the agriculture dispute simmered, Japanese investment continued to move toward the mainland. Mitsui Chemical announced its intention to invest ¥30 billion in a plant near Shanghai. After making layoffs and reductions in hours of its domestic workforce, Toshiba announced its intention to build a new cell phone assembly facility in China.

Toshiba also recently opened a copy machine plant in Shenzhen, capable of producing 400,000 units per year – 75 percent of its global output.

NEC and Matsushita Electronics went public with joint venture plans to develop third-generation cell phones in China. Toshiba will also invest in a new plant in Nanjing to produce copies of second-generation computer design and manufacturing instruments. Feeling protected by China's entry into the World Trade Organization, Sony announced that it would build a computer plant near Shanghai. Taking similar comfort in China's WTO accession, Sumitomo Rubber revealed plans for a ¥10 billion tire plant in Jiangsu Province.

Meanwhile, Japan's automobile industry continued to expand operations in China. In December Isuzu revealed that it would cease building and selling SUVs in Japan by late 2003 and begin to import diesel pick-up trucks manufactured in China. This would mark the first instance of Japanese automakers reverse-exporting vehicles into the domestic market. Meanwhile Mazda moved to begin assembling passenger car kits with joint-venture partner Hainan Motor. Likewise, Honda is planning to begin joint-venture production, in the range of 20-30,000 vehicles per year, of its fuel-efficient Fit model. This could bring yearly Honda production in China close to 100,000 vehicles. Honda already is producing the Accord and Odyssey minivan on the mainland and, like Isuzu, may be considering exporting China-manufactured models to Japan.

The Oct. 23 *Nihon Keizai Shimbun* observed that “an enormous volume of goods manufactured in China are flooding into Japan, while workers and money are flowing from Japan into China. The massive movement of economic integration is giving rise to heightened friction and adverse effects.” In the midst of a global economic downturn, Japan now had “to deal with China that is becoming a giant too.” The surge in investment to the mainland, particularly in manufacturing industries, both raised concerns about a “hollowing out” of Japanese industry and contributed to a perception of China as an emerging economic threat. The *Asahi Shimbun* quoted one anonymous business representative as saying “the X-day for Japan is the day China starts exporting automobiles.”

## **ODA**

In June, the Ministry of Finance announced its intention to seek an overall 10 percent cut in Japan's Overseas Development Assistance (ODA). The Foreign Ministry translated this into a “considerable reduction” in its China program. In addition, the ministry made clear its intention to shift the program focus from large-scale infrastructure projects to the environment and education and training. Geographically, the programs would shift from the coastal regions to China's interior. Finally, the ministry announced that China programs would be put on a year-to-year funding basis as opposed to the traditional practice of extending assistance on a multi-year formula.

The prime minister personally broke the news to Jiang Zemin during the APEC Leaders' Meeting. Speaking to Japan's own economic problems and his efforts to revitalize the

economy, Koizumi asked for Jiang's understanding of the ODA cuts. At the same time, Koizumi argued that his government's efforts to revitalize the Japanese economy would in the future allow Japan to contribute to China's own development. In his remarks Jiang expressed confidence in the strengthening of bilateral relations across the board in the years ahead.

The reorientation of the China ODA program came amid growing disenchantment with the program itself – or at least Japanese perceptions of Chinese gratitude. An Oct. 25 *Nihon Keizai Shimbun* editorial “Japan Should Change its Thinking about ODA to China,” well captures the mood. The editorial bemoaned the lack of mutual understanding and trust in Japan's relations with China and argued that Japan's efforts to work with the Chinese Communist Party and the government alone have proven to be “absolutely insufficient to fill up this gulf.” In this regard, it observed that, while Japan has provided China with ¥3 trillion in ODA support over the past 20 years, Beijing has “never” told the Chinese people of Japan's largesse.

The editorial pointed out that with an annual growth averaging 9 percent and foreign direct investment surging, Beijing has averaged double-digit increases in defense spending for the past 13 years. Thus, it was “only natural that voices questioning why Japan, which has been having a hard time with unprecedented financial difficulties, should continue to provide ODA to China, which has become the ‘world manufacturer.’ ” To bridge the “gaps in consciousness” between the two people, the *Nihon Keizai* supported efforts to bring Chinese students to Japan and stepped-up public diplomacy campaign “to let the Chinese people know Japan's efforts.”

The day before the *Mainichi Shimbun* ran a similar editorial. Both papers endorsed the Foreign Ministry's reorientation of the China ODA program.

### **Chronology of Japan-China Relations October - December 2001**

**Oct. 1, 2001:** Japanese Prime Minister Koizumi Junichiro announces he is prepared to travel to Beijing in advance of the APEC Leaders' Meeting.

**Oct. 8, 2001:** Prime Minister Koizumi visits Beijing and meets with PRC President Jiang Zemin and Premier Zhu Rongji to discuss Yasukuni visit, bilateral relations, and Japan's response to the war on terrorism.

**Oct. 21, 2001:** Koizumi meets with Jiang at APEC Leaders' Meeting in Shanghai. Trade ministers also discuss bilateral trade dispute.

**Oct. 25, 2001:** A *Nihon Keizai Shimbun* editorial titled “Japan Should Change its Thinking about ODA to China,” bemoans the lack of mutual understanding and trust in Japan's relations with China and argues Japan's efforts to work with the Chinese Communist Party and the government alone have proven to be “absolutely insufficient to fill up this gulf.”

**Nov. 1, 2001:** Working-level trade talks in Beijing fail to resolve trade dispute.

**Nov. 5, 2001:** Koizumi meets with Jiang and ROK President Kim Dae-jung at ASEAN Plus Three in Brunei.

**Nov. 11, 2001:** Jin Xide, director of the Japan Office in the Chinese Academy of Social Sciences, addressed issues regarding Japan's special anti-terrorism legislation, which, he observed, "signifies a major change in Japan's postwar foreign security strategy."

**Nov. 21, 2001:** Diplomatic consultations in Beijing on bilateral issues and Japan's response to the war on terrorism.

**Nov. 22, 2001:** Japan Defense Agency Director General Nakatani Gen and Chinese Ambassador Wu Dawei agree to exchange warship visits.

**Dec. 11, 2001:** Trade ministers meet in Beijing but fail to resolve issues.

**Dec. 19, 2001:** Trade talks resume in Tokyo at vice minister level.

**Dec. 21, 2001:** Trade ministers meet in Beijing and reach agreement on resolution of trade dispute.



## Japan-Korea Relations: On Track and Off Course (Again)

by Victor D. Cha  
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The big news for the past quarter was the improvements in Seoul-Tokyo ties after months of controversy over history-related issues. While Japan-ROK relations appear to be back on track, Tokyo-Pyongyang relations veered badly off course following failed attempts to jump-start normalization talks; financial scandals involving the pro-DPRK *Chosen Soren* organization in Japan; and an altercation at sea. U.S.-Japan-ROK trilateral coordination proceeded apace with American prosecution of the war against terrorism in Southwest Asia as one of the major topics of discussion.

### **Koizumi's Diplomatic Offensive**

Last quarter saw Tokyo working feverishly to mend relations with Seoul after the bad patch experienced over the past six months (see "Questions, Questions, and More Questions..." *Comparative Connections*, Vol. 3, No. 2 and "Quicksand," *Comparative Connections*, Vol. 3, No. 3). At the summit meeting with ROK President Kim Dae-jung in Seoul (Oct. 15), Japanese Prime Minister Koizumi Junichiro's effusive statements of "heartfelt remorse" about South Korean suffering under Japanese colonial rule and commitments to study alternatives to commemorating Japan's war dead helped grease the wheels of reconciliation. At the APEC meetings in Shanghai five days later, the two leaders issued a seven-point accord, which included joint efforts on history and on-going fishing disputes.

While South Korean public sentiment and the political opposition still remained far from placated (Koizumi indeed canceled a scheduled address to the ROK National Assembly amid public demonstrations during the October visit), the net assessment of the trip on relations was arguably still positive. The standard for assessing "normalized" relations is the extent to which the two governments sought to resume regular interaction (disrupted after the history rows) and reinvigorate the spirit of the Kim-Obuchi summit in 1998. In this regard, there was measurable progress.

Regarding the Yasukuni Shrine controversy, Japan's pledge to study alternatives to Yasukuni, though replicating past pledges, was accepted by South Korean officials in a positive manner because, unlike the past, the study would be conducted in the Prime

Minister's Office, which might prove more promising. Even the fisheries row (i.e., Japanese protests over ROK fishing near the Kuril Islands based on quotas the ROK purchased from Russia) was resolved temporarily (Japan purchased the Russian quotas) lending momentum to the more positive atmosphere this quarter. Most significant, in the aftermath of APEC and Seoul summit meetings, ROK and Japanese officials announced the resumption of suspended military exchanges and the reinstatement of market-opening measures for Japanese cultural products.

In their New Years' statements, both Kim and Koizumi also pledged full cooperation in preparing for the World Cup. Sports fans might argue that this last issue was the driver of Koizumi's diplomatic offensive over the past quarter. However, more important than this was general concern throughout foreign policy circles that the two sides could not afford another quarter of such badly deteriorated relations. Consolidating ties with friends in the neighborhood was also deemed critical as Japan was in the process of venturing into new, uncharted waters (figuratively and literally) in the war against terrorism. In this regard, Japan and the ROK supported each other's contribution to the U.S.-led effort in Southwest Asia, and in particular, Seoul acquiesced to Marine Self-Defense Forces dispatch of logistic support to the Indian Ocean.

Thus, over the range of issues that plagued relations in the past quarter, the two governments appeared to be on firmer ground. Seoul and Tokyo even found themselves capable of handling a mini-crisis involving the misfiring of an ROK ballistic missile (Nov. 15) that landed in the Sea of Japan 300 kilometers west of Kyushu. Aside from initial Japanese concerns about the origin of the missile (i.e., DPRK) and Seoul's failure to notify Tokyo in advance, the incident was handled in professional and non-inflammatory manner (and the ROK tested successfully a second missile a week later). Counterfactuals provide one way to determine how significant the quarter's improvement of relations has been – imagine the same event taking place last summer! The two countries would most likely have reacted in a very different (i.e., inflammatory) fashion. In the end, as insiders note, perhaps the best indicator of a return to “normalized” relations was the mood at the APEC Shanghai meetings in October where both Prime Minister Koizumi and President Kim were visibly more relaxed and comfortable with each other.

### **TCOG and Sept. 11**

The Trilateral Coordination and Oversight Group (TCOG) meetings in San Francisco (Nov. 26-27) produced the usual statements on engagement with North Korea and concerns about the North's nuclear weapons program. While the formal agenda at these meetings covered inter-Korean relations and DPRK humanitarian aid, the most pressing issue was the war against terrorism. In this vein, U.S., Japanese, and ROK officials released joint statements welcoming the North's expressed intention to sign two UN anti-terrorism conventions while urging Pyongyang to take further tangible steps in the U.S.-led campaign against terrorism.

Though not part of the official agenda, one of the issues at the meeting was South Korean and Japanese feeling out of the Americans on the likelihood of the DPRK as a potential target of the war against terrorism. Earlier remarks by top U.S. officials (President George Bush, Defense Secretary Donald Rumsfeld, and Under Secretary for Arms Control and International Security John Bolton) warning against the use of weapons of mass destruction capabilities of rogue states to “terrorize” others intimated to some in Asia a link between the war in Afghanistan and potential new targets in North Korea. Assistant Secretary for East Asian and Pacific Affairs James Kelly explained that such statements by the president merely confirmed an existing U.S. position and did not signify a new one. The larger point to draw from these proceedings is that TCOG, once again, proved its usefulness as an institution for dialogue and policy coordination. In this instance, it helped to clear the air on some ambiguous high-level statements and prevent – what former U.S. Ambassador to South Korea Donald Gregg appropriately termed – the potential for “collateral damage” of Sept. 11 on the Korean Peninsula.

### **Japan-DPRK Relations Gone Badly Awry**

If the quarter saw Seoul-Tokyo relations getting back on track, it also saw Tokyo-Pyongyang relations go badly off course. This was not for lack of effort on the Japanese side. Attempts at the working-level in Beijing to restart the normalization dialogue failed miserably. From there, it was all downhill as relations encountered a sequence of crises. The first was a financial scandal involving the pro-DPRK General Association of Korean Residents in Japan (*Chongryon* or *Chosen Soren*). Police investigations found that the May 1999 collapse of the Chogin Tokyo Credit Union was in part tied to some ¥12.6 billion in shady loans extended to a senior member of *Chongryon* Kang Yong-gwan (former chief financial officer for the association). This revelation raised speculation that the credit union had been funneling money to the North Korean association on a regular basis as the association’s other forms of income had dried up. The upshot was a police raid for the first time of *Chongryon* headquarters, which was strongly condemned by the DPRK.

Following these events, the DPRK unceremoniously dropped its investigation into the alleged kidnappings of Japanese citizens by North Koreans. The DPRK Red Cross’ rationale for their decision was that “Japan is playing up the non-existent ‘kidnap’ issue because it wants to label the DPRK a terrorist state, while also trying to militarize their own nation.”

The DPRK’s actions were clearly a tit-for-tat retaliation against Japanese actions against *Chongryon*. The association serves as the *de facto* embassy for North Korea given the absence of diplomatic relations between Tokyo and Pyongyang, and the raid was almost certainly interpreted as an affront to their sovereignty. Fully aware of the significance of the abduction issue for Japan (i.e., in terms of the domestic politics of moving forward the normalization process), North Korean officials probably sought to fight fire with fire.

Prime Minister Koizumi responded to DPRK actions in unusually strong terms, openly condemning the DPRK's decision as "deplorable" and "lacking sincerity." Foreign Ministry officials later stated that given the circumstances, Japan could not come forth with its food aid commitments for the North through the World Food Program appeal (by contrast, the United States and South Korea will commit some 100,000 tons each). Needless to say, normalization dialogue remains on hold indefinitely at the end of the quarter.

Just when it looked as though Tokyo-Pyongyang relations had hit rock bottom, the quarter ended with a sea altercation involving a Japanese Coast Guard vessel and a suspected North Korean ship that had been operating in and near Japan's 200-nautical mile exclusive economic zone. According to newspaper reports, a six-hour chase culminated in an exchange of fire and the coast guard vessel sinking the intruding ship. An estimated 15 crewmen drowned (two Japanese Coast Guard sailors suffered injuries). Pyongyang denied the ship was North Korean and accused the Japanese of "brutal piracy" acts. Japanese newspaper reports claimed that the vessel might have been part of a DPRK espionage operation or drug smuggling involving several ships.

Could things get any worse? One doubts it. An optimist might argue that when relations between states become so nonexistent, mishaps such as these sometimes provide opportunities to open pragmatic discussions (e.g., on identification of friend/foe procedures in this instance) that could have positive externalities in other areas. And pigs can fly.

## **Outlook**

The year 2002 should hopefully see continued reconciliation on the Seoul-Tokyo front. It could be a big quarter for relations if discussions about another summit between Koizumi and Kim, resuming senior-level bilateral security talks, and implementing some trilateral maritime coordination all pan out. On the Japan-DPRK front? Just pray it does not get any worse.

## **Chronology of Japan-Korea Relations October – December 2001\***

**Oct. 6, 2001:** South Korean lawmakers demand Japanese PM Koizumi apologize for historical distortions in Japan's textbooks and his visit to the Yasukuni Shrine when he visits Seoul.

**Oct. 11, 2001:** Secret fisheries talks between South Korea and Japan held in Tokyo fail.

**Oct. 13, 2001:** Japan considering extending rice aid to North Korea next year, hoping to move ahead in stalled normalization talks.

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\* Compiled with research assistance from Ichino Mayumi.

**Oct. 15, 2001:** President Kim Dae-jung and PM Koizumi meet at the Cheong Wa Dae; Koizumi offers his “heartfelt apology” for South Korean suffering under Japan’s colonial rule.

**Oct. 16, 2001:** PM Koizumi cancels a proposed trip to the South Korean National Assembly due to threats by the parliamentary opposition to stage a demonstration.

**Oct. 20, 2001:** President Kim and PM Koizumi reach a seven-point accord aimed at resolving disputes between the two nations in Shanghai, including the creation of a joint history research forum and talks to resolve a fishing row. Koizumi promises to seek new ways to pay homage to Japan’s war dead.

**Oct. 23, 2001:** ROK government lifts countermeasures taken against Japanese history textbook and the Yasukuni Shrine visit.

**Oct. 25, 2001:** Delegates from South Korea and Japan meet in Tokyo in an effort to resolve their fishing disputes.

**Oct. 29, 2001:** A senior South Korean official states that the passage of Japan’s anti-terrorism bill should not be allowed to harm peace and stability in Asia.

**Nov. 4, 2001:** North Korea’s official newspaper, *Rodong Shinmun*, criticizes Japan for enacting a law to allow the Self-Defense Forces to provide logistical support to the U.S.-led military operation against terrorism.

**Nov. 5, 2001:** President Kim, Chinese Premier Zhu, and PM Koizumi agree to establish a trilateral forum of economic, foreign, and finance ministers at the ASEAN Plus Three summit in Brunei.

**Nov. 7, 2001:** *Mainichi Shimbun* reports that the Japanese government decided to delay its humanitarian rice aid shipment to the DPRK.

**Nov. 13, 2001:** Japanese government sources state that Japan and South Korea are expected to conclude an extradition treaty by early next year in an effort to enhance judicial and investigative cooperation ahead of the 2002 World Cup soccer finals.

**Nov. 15, 2001:** ROK ballistic missile test misfires, landing without incident about 300 km west of Kyushu.

**Nov. 22, 2001:** South Korea launches a 100 km short-range missile in the Yellow Sea for research purposes.

**Nov. 22, 2001:** South Korea and Japan hold annual working-level defense policy talks in Tokyo.

**Nov. 23, 2001:** *Japan Times* and *Joongang Ilbo* report that Japanese and North Korean officials met at the working-level in early November to explore ways to resume stalled normalization talks.

**Nov. 26-27, 2001:** TCOG meeting in San Francisco.

**Nov. 27, 2001:** Japanese Ambassador to the U.S. Kato Ryozi states that the international community should increase pressure on Iraq and North Korea to accept UN inspections of their alleged programs to develop weapons of mass destruction.

**Nov. 30, 2001:** Japanese police search the headquarters of *Chongryon*, a pro-DPRK association, which has been suspected of embezzlement. The action followed the arrest of a *Chongryon* executive who is said to have ordered the Chogin Tokyo credit union to embezzle ¥830 million of the union's funds.

**Dec. 10, 2001:** A group of Japanese and ROK citizens file a lawsuit over PM Koizumi's Yasukuni visit saying that it violated the Japanese Constitution.

**Dec. 14, 2001:** Japanese and South Korean industry ministers agree in Tokyo to enhance ties in the exploitation of crude oil and natural gas resources.

**Dec. 17, 2001:** Japanese police arrest four former executives of a credit union for illegally lending about ¥340 million to a pro-Pyongyang credit union, despite knowing that the loans would go sour.

**Dec. 17, 2001:** Japan eases visa regulations for South Koreans ahead of 2002 World Cup.

**Dec. 17, 2001:** North Korean Red Cross drops probe into "kidnapped" Japanese, citing Japan's unnecessary playing-up of the issue and defamation of the DPRK.

**Dec. 20, 2001:** Japanese officials state that resumption of normalization talks with North Korea will be delayed because of Pyongyang's decision to suspend the search for missing Japanese.

**Dec. 22, 2001:** Japanese Coast Guard vessel exchanges fire and sinks a suspected DPRK vessel near Japanese territorial waters.

**Dec. 26, 2001:** North Korea's official news agency branded the incident in which an unidentified ship sank on Dec. 22 an act of Japanese "brutal piracy" and "unpardonable terrorism;" denies a link to the ship sunk on Dec. 22.

**Dec. 27, 2001:** Chief Cabinet Secretary Fukuda Yasuo attacks North Korea's response as "regrettable" and "vulgar" given mounting evidence linking the ship to North Korea.

**Dec. 29, 2001:** Japanese officials state that construction work on two light-water reactors in North Korea will be delayed for around six years and will be completed in 2009 at the earliest.

**Dec. 30, 2001:** Bank of Korea states that South Korea's trade deficit with Japan is expected to surpass \$10 billion for 2001, despite the drop in imports.

**Dec. 30, 2001:** *Nihon Keizai Shimbun* reports that the unidentified ship that sank in the East China Sea on Dec. 22 sent messages to an unidentified destination that it would "self-destruct to complete a mission."

China-Russia Relations:

## Moscow and Beijing Adapt to a Different Pax Americana

by Yu Bin

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From the war in Afghanistan to the anthrax scares to the Asia Pacific Economic Cooperation (APEC) show to the Anti-Ballistic Missile Treaty (ABM) demise, Russia and China – together with the rest of the world – were barely able to keep up with the thrust and momentum of U.S. foreign policy in the last quarter of 2001. Despite their support for Washington, perhaps more than at any time in the past decade, both were taken back by the persistence of Washington’s “unilateralism.”

In their bilateral relations, Moscow and Beijing actively coordinated their policies for the U.S.-led anti-terrorism war. Toward the quarter’s end, however, they started to diverge over the ABM issue.

### **Business as Usual Despite Unusual Business**

One major foreign policy issue for Moscow and Beijing was how the historical friendship treaty, signed just a few months before and designed to be “long-term,” would be able to absorb the impact and immediate needs created by the Sept. 11 attacks on the U.S.

Judging from appearances, bilateral interactions continued across all governmental levels, in various areas, and on both multilateral and bilateral occasions. This included a Vladimir Putin-Jiang Zemin mini-summit on the sidelines of the October APEC Leaders’ Meeting in Shanghai (their third meeting in 2001); foreign ministers’ and their deputies’ meetings in the two capitals; SCO (Shanghai Cooperative Organization) law enforcement and border monitoring officials meetings; the first anti-terrorist working group session at the deputy foreign minister level; parliamentary reciprocals; General Staff meetings at both the chief and the deputy levels in Beijing and Moscow; over-fulfillment of force reduction goals along the Sino-Russian border; and growing exchanges in the areas of culture and economics.

Russia and China also carefully coordinated their anti-terrorist moves. Despite the difference in the degree of their respective cooperation with the U.S., both insisted that terrorism be curbed “in all its manifestations, wherever acts of terrorism may be staged”; that the “struggle against terrorism should be comprehensive and long-term, and all countries should cooperate in this sphere on the basis of the UN Charter and other norms of international law to apply a wide spectrum of anti-terrorist measures”; that it was



unacceptable to identify terrorism with a specific religion, ethnic group, or culture, or to apply double standards in combating this evil; and that a swift end to the military strikes and the installation of a broad-based coalition regime in Afghanistan was needed.

For this, Russian President Vladimir Putin described “a very high level of mutual trust that has been established between the two countries,” while Chinese Vice President Hu Jintao assessed that “Sino-Russian political mutual trust is developing to a deeper level.” There were reasons for such an upbeat assessment of bilateral relations for the eventful last quarter of 2001. The historical friendship treaty, which was signed in July, was separately ratified by China’s NPC (National People’s Congress) and Russia’s Duma. Even the unusually slow-moving trade relations showed some signs of life. For the year 2000, bilateral trade was estimated to be close to \$10 billion, the highest in history.

When Hu – who is widely believed to be President Jiang Zemin’s successor in the next few years – emerged from his prolonged political internship with his diplomatic debut in Europe (Britain, France, Spain, and Germany), his first stop was Moscow. Hu’s “working visit” at the invitation of Putin, however, seemed to have more substance as Hu went directly to meet the Russian president, Prime Minister Mikhail Kasyanov, and Deputy Prime Minister Ilya Klebanov, who is in charge of military sales and cooperation with China. For much of the West, Hu remains a shadowy “crown prince.” Putin, however, was cultivating a relationship with the post-Jiang political elites in China.

To be sure, most of these interactions would take place with or without the impact of Sept. 11. The attack on the U.S., however, was perhaps the real theme for the seemingly business-as-usual bilateral interactions between Russia and China. Such unusual circumstances certainly tested the limits of their 20-year friendship treaty.

### **A Different World?**

The world was different after Sept. 11. That day marked the end of the general post-Cold War tranquility. For the sole superpower, it meant devastation, lingering horror, and a deep sense of vulnerability. Meanwhile, the attack on the U.S. also, for the first time since the early 1970s, broadened and deepened a general economic slowdown around the world. A less noticed, but perhaps potentially more significant, twist of world political history was that both Germany and Japan, which devastated Russia and China during the first half of the past century, were able to shake off their post-World War II constraints by sending their militaries to faraway places. Finally, the U.S. decided to withdraw from a major international treaty (the ABM) for the first time since the end of World War II.

In the Asia Pacific, the first gathering of heads of state after Sept. 11 made political-security issues prevail over economics in the APEC Leaders’ Meeting in Shanghai for the first time since APEC was created in 1989.

In Central Asia, the massive and mighty return of the U.S. to the region generated strong pressure for regional alignment. Until Sept. 11, Russia and China dominated the budding Shanghai Cooperative Organization (SCO), the only regional security organization in the

world without direct U.S. participation. Now, the region has become a hunting ground for U.S. special forces and a target range for the U.S. Air Force's precision-guided munitions. The SCO still exists, but it functions under the long shadow of the ubiquitous U.S. presence in the region.

The post-9-11 world changed so much, and yet, so little. Despite the strong and lasting impact of the terrorist attack on the U.S., real transformations in the international system were minimal. Despite the psychological shock created by the terrorist attacks, the U.S. remained the world's strongest power and perhaps emerged even stronger. Moreover, 9-11 provides both the justification and willingness for Washington to exercise that power, with or without support from its allies or the international community.

For both Russia and China, support for the U.S. war against terrorism, though for their own respective national interests, has yet to produce a compatible reciprocity from the U.S. in regard to their own terrorist problems (Chechnya and Xinjiang respectively). Neither did Russia's unhesitating support for the U.S. war against terrorism have any impact on the U.S. determination and eventual steps to withdraw from the ABM Treaty.

### **Unequal Opportunities and Asymmetrical Returns**

Beijing's current difficulty with Washington is largely the continuation of the strategic dilemma that existed before Sept. 11. For China, the lone superpower is seen as embodying "China's greatest hopes and its greatest nightmares."

Specifically, two opposing trends in U.S.-China relations persisted after 9-11. Until Sept. 11, China, not international terrorism, was the main concern for the Bush administration. From the EP-3 incident to a \$4 billion arms sale to Taiwan to Bush's "accidental" remarks to defend Taiwan with "whatever" means possible, U.S.-China relations dropped to a dangerously low point.

Historically, 9-11 provided Putin with an extraordinary chance to promote Russia's revival in American eyes, similar to the one handed Deng Xiaoping some 20 years ago following the Soviet invasion of Afghanistan. The historical rise of China, therefore, ironically coincided with the beginning of the 22-year Afghan war.

The Russian policy elites were well aware that Russia's low-key and symbolic criticism (by President Putin) of the U.S. effort to drop the ABM Treaty would leave China, not the so-called "rogue states," highly vulnerable, particularly in the event of any flare-up in the Taiwan Strait. The unusual opportunity to normalize relations with Washington, however, was too strong a temptation to resist.

For these purposes, Moscow concluded that relations with Beijing would have to be stretched, but not strained. The goal was to maximize relations with the U.S. while minimizing the impact on relations with China. This was part of the reasoning behind the busy schedule of bilateral exchanges between Moscow and Beijing during the fourth

quarter. It may also be part of the reason why Putin arranged a “working visit” to Moscow by Hu Jintao before Hu’s official European tour in late October.

### **Beyond the ABM**

China understood Russia’s motivations and limited options as a result of Russia’s declining capability and bargaining power with the world’s sole superpower. Nonetheless Beijing did not enjoy the result. As in a soccer game with a scoreless tie in regulation, Putin’s moderate criticism of the U.S. withdrawal from the ABM Treaty was seen as a weak last chance “penalty kick.” There was clearly a sense of disappointment, if not despair, in China’s assessment of Russia’s last “inaction” over the treaty. Nevertheless, some Chinese analysts pointed out that Putin exercised great restraint in dealing with the Bush administration and that Russia’s final decision was more based on its own interests and did not aim at any third party.

The asymmetrical results for Russia and China in their relations with the United States were not left unattended. Immediately after the U.S. decision to withdraw from the ABM Treaty, Putin called Jiang and vowed to take “joint actions to prevent a major deterioration of international affairs.” Four days later, the fourth round of Russian-Chinese consultations on strategic stability convened in Moscow where a “far-reaching and intensive exchange of opinions” occurred between Deputy Foreign Minister Georgii Mamedov and his Chinese counterpart Wang Guangya. The two sides reportedly concluded that “the national missile defense system can hardly be effective in fighting terrorist acts and anthrax”; that “Washington’s true aims are not those being declared”; and that the U.S. goal in pulling out of the ABM Treaty was to neutralize the nuclear deterrence potential Russia and China possess. Countermeasures to the U.S. decision on the ABM Treaty, however, remained unspecified except to agree that their “joint positions should be firm, principled, but not hysterical.”

### **Coming Clashes of What Kind?**

Not everything was unpleasant in 2001. Compared with the beginning of 2001, Russia and China actually moved closer, perhaps more than any other time in the past 100 years, to join the West-dominated world. China finally entered the World Trade Organization (WTO) while slowly liberalizing its vast society. Russia, too, had successfully leaped over the last strategic and political hurdles to become part of the world trading system, in spite of its domestic economic difficulties.

The world they tried to join, however, was perhaps less hospitable and conducive to their rise and recovery.

At the international systemic level the Cold War remnants were indeed gone, as was a more balanced distribution of power that contributed to the “long peace” of the second half of the past century. Meanwhile, Moscow and Beijing continued to be puzzled by Washington’s active dismantling of, or departure from, a series of international treaties and commitments, many of which were created by the U.S. itself. The surprisingly quick

end of the Taliban regime seems only to have reinforced that proclivity of the world's sole superpower.

As the quarter and the year drew to a close, the war in Afghanistan gave way to the beginning of a much larger disturbance in the region as India and Pakistan postured and prepared for a new round of conflict. A nuclear exchange must be prevented – there won't be a one-sided strike like the Hiroshima bombing. For better or worse, Russia and China have been behind each of the world's newest nuclear powers in South Asia.

The India-Pakistan duel is likely to fit itself into a new round of growing clashes, not necessarily between civilizations, but more precisely between various fundamentalist-revivalist-hard line-firstist forces within each of the major religions/civilizations.

For both Russia and China, both of which have moved significantly toward the center of the world's ideological spectrum by departing from their respective leftist-communist orthodox, the Cold War was indeed over as the world entered 2002.

### **Chronology of China-Russia Relations October - December 2001**

**Oct. 1, 2001:** Russian President Vladimir Putin congratulates Chinese President Jiang Zemin on the 52<sup>nd</sup> anniversary of the founding of the People's Republic of China.

**Oct. 7, 2001:** Zhang Wannian, vice chairman of China's Central Military Commission, meets in Beijing with Andrei Nikolayev, chairman of the Defense Committee of the State Duma of Russia.

**Oct. 7, 2001:** Russian Foreign Minister Igor Ivanov calls his Chinese counterpart Tang Jiaxuan shortly after the U.S. anti-terrorism war in Afghanistan began.

**Oct. 11, 2001:** Governmental officials of the law-enforcement agencies and special services of the Shanghai Cooperation Organization's (SCO) member-states hold an emergency meeting in Bishkek, discuss security in Central Asia, and analyze the military-political situation and anti-terrorism operations in Afghanistan; Uzbekistan is not represented.

**Oct. 12, 2001:** Russian Deputy Foreign Minister Aleksandr Losyukov holds talks in Beijing with Chinese counterparts over the issue of terrorism and the future of Afghanistan.

**Oct. 17-21, 2001:** FMs Ivanov and Tang meet in Shanghai in preparation for the APEC Leaders' Meeting, agree on the need for a broad coalition government in Afghanistan that would coexist with its neighbors, and discuss mutual suspicion of U.S. missile defense plans.

**Oct. 18-21, 2001:** Presidents Putin and Jiang attend the Ninth APEC Leaders' Meeting in Shanghai, hold talks on Oct. 20.

**Oct. 18-31, 2001:** A delegation of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) headed by Vice Chairman Sun Fuling arrives in Moscow on the first leg of a two-week visit to Russia, Moldova, and Romania.

**Oct. 19-21, 2001:** Gen. Anatoliy Kvashnin, chief of the General Staff of Russian armed forces and deputy defense minister, joins the Russian team for the APEC Leaders' Meeting. In Shanghai, Kvashnin held talks with Gen. Fu Quanyou, chief of the PLA General Staff.

**Oct. 23, 2001:** Kvashnin holds talks with Fu, National Defense Minister Chi Haotian, Vice President Hu Jintao, and Zhang Wannian.

**Oct. 25, 2001:** A Chinese delegation, headed by Huang Yicheng, chairman of the Chinese side of the Sino-Russian Committee for Friendship, Peace, and Development, arrives in Moscow for the fourth plenary session of the committee.

**Oct. 27-28, 2001:** Vice President Hu pays a two-day working visit to Russia where he meets with Putin, Prime Minister Mikhail Kasyanov, and Vice Premier Ilya Klebanov.

**Oct. 28, 2001:** The Standing Committee of the Ninth National People's Congress (NPC) ratifies the Sino-Russian Treaty of Good-neighborliness, Friendship, and Cooperation signed by Presidents Jiang and Putin in July 2001.

**Nov. 4-7, 2001:** A group of four Taiwan lawmakers visit Moscow to meet with students and businessmen from Taiwan; they also meet with Russian counterparts and visit think tanks in Moscow.

**Nov. 10, 2001:** The monitoring group of representatives from China, Russia, and three other Central Asian states bordering China (Kazakhstan, Kyrgyzstan, and Tajikistan) holds its fifth meeting in Beijing. The group verifies compliance with the arms reduction agreements signed in 1996-97 for confidence building and arms reductions along the border region.

**Nov. 19, 2001:** Putin briefs Jiang over the phone about the Russia-U.S. summit held during Putin's official visit to the U.S. Jiang praised the proposed deep cuts in nuclear weapons.

**Nov. 23-27, 2001:** Gen. Xiong Guangkai, deputy chief of the PLA General Staff, visits Moscow for the fifth round of strategic consultations of the Chinese and Russian General Staff Departments. He held talks with Russian counterpart Gen. Yuri Baluyevsky, first deputy chief of staff of the Russian armed forces.

**Nov. 28-29, 2001:** The first session of the Russian-Chinese anti-terrorism working group is held in Beijing jointly chaired by Deputy Foreign Ministers Anatoly Safonov and Li Zhaoxing. President Jiang and President Putin agreed to set up the working group during the October APEC meeting.

**Nov. 27-Dec. 2, 2001:** A Chinese public security delegation led by Public Security Minister Jia Chunwang visits Russia at the invitation of Russian Minister of Internal Affairs Gryzlov. This was the first official visit to Russia by a Chinese public security minister. On Nov. 28, Jia and Gryzlov sign a cooperation agreement between the PRC Ministry of Public Security and the Russian Federation's Ministry of Internal Affairs for jointly fighting terrorism, drug smuggling, illegal immigration, and other cross-border crimes, as well as on protecting the two countries' security and social stability on the border areas.

**Dec. 9-13, 2001:** A Russian State Duma delegation led by Gennady Seleznyov makes an official goodwill visit to China at the invitation of Li Peng, chairman of the NPC Standing Committee. The group was also received by Jiang and Premier Zhu Rongji separately on Dec. 11.

**Dec. 14, 2001:** Putin and Jiang discuss via telephone the U.S. decision to withdraw from the 1972 ABM Treaty, call for closer cooperation between their countries to prevent international instability and for continuing to pursue a consistent line to build a reliable system of strategic stability.

**Dec. 17, 2001:** Russian and Chinese Deputy Foreign Ministers Georgii Mamedov and Wang Guangya hold fourth consultations on strategic stability in Moscow.

**Dec. 17, 2001:** Chinese Embassy in Moscow holds a one-day exhibition to expose Falun Gong's activities for 300 Russian and Chinese attendees.

**Dec. 26, 2001:** Russian Duma ratifies the Russo-Chinese Treaty of Good-neighborliness, Friendship, and Cooperation signed by Jiang and Putin in July 2001.

**Dec. 26, 2001:** Russian Gazprom opens a permanent office in Beijing, becoming Russia's largest trade and economic establishment in the Chinese capital.

## U.S.-India Relations: Visible to the Naked Eye

by Satu P. Limaye\*  
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India detonated five nuclear devices in May 1998. U.S.-India relations from that time through the end of 2000 were dominated by a nuclear dispute. Despite the upbeat mood following President Bill Clinton's March 2000 visit to India, U.S. sanctions in response to India's tests constrained defense and economic cooperation. With the inauguration of the Bush administration in January 2001, prospects for improved relations were promising. The Bush administration took office with misgivings about sanctions, a desire to enhance or develop security-oriented relations with "friends and allies," concerns about China, and deep skepticism regarding elements of the nuclear nonproliferation regime such as the Comprehensive Test Ban Treaty (CTBT). If these predilections were translated into policy, the U.S. and India could likely move beyond existing constraints to good relations and forge enhanced ties (see "Stuck in a Nuclear Narrative," *Comparative Connections*, Vol. 3, No. 1).

In 2001, progress in U.S.-India relations, at a pace and of a character "visible to the naked eye," did occur. The two countries fashioned a less dominant, less contentious nuclear dialogue. The saga of sanctions came to an unexpectedly sudden, if incomplete, end. The U.S. and India revived defense cooperation. However, the Sept. 11 terrorist attacks on the U.S., the renewal of U.S.-Pakistani ties in their wake, and subsequent India-Pakistan tensions clouded the horizon of U.S.-India relations.

### **A Nuclear Dialogue with Bush Administration Characteristics**

The nuclear disagreements that dominated U.S.-India relations for years took a dramatic turn away from U.S. censure and demands for nonproliferation "milestones" India must meet (e.g., signing the CTBT) to discussion of President George Bush's proposed "new strategic framework," including missile defense (MD). India's response to President Bush's May 1 speech on missile defense was extraordinary in its swiftness and seeming receptiveness. However, in the astonishment abroad (and controversy within India) that attended Delhi's response, the ambiguities of India's actual position toward key elements

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\* The views expressed in this article are those of the author and do not reflect the official policy or position of the Asia-Pacific Center for Security Studies, U.S.CINCPAC, the U.S. Department of Defense, or the U.S. Government.

of President Bush's plan, including abrogation of the 1972 Anti-Ballistic Missile Treaty (ABM) and deployment of MD, were glossed over. In fact, India opposed U.S. unilateral abrogation and did not explicitly comment on MD deployment. Still, Washington received Delhi's comment that it "believes that there is a strategic and technological inevitability in stepping away from a world that is held hostage by the doctrine of mutually assured destruction (MAD) to a cooperative, defensive transition that is underpinned by further cuts and a de-alert of nuclear forces" with enthusiasm. The Bush administration dispatched Deputy Secretary of State Richard Armitage to New Delhi for further consultations, making India one of a select handful of "friends and allies" with which the administration discussed its intentions. Late in the year, when the Bush administration formally announced its decision to abrogate the ABM, there was nary a whisper from New Delhi despite its earlier, explicit objection to such a move.

How much the character of the nuclear dialogue had changed is also evident from U.S. Ambassador Robert Blackwill's first major address on U.S.-India relations in September. Embedding nuclear weapons issues in the middle of his speech (the sixth of 12 subheadings), the only thing he had to say about U.S. views of India's nuclear weapons was that the U.S. "has an equal interest in the shape and substance of India's nuclear policy. This mutual preoccupation by our two countries seems entirely natural since each capital wants to be sure that the other takes no steps in the nuclear arena that could destabilize strategic and regional instability." The statement implied no question of India possessing nuclear weapons and acceded India's right to have an "equal interest" in U.S. nuclear weapons policies. The remainder of Ambassador Blackwill's comments on nuclear weapons focused on U.S.-India points of agreement regarding President Bush's "new strategic framework" proposal.

Adm. Dennis Blair, commander-in-chief of U.S. Pacific Command, couched the U.S. move away from censure of and demands on India, as well as a *de facto* acceptance of India's nuclear weapons status, in more "operational" terms. Saying that the U.S. has "some pretty strong views on the steps that India can take *now that India has developed nuclear weapons* [emphasis added] in terms of nonproliferation and safety of weapons and nuclear doctrine and so on," Adm. Blair suggested that the "U.S. can work with India to keep those terrible weapons in as safe a condition as they can." Blair also emphasized a cooperative approach to achieving U.S. goals: "I think the goals have remained the same for a high nuclear threshold and no counter proliferation, and responsible attitudes toward the weapons themselves ... But I think you'll see those goals reached by more cooperation with India rather than less."

### **The Sanctions Saga Ends, Sort Of**

Sanctions imposed on India after the tests were the subject of considerable to and fro during the year. India's public posture, reiterated by External Affairs Minister (EAM) Jaswant Singh during his late April visit to the U.S., was that sanctions are "counter-productive both economically and otherwise," but it was up to Washington to decide when to dismantle them. The Bush team, meanwhile, gave recurring assurances that, as Assistant Secretary of State for South Asia-designate Ms. Christina Rocca said during her



Senate confirmation hearings, “sanctions have to go.” Still, as the administration prepared to complete negotiations with Congress on the matter, Deputy Secretary Armitage cautioned that the pace of progress would be “at a speed visible to the naked eye.” Constraints on swift removal of sanctions appear to have been both internal to the State Department (Armitage himself said that “State Department experts want the sanctions to erode incrementally over four or five months instead of eliminating them in one big bang”) and Congress. Indeed, a late July newspaper report claimed that some senior Democrats on the Senate Foreign Relations Committee were upset that Armitage was “shooting his mouth off” about timeframes for lifting sanctions on India. In an Aug. 24 letter, Sen. Joseph Biden, chairman of the Senate Foreign Relations Committee, wrote President Bush agreeing that sanctions have “outlived their usefulness” but linked a permanent repeal of sanctions, as opposed to a waiver, to nonproliferation steps by India. In the event, negotiations between the administration and Congress, and possibly between the U.S. and India on “nonproliferation steps” were rendered moot when terrorists attacked the U.S. on Sept. 11, 2001.

Within 11 days of the attack President Bush issued a Presidential Determination waiving (but not repealing) sanctions on India (and Pakistan). The sanctions saga, though ending in a way beneficial to the improvement of U.S.-India relations, raises intriguing questions about alternative endings. If 9-11 had not occurred, would the lifting of sanctions still be a matter of continuing debate within the U.S. (e.g., between Congress and the administration) and between the U.S. and India? There is reason to give an affirmative answer. As late as Sept. 6, just two weeks before sanctions were waived, Ambassador Blackwill cautioned that the Congress would have to be consulted fully on the matter and that the administration would act “to be sure that no step it takes with respect to India and sanctions undermines the global nonproliferation regime.”

### **Defense Cooperation Revived**

Then-Under Secretary of State Thomas Pickering, it may be recalled, stated in April 2000, “We also cannot and will not be able to concentrate on military issues until there is substantial progress on nonproliferation.” The Bush administration, on the other hand, made clear that part of its “big idea” for U.S.-Indian relations was “an expanding, intensified, focused, and mutually beneficial military relationship.”

To this end, throughout the year, there were numerous exchanges of high-level defense officials, as well as meetings on peacekeeping operations, search and rescue, disaster relief, and environmental security. An important milestone was the mid-July visit of Chairman of the Joint Chiefs of Staff (JCS) Gen. Henry Shelton to India. He became the highest ranking U.S. military official to visit India since its nuclear tests and the first chairman of the JCS to ever visit India. Of particular significance was the announcement to revive the meetings of the Defense Policy Group (DPG), the key institution providing overall direction to defense cooperation between the two countries.

The DPG met Dec. 3-4, 2001 in New Delhi and announced a number of cooperative initiatives including training for combined humanitarian airlift, combined special operations training, small unit ground/air exercises, naval joint personnel exchange and familiarization, and combined training exercises between the U.S. Marines and corresponding Indian forces. The long-troubled defense supply relationship was also addressed. It was noted that the removal of sanctions had facilitated approval of a number of export license applications for such items as weapon locating radars. The U.S. also agreed to “expeditious review” of Indian requests for engines and systems for the Light Combat Aircraft (LCA), radars, and multi-mission maritime aircraft, among others. As part of an on-going effort to provide greater transparency and efficiency for the transfer of dual-use and military items, the U.S. and India agreed to establish a separate Security Cooperation Group “to manage the defense supply relationship.” All in all, the actual holding of the DPG after a five-year lapse provided the basis for more substantive defense cooperation in the future.

The good progress toward military cooperation did not mean an end to outstanding issues (e.g., India still refuses as of this writing to sign a General Security of Military Information Agreement [GSOMIA], which the U.S. sees as a basis for further cooperation) or controversy over such cooperation within India. Leftist political parties within India continued to criticize even the smallest indications of cooperation, such as the refueling of aircraft. And India’s main parliamentary opposition warned against cooperation with any country that would run counter to the country’s nonaligned policy. Still, the Indian government, unlike in the past, did not flinch from continuing cooperation despite this domestic criticism.

Improved U.S.-India military cooperation also does not mean a defense alliance is on the horizon. For example, Assistant Secretary of Defense for International Security Affairs Peter Rodman stated “India is not going to become an ally of the United States. I think India values its independence. It values its nonalignment. So I don’t think anybody should expect that India is going to collude with us.” Adm. Blair, traveling in India, noted that the U.S. “is not looking for a defense treaty [with India]. We are looking for cooperation in security matters that serves the interests of both countries.” Media reports alleging that the U.S. and India were about to sign a military alliance were rejected by EAM Singh as “fiction.”

### **U.S.-India Relations After 9-11: The Pakistan, Kashmir, Terrorism Nexus**

U.S.-India progress on the nuclear, sanction, and defense issues was significant. However, the Sept. 11 terrorist attacks on the U.S., the revival of the U.S.-Pakistan relationship in their aftermath, and terrorist attacks in India on Oct. 1 and again on Dec. 13, with attendant India-Pakistan tensions, clouded much of the progress.

India’s immediate response to the attacks against the United States was overwhelmingly and unexpectedly helpful and was warmly recognized by the Bush administration. But, before long, U.S.-Pakistan relations, Kashmir, and the terrorism issue began to impinge seriously on the U.S.-India relationship.

Even prior to the post-Sept. 11 “about face” in U.S.-Pakistan relations, U.S. officials made a point of emphasizing that Pakistan would not be ignored. On July 10, 2001, Adm. Blair stated that U.S. “military relations with India will not take place at the expense of relations with Pakistan. We do not intend to shift from being seen as a friend of Pakistan to being seen as friend of India.” And in late August, Asst. Secretary Rodman was quoted as saying “Our relationship with Pakistan is valuable to us. And I don’t think this administration is going to lose sight of that.” The sudden, unexpected revival of U.S.-Pakistan cooperation after Sept. 11 inevitably raised concerns in New Delhi. These concerns rose considerably in the aftermath of an attack on the Jammu and Kashmir Legislative Assembly building in Srinagar on Oct. 1 and on India’s Parliament in the heart of the country’s capital on Dec. 13. India considered Pakistan complicit in these attacks and viewed Washington’s response as insufficiently cognizant of Pakistan’s role. Despite the Bush administration’s efforts to assuage Indian concerns on the Pakistan score (President Bush, on Dec. 12, the day before the attack on India’s Parliament, said that India and the U.S. “are increasingly aligned on a range of issues even as the U.S. works closely with Pakistan”), India’s bitterness about U.S. favoritism to Pakistan did not subside. On Jan. 6, EAM Singh said “Pakistan is an ally of the United States of America. Good luck to the United States of America.”

The events of Sept. 11, Oct. 1, and Dec. 13 also brought to the fore a long-running, sensitive, and complex issue in the U.S.-India relationship: terrorism. Despite the establishment in 2000 of a U.S.-India Counterterrorism Working Group, in April 2001 in this journal I predicted that cooperation would be “playing on a potentially sticky wicket” (see “Stuck in a Nuclear Narrative,” *Comparative Connections*, Vol. 3, No. 1). For the U.S., the risk was that anti-terrorism initiatives with India would embroil the U.S. in the “net of narrow India-Pakistan hostility.” Indians, meanwhile, were increasingly critical of U.S. unwillingness to declare Pakistan a state sponsor of terrorism or militant groups operating in Kashmir (e.g., the Lashkar-e-Tayyba (LET) and Jaish-e-Muhammad (JEM)) as foreign terrorist organizations (FTOs). To Indians, the U.S. approach appeared highly selective. As India’s outspoken Defense Minister George Fernandes eerily stated in January 2000 following President Clinton’s Aug. 1998 firing of missiles into Afghanistan, “when it comes to [Usama] bin Laden, the United States fires not one but scores of missiles with high-precision technology. What the United States and the world need to realize is that terrorism understands no country borders. To overlook what is happening across the borders in India at the hands of Pakistan is not addressing the question.” The “terrorism disconnect” characterized U.S.-India interaction for much of the year, through Sept. 11 and even following the attacks on the Jammu and Kashmir Legislative Assembly on Oct. 1.

The U.S. State Department’s release, on Apr. 30, of its annual *Patterns of Global Terrorism* report did little to allay Indian criticisms. Pakistan was not declared a state sponsor of terrorism. Neither the LET nor the JEM was designated an FTO. The words terrorism or terrorists were not used once in reference to the situation in Kashmir. Representative of the Indian response was an editorial entitled “All Bark, No Bite” though even this article conceded “[h]owever, as barks go, it is a louder one.” During

Indian Foreign Secretary Chokila Iyer's mid-May visit to the U.S., she noted that the United Kingdom had named the LET a terrorist group and expressed "hope [that] sometime it will be done here too." A statement emanating from the third meeting of the U.S.-India Counterterrorism Working Group on June 26 subtly echoed an Indian goal of "globalizing" the terrorist issue, saying the "two sides unequivocally condemned all acts, methods, and practices of terrorism as criminal and unjustifiable, wherever and by whomever committed, and whatever the considerations that may be invoked to justify them."

Following Sept. 11, the U.S. announced a revised list of 27 organizations and individuals for terrorism. An Indian spokesperson responded with the "hope [that] the list will be expanded as investigations go further ... They [the U.S.] have made a beginning. The U.S. has listed one of the terrorist organizations operating in Kashmir."

An Oct. 1 attack on the Jammu and Kashmir Legislative Assembly is blamed on the Jaish-e-Muhammad, and implicitly Pakistan, by India. Prime Minister Atal Behari Vajpayee's statement on the attack points to "manifestations of hate and terror from across its borders." And he warns "[t]here is a limit to India's patience."

But the most dramatic, and as of this writing, on-going, episode derived from the attack on India's national Parliament in Delhi on Dec. 13. Several aspects of Washington's response to this event irritated New Delhi. First, U.S. calls for restraint were criticized in India with the retort that the U.S. had not exercised such restraint after Sept. 11. Second, U.S. calls, echoing those of Pakistan, for India to share evidence of Pakistani complicity as India charged, were rejected. A member of India's ruling BJP party, Vijay Malhotra, responded saying "Did the Americans share their evidence with the Taliban on al-Qaeda?" A third and broader Indian criticism was that the U.S. has double standards on terrorism. This sentiment was implicit in the Indian Ministry of External Affairs' response to President Bush's statement marking the 100<sup>th</sup> day after Sept. 11. Though thanking Bush for condemning the attacks on India, it added "the obligation of all nations to join this battle *without adopting a selective approach* [emphasis added]."

A fourth Indian criticism emanated from the otherwise positive U.S. step of naming the LET and the JEM as FTOs. India strongly objected to Secretary of State Colin Powell's statement that the two groups' terrorism was aimed at both India and Pakistan. Even more infuriating to Indians was President Bush and other administration official referring to the LET and the JEM as "stateless" terrorist organizations, seemingly taking Pakistan off the hook for its past support to Kashmiri militants. A fifth Indian criticism relates to administration praise for Gen. Perez Musharraf's anti-terrorism steps and nudge to India to acknowledge those steps. President Bush, for example, said "I'm pleased to note that President Musharraf has announced the arrest of 50 extremists or terrorists. And I hope that India takes note of that, that the president is responding forcefully and actively to bring those who would harm others to justice." Responding the next day, Prime Minister Vajpayee brushed off President Bush's request to "take note" and reiterated that Pakistan must put an end to cross-border terrorism.

Sixth, the Indian government was cool to the idea of the U.S. sending a special envoy to the region. In an especially barbed comment, EAM Singh retorted “The United States of America has missions in New Delhi and Islamabad. Unless the missions are not up to the task, I don’t see the need for a special envoy.” Finally, India continued to resist U.S. entreaties to hold talks with Pakistan.

These specific differences arising out of the handling of the Dec. 13 incident are, of course, reflections of more fundamental divergences in U.S. and Indian views of Pakistan, Kashmir, and terrorism. Bridging these differences is unlikely to occur anytime soon.

Still, some narrowing of differences are visible. First, after years of back and forth on the issue, two major militant organizations are now on the U.S. terrorism list. Second, the U.S. has publicly brought pressure to bear on Pakistan to restrain militant groups and to show progress on arresting their members. Finally, the issue of terrorism is now squarely on the agenda of the U.S.-India dialogue about what is happening in Kashmir, even if it represents only one aspect of the situation in the troubled region.

## **Conclusion**

As events at the end of 2001 proved, U.S.-India relations remain brittle. Notwithstanding the positive progress in bilateral relations on the nuclear issue, sanctions, and defense cooperation, if the tangled nexus of U.S. anti-terrorism and relations with Pakistan and Kashmir is not handled with the utmost care, U.S.-India relations are likely to have a cloudy future.

## **Chronology of U.S.-India Relations April-December 2001**

**Apr. 3, 2001:** Forty-seven Republican and Democratic Congressmembers sign a letter to President Bush stating “it is essential that the U.S. re-engage India in a policy dialogue to make possible the lifting of sanctions.”

**Apr. 5-6, 2001:** External Affairs Minister and Defense Minister Jaswant Singh meets with the Bush administration for talks on economic issues, proliferation, trade, and regional and international security.

**Apr. 18, 2001:** Acting Assistant Secretary of State for South Asia Alan Eastham visits India.

**Apr. 30, 2001:** The Bush administration names India and 11 other countries under the Super 301 legislation as unfair traders. The notification is part of annual review conducted by the Office of the U.S. Trade Representative (USTR).

**Apr. 30, 2001:** The annual U.S. report *Patterns of Global Terrorism 2000* does not declare Pakistan a state sponsor of terrorism and the Lashkar-e-Taiba (LET) is not designated as a foreign terrorist organization. However, two other Kashmir militant groups are listed in the category of “other terrorist organizations.” Pakistan is criticized for increasing its support to the Taliban and for providing assistance to militant groups active in Indian-controlled Kashmir.

**Apr. 30-May 1, 2001:** India’s Finance Minister Yashwant Sinha meets U.S. Treasury Secretary Paul O’Neill in Washington on the sidelines of the annual World Bank/IMF meetings.

**May 2, 2001:** India responds favorably to many elements of President Bush’s missile defense speech at the National Defense University saying the speech is “highly significant and far-reaching.” “India believes that there is a strategic and technological inevitability in stepping away from a world that is held hostage by the doctrine of mutually assured destruction to a cooperative, defensive transition that is underpinned by further cuts and a de-alert of nuclear forces.”

**May 5, 2001:** India begins its largest military exercises (Complete Victory) in 13 years along the Pakistan border.

**May 10-11, 2001:** Deputy Secretary of State Richard Armitage visits India to discuss missile defense.

**May 16, 2001:** India is named as one of 52 countries of “primary concern” on a U.S. money laundering watch list.

**May 17, 2001:** The U.S. Energy Task Force led by Vice President Richard Cheney suggests “U.S. energy and state secretaries should work with India’s Ministry of Petroleum and Natural Gas to help it maximize its domestic oil and production.” It also suggests that sanctions should be reconsidered for countries important to energy security.

**May 17, 2001:** Christina Rocca, Assistant Secretary of State for South Asia-designate, says “[m]y personal perception is that these sanctions have outlived their usefulness and that we need to find a new framework, and a new way to accomplish our nuclear concerns and get rid of the sanctions. The sanctions have to go.”

**May 17, 2001:** Indian Foreign Secretary Chokila Iyer, in Washington for consultations with Under Secretary of State of Political Affairs Marc Grossman, notes the U.S. has so far not labeled the LET a terrorist group even though the United Kingdom has already done so.

**June 26, 2001:** Third Meeting of the Joint U.S.-India Counterterrorism Working Group is held in Washington.

**June 29, 2001:** Second meeting of the Joint Working Group on UN Peacekeeping is held in Washington. Special importance is “attached to the development of institutional linkages between the two countries on education and training on peacekeeping issues...”

**June 30, 2001:** National Security Advisor and Principal Secretary to the Prime Minister Brajesh Mishra holds discussions with the Bush administration in Washington.

**July 11, 2001:** India announces that the U.S. Army will participate in its Counter Insurgency Jungle Warfare School.

**July 18-19, 2001:** Army Gen. Henry Shelton, chairman of the U.S. Joint Chiefs of Staff (JCS), visits India. He becomes the highest ranking U.S. military officer to visit India since the May 1998 nuclear tests and the first chairman of the JCS to ever visit India.

**July 23-25 2001:** Asst. Secretary Rocca visits New Delhi.

**Aug. 8-10, 2001:** USTR Robert Zoellick meets with Commerce Minister Maran in India. The two officials renew the U.S.-India Working Group on Trade. U.S. also grants India preferential trade access, enabling India to access trade worth about \$540 million.

**Aug. 17, 2001:** A report by the U.S. Commission on International Religious Freedom criticizes India for its treatment of religious minorities and recommends a linkage between the protection of religious freedom and economic cooperation.

**Aug. 21, 2001:** Asst. Secretary of Defense for International Security Affairs Peter Rodman says “Our relationship with Pakistan is valuable to us. And I don’t think this administration is going to lose sight of that.” He also predicts that “India is not going to become an ally of the United States. I think India values its independence. It values its nonalignment. So I don’t think anybody should expect that India is going to collude with us.”

**Aug. 24, 2001:** Sen. Joseph Biden, chairman of the Senate Foreign Relations Committee, in a letter to President Bush, writes that sanctions against India have “outlived their usefulness and may paradoxically by impeding nonproliferation efforts rather than aiding them.” Biden also emphasized that his call was for lifting sanctions only applied to the post-1998 Glenn amendment stipulations.

**Aug. 30, 2001:** Indian Ambassador to the U.S. Lalit Mansingh meets Adm. Blair in Hawaii to discuss military cooperation possibilities.

**Sept. 11, 2001:** Terrorists attack the U.S.

**Sept. 14, 2001:** India’s Prime Minister Atal Behari Vajpayee, in a nationally televised address, says “I have assured President Bush that we stand ready to cooperate in the investigations into this crime and to strengthen our partnership in leading international efforts to ensure that terrorism never succeeds again.”

**Sept. 22, 2001:** President Bush signs a Presidential Determination waiving sanctions on India and Pakistan.

**Sept. 25, 2001:** India welcomes U.S. decision to freeze the bank accounts and assets of 26 terrorist organizations but expresses hope that the list will be expanded as investigations go further.

**Sept. 25-26, 2001:** NSA Brajesh Mishra meets U.S. counterpart Condoleezza Rice in Washington.

**Sept. 29, 2001:** Responding to a report of a U.S. military transport aircraft landing and refueling in Delhi, India's opposition Congress Party says, "We should not allow Indian soil to be used by foreign troops to attack a third country."

**Oct. 1, 2001:** A car bomb attack is conducted outside the Jammu and Kashmir Legislative Assembly building killing 29 people.

**Oct. 1-2, 2001:** EAM Singh meets senior Bush administration officials in Washington.

**Oct. 2, 2001:** PM Vajpayee writes President Bush expressing "understandable anger" at the attack and "Pakistan must understand that there is a limit to the patience of the people of India."

**Oct. 16-17, 2001:** Secretary of State Colin L. Powell visits India; India and the U.S. sign a Mutual Legal Assistance Treaty to facilitate cooperation on law enforcement and counter-terrorism.

**Nov. 5, 2001:** Secretary of Defense Donald Rumsfeld meets Defense Minister George Fernandes in India.

**Nov. 6, 2001:** The USS O'BRIEN, patrolling the Arabian Sea in support of "Operation Enduring Freedom," visits the Indian port of Chennai.

**Nov. 7-9, 2001:** PM Vajpayee meets with President Bush in Washington. The two leaders announce several measures to enhance relations, including the expansion and intensification of the U.S.-India Economic Dialogue through greater private sector interaction in the fields of energy and environment, a joint cyber-terrorism initiative, and the start of discussion on civil space cooperation.

**Nov. 27-30, 2001:** USCINCPAC Blair visits India to discuss defense cooperation, Adm. Blair says that joint U.S.-India military exercises might resume in the "near future, weeks and months, not years."



**Dec. 3-4, 2001:** The U.S. and India reinstate the Defense Policy Group (DPG) after a five-year lapse. Under Secretary of Defense for Policy Douglas Feith leads the U.S. delegation. A Joint Technical Group meeting, bringing together officials from the defense research and production facilities of the two countries, is also held on the sidelines of the DPG.

**Dec. 4, 2001:** Director of the Policy Planning Staff at the Department of State Richard Haass visits New Delhi.

**Dec. 12, 2001:** India tests an improved short-range, nuclear-capable *Prithvi* missile.

**Dec. 12, 2001** President Bush, in a major address on U.S. defense and anti-terrorism policies, says that “India and the U.S. are increasingly aligned on a range of issues even as the U.S. works closely with Pakistan.”

**Dec. 13, 2001:** Five armed men attack India’s Parliament building in New Delhi. A total of 14 persons are killed including all five of the attackers.

**Dec. 15-17, 2001:** The U.S. and Indian navies conduct a joint search and rescue operation in the Arabian Sea, the first joint military exercise since sanctions were imposed following India’s nuclear tests in May 1998.

**Dec. 21, 2001:** President Bush says “I call upon President Musharraf to take decisive action against Lashkar-e-Taiba, Jaish-e-Muhammed, and other terrorist organizations, their leaders, finances, and activities.”

**Dec. 21, 2001:** India recalls its envoy to Pakistan for the first time in 30 years and ends bus and train service between the two countries.

**Dec. 24, 2001:** Pakistan freezes the LET’s bank accounts. India accuses LET of involvement in the Dec. 13 attack on India’s Parliament.

**Dec. 24, 2001:** LET’s leader, a Pakistani national, announces he will step down in favor of a Kashmiri.

**Dec. 25, 2001:** LET closes its office in Pakistan’s Punjab province.

**Dec. 25, 2001:** Pakistan’s spokesman Maj. Gen. Rashid Qureshi confirms that authorities have detained Maulana Masood Azhar, leader of the JEM. India has called for him to be extradited to India to stand trial.

**Dec. 26, 2001:** The U.S. places the LET and the JEM on the State Department’s terrorism list. Secretary Powell, in making the announcement, said that the two groups were responsible for “numerous terrorist attacks in India and Pakistan.”

**Dec. 27, 2001:** EAM Singh rejects Secretary Powell's suggestion that India and Pakistan engage in dialogue, saying "It's not practical or possible at this point and I've told him."

**Dec. 27, 2001:** India reportedly moves short-range ballistic missiles, technically capable of carrying nuclear warheads, closer to the border with Pakistan.

**Dec. 28, 2001** India announces the closing of transportation links with Pakistan. Pakistan responds in kind.

**Dec. 28, 2001:** President Bush praises Pakistan's decision to arrest 50 militants and calls on India to recognize favorably Pakistan's action.

**Dec. 29, 2001:** President Bush telephones Indian and Pakistani leaders. According to a White House spokesman, President Bush asks Pakistan to "take additional strong and decisive measures to eliminate the extremists who seek to harm India, undermine Pakistan, and provoke war."

**Dec. 31, 2001:** Reportedly, Hafiz Muhammed Saeed, founder of the Army of Pure LET group, which India claims was involved in the Dec. 13 attack on the Indian Parliament building in New Delhi, is arrested "for making inflammatory speeches to incite people to violate law and order." India's response was guarded: "The arrest of the militant chief was for making inflammatory speeches against Pakistan. The bottom line here is terrorism."

**Dec. 31, 2001:** President Bush says that President Pervez Musharraf of Pakistan is "cracking down hard. The fact that [Musharraf] is after terrorists is a good sign."

## About The Contributors

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