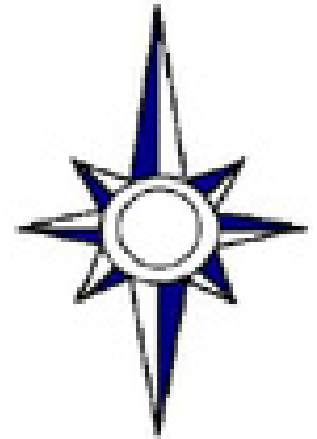


P a c i f i c F o r u m C S I S



Comparative Connections



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

edited by

Brad Glosserman
Eun Jung Cahill Che

2nd Quarter 2002
Vol. 4, No. 2
July 2002

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Pacific Forum CSIS

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

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

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A Quarterly Electronic Journal on East Asian Bilateral Relations

Bilateral relationships in East Asia have long been important to regional peace and stability, but in the post-Cold War environment, these relationships have taken on a new strategic rationale as countries pursue multiple ties, beyond those with the U.S., to realize complex political, economic, and security interests. How one set of bilateral interests affects a country's other key relations is becoming more fluid and complex, and at the same time is becoming more central to the region's overall strategic compass. *Comparative Connections*, Pacific Forum's quarterly electronic journal on East Asian bilateral relations edited by 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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This quarter witnessed major changes in world politics as President Vladimir Putin's Russia took gigantic, and perhaps final, steps into the West (joining NATO and going beyond the 1972 Anti-Ballistic Missile Treaty). Despite the huge impact of Russia's Westernization, Beijing and Moscow were able to soft-land their cordial, though sensitive, relationship and to institutionalize the Shanghai Cooperation Organization, a joint venture that has been under severe constraint following the U.S. strategic return to Central Asia after Sept. 11, 2001. While both Moscow and Beijing improved and/or stabilized their relations with Washington, all three faced a post-deterrence world in which nuclear weapons were no longer viewed as weapons of last resort and in which the incentives for nonnuclear states to obtain such weapons were greater than ever.

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Regional Overview:

Powell Speaks . . . Was Anyone Listening?

by Ralph A. Cossa
President, Pacific Forum CSIS

In June, Secretary of State Colin Powell presented the Bush administration's most comprehensive statement to date on its East Asia policy. Hardly anyone noticed! In Asia, everyone was apparently too preoccupied with the World Cup soccer games while the crises in the Middle East and South Asia diverted world attention from Asian politics in general. Nonetheless, Powell's speech underscored the importance of America's regional alliances while reinforcing the administration's focus on antiterrorism. It also set a generally positive tone regarding Sino-U.S. relations. The same cannot be said about North Korea. While expressing hope that a U.S.-DPRK dialogue would soon begin (and we continue to wait), Powell also laid some specific prerequisites for progress that will guarantee arduous negotiations if and when the two sides ever actually sit down and talk.

Also overshadowing Powell's speech was President George W. Bush's June 1 commencement address at West Point, which signaled a more proactive (if not pre-emptive) strategy in the war on terrorism. Meanwhile, multilateralism took on new energy in Asia, highlighted by a *de facto* defense "summit" and a genuine summit on confidence building involving numerous Asian heads of state (but not the U.S.). The successful efforts of UN special envoy for Burma Razali Ismail to convince Rangoon's ruling junta to release Nobel Laureate Aung San Suu Kyi from house arrest also captured the international spotlight. Malaysia remained a focus as a result of Prime Minister Mahathir Mohamad's tearful resignation (since delayed) from Malaysian politics.

Alliance-Based Strategy Remains in Place

In case there was ever any doubt, Secretary Powell's June 10 speech before the Asia Society in New York reinforced that the pre-Sept. 11 focus on preserving and strengthening Washington's East Asia alliances remained at the heart of the Bush administration's East Asia strategy. "Our alliances," Powell noted, "convey strength, purpose, and confidence, but not aggression, not hostility. Our allies have thrived on our stabilizing presence. Others in the region have also benefitted, though they are sometimes reluctant to admit it."

As always, the U.S.-Japan alliance was highly praised, but Powell's words not only stressed its positive contribution to regional stability (a familiar refrain) but also its role in providing "a framework within which Japan can contribute more to its own defense as well as to peace and security worldwide." Clearly Washington supports, and wants to

encourage, a greater regional (if not global) security role befitting a more “normal” Japan. Powell praised Japan’s support to Operation Enduring Freedom (“we could not have asked for a more resolute response”) and underscored Tokyo’s “superb leadership” in the Afghan reconstruction effort. It was not all sweetness and light, however. Powell offered a detailed prescription of the things Tokyo needs to do to get its economy back on track, warning that “if this economic deterioration continues, Japan’s important leadership role could be undermined.”

Allied (and Others) Support for the War on Terrorism

Powell also commended America’s other East Asian allies – Australia, New Zealand, the Republic of Korea, and the Philippines – for their support in the war on terrorism, while reinforcing Washington’s commitment to deterrence on the Korean Peninsula as well as to broader regional stability. Philippine efforts against Abu Sayyaf in particular were highlighted. He also praised the efforts of Singapore, Malaysia, and Thailand in countering terrorism.

Powell recognized the domestic concerns of “Asian states with large Muslim populations” but, in remarks that appeared directed toward Indonesia (without mentioning names), noted that “far, far greater dangers come from ignoring the problem of terrorism and letting radical minorities drive domestic politics, rather than taking strong action against terrorists and their sympathizers.” This reflects Washington’s continued frustration over Jakarta’s inability or unwillingness to face up to the threat posed by Islamic radicals within its midst, despite Powell’s admonition that it is these extremists who “violate Islam’s fundamental precepts of tolerance and peace” and thus “do a disservice to a proud and noble religion.”

Reaching Out to China (Candidly)

Secretary Powell’s speech also reinforced the positive tone toward future Sino-U.S. cooperation set during Chinese Vice President (and heir apparent) Hu Jintao’s earlier visit to the U.S., while still candidly discussing disagreements, particularly *vis-à-vis* Taiwan. Powell noted that “market dynamism clearly has replaced dogmatism” in a China, which is “no longer the enemy of capitalism.” A key phrase was Powell’s statement that Washington “wants to work with China to make decisions and take actions befitting a global leader . . . to promote stability and well-being worldwide.” Ever since the two presidents first met in Shanghai in October 2001, President Bush appears to have been reaching out to his Chinese counterpart; he even called President Jiang Zemin prior to announcing his plan to withdraw from the Anti-Ballistic Missile (ABM) Treaty last December. Bush has also invited Jiang to visit his ranch in Crawford, Texas when Jiang comes to the October 2002 APEC Leaders’ Meeting in Mexico.

Powell’s “befitting a global leader” reference indicates (at least to this observer) that Washington still seeks, and would welcome, a more proactive, positive Chinese global leadership role. Ironically, in my own discussions with Chinese officials and security

specialists, they point to a perceived lack of initiative or receptivity in Washington as the reason for the admittedly slow pace of Sino-U.S. cooperation (especially when compared to U.S. cooperation with China's strategic partner, Russia). While this may be true as far as military-to-military relations are concerned – although even here there seems to be some progress, witness Hu's visit to the Pentagon and the visit of Assistant Secretary of Defense for International Security Affairs Peter Rodman to Beijing in late June – in terms of broader cooperation, it seems that it is Beijing that is holding back (perhaps due to preoccupation with its upcoming leadership transition).

Goodbye Strategic Ambiguity, Hello Dual Clarity?

Taiwan remains the most contentious issue between Washington and Beijing and Powell's speech broke no new ground, citing Washington's commitment to uphold its "one China" policy and its insistence on a peaceful resolution to cross-Strait differences. Deputy Secretary of Defense Paul Wolfowitz did turn some heads, however, when he announced in late May that the U.S. "opposes" Taiwan independence; a marked departure from previous "does not support" statements (at least in Taiwanese and Chinese eyes).

Washington was quick to assert (as it always does in such instances) that this did not signal a change in policy. But it is worth noting that Wolfowitz has long been an advocate of shifting from the time-honored policy of "strategic ambiguity" – described as trying to convince Beijing that the U.S. will defend Taiwan while making Taipei think it will not, an approach managed with varying degrees of effectiveness by previous Democratic and Republican administrations alike – to one of "dual clarity," in which Beijing is sent an unambiguous message that Washington will do "whatever it takes" to help defend Taiwan, even as Taipei is bluntly told that independence is not an option that Washington will support. While the "one China" policy may not have changed, Washington seems to be shifting, by design or default, toward a new, less ambiguous approach in defining its cross-Strait stance.

U.S.-DPRK Prerequisites for Progress

Powell's comments on North Korea were perhaps the most noteworthy. Washington may remain willing to meet with North Korea "any time, any place, without preconditions" – the standing policy, although not repeated in Powell's speech – but it has clearly placed some very specific prerequisites for progress in any dialogue that may occur. While none is particularly surprising and all have been mentioned before, Powell's June 10 speech seems to cast them in stone, stating explicitly that "progress between us will depend on Pyongyang's behavior on a number of key issues." More specifically (to paraphrase), Powell states that the North:

- must get out of the proliferation business and eliminate long-range missiles that threaten others;
- must make a much more serious effort to provide for its suffering citizens (to

include greatly improved monitoring and access to ensure the food provided by Washington and others gets into hungry mouths);

- needs to move toward a less threatening conventional military posture (by living up to its past pledges to implement basic confidence building measures with the South); and

- must come into full compliance with International Atomic Energy Agency safeguards (as called for in the 1994 U.S.-DPRK Geneva Agreed Framework, to which Washington remains committed).

This appears to represent a hardening of Washington's position prior to the initiation of long-awaited talks between Washington and Pyongyang; at a minimum, it certainly places "without preconditions" in a new context. Of course, Pyongyang is no stranger to prerequisites; it has a number of its own, to include a withdrawal of all U.S. forces from the peninsula. Should future U.S.-DPRK dialogue occur – and the North-South naval clash shortly before the quarter's end has at least delayed, if not derailed such talks – it runs the risk of resembling a "dialogue of the deaf," given both sides' seemingly unyielding attitudes.

[Note: On July 2, the U.S. rescinded its offer to send Assistant Secretary of State for East Asian and Pacific Affairs James Kelly to Pyongyang for talks beginning July 10, citing the lack of a timely response to its offer as well as the "unacceptable atmosphere" created by the North-South naval engagement. This sent two clear signals: North Korea's behavior toward the South affects U.S.-DPRK talks and Washington is not going to tolerate unprofessional diplomatic behavior – Pyongyang frequently makes Seoul wait until the last minute (or beyond) before responding to ROK initiatives, as Seoul seemingly pleads for a response. Washington, it appears, will not play this game.]

West Point Speech: Prelude to a New National Security Strategy?

If Secretary Powell's speech was largely ignored, the international media clearly focused its attention on President Bush's June 1 commencement address to newly commissioned officers at the U.S. Military Academy at West Point. The speech itself was actually quite balanced. It was aimed, first and foremost, at inspiring young officers who were about to embark on the war against terrorism, but it also provided additional insights into Bush's thinking on how the war on terrorism should be fought.

In his remarks, President Bush stressed the importance of growing major power cooperation (including China in the group), noting that "we will preserve the peace by building good relations among the great powers." He also noted that maintaining deterrence and building a strong defense (both homeland defense and missile defense) were essential priorities for the U.S. armed forces.

The part of the address that drew the most attention was Bush's assertion that "the war on

terror will not be won on the defensive. We must take the battle to the enemy, disrupt his plans, and confront the worst threats before they emerge. In the world we have entered, the only path to safety is the path of action. And this nation will act.” Bush noted that this will require the best intelligence; it will require modernizing domestic agencies (such as the FBI); it will require transforming the military (to make it more responsive to today’s challenges); and it will require Americans “to be more forward-looking and resolute, to be ready for pre-emptive action when necessary to defend our liberty and protect our lives.”

The reference to “pre-emptive action” did not refer exclusively to dropping bombs. Bush also cited other tools – finance, intelligence, law enforcement – and the need to help train others to fight terrorism within their boundaries. Then he added that “we will send diplomats where they are needed, and we will send you, our soldiers, where you’re needed.”

In analyzing Bush’s comments, it is important to place his “pre-emptive” remarks in the proper, broader context of a multifaceted war on terrorism. Even so, his West Point remarks have caused speculation about a significant change in U.S. security strategy and raised new concerns about U.S. unilateralism. One hopes these issues will be adequately addressed once the Bush administration’s first (overdue since January) annual *U.S. National Security Strategy* document is released (reportedly in early fall).

Multilateralism Takes on New Energy

Several new Asian multilateral security efforts took form during the past quarter, including a China-initiated economic forum, a *de facto* defense “summit” in Singapore organized by the nongovernmental International Institute for Strategic Studies (IISS) in London, a genuine summit focused on confidence building involving numerous “Asian” (broadly defined) heads of state (but not the U.S.), and a Thai-initiated gathering for pan-Asian foreign (and other) ministers. The Shanghai Cooperation Organization (SCO) also took on increased status during the quarter.

Boao Forum for Asia. The first annual Boao Forum for Asia (BFA) took place in Boao, China (on Hainan Island) on April 12-13, 2002. Chinese Premier Zhu Rongji kicked off the conference. Other luminaries among the 2,000 officials, businessmen, and scholars in attendance included Japanese Prime Minister Koizumi Junichiro, Thai Prime Minister Thaksin Shinawatra, ROK Prime Minister Lee Hang-don, former Philippine President Fidel Ramos, and former Australian Prime Minister Robert Hawke. The new forum, established by China as an Asian version of the influential annual Davos World Economic Forum, is aimed at strengthening economic exchanges and cooperation within the region.

Beijing has high hopes for this forum, which it sees as an important supplement to Asia’s current cooperation mechanisms (such as the Asia Pacific Economic Cooperation or APEC) that will “make a significant contribution to the building of a new Asia that

features prosperity, stability, harmony, and peaceful coexistence.” It also was aimed at promoting Hainan Island as a “first-class venue” for international conferences. It remains to be seen how much sustained interest this forum will be able to generate and if more Asian leaders can be attracted to follow-on meetings, especially given the complaint by some observers that this “nongovernmental” forum seemed to closely follow an official Chinese script.

Singapore “Shangri-La Dialogue.” The May 31-June 2, 2002 IISS Asia Security Conference, dubbed “The Shangri-La Dialogue” after the hotel in which it was held, brought senior defense officials from many Asia-Pacific states together with regional strategists and key legislators for nonofficial security discussions. According to its organizers, it provided a “much-needed multilateral forum in which Asia’s security challenges can be addressed” since “until now, there has been no forum founded specifically to allow Asia’s defense ministers and key counterparts from outside the region to interact.”

Senior defense officials in attendance included the defense ministers from Australia, India, Indonesia, and Japan. Singapore Senior Minister Lee Kuan Yew also attended, as did U.S. Deputy Defense Secretary Paul Wolfowitz. The PRC was represented by a major general and lower-ranking officials from many other Asia-Pacific nations (and beyond) also attended. In addition to open plenary discussions, the unofficial “defense summit” allowed senior regional defense officials to meet “privately and in confidence, bilaterally and multilaterally, without the obligation to produce a formal statement or communiqué.” By all accounts, the conference was very successful and IISS has announced that, at the defense ministers’ request, the Shangri-La Dialogue will be made an annual event.

While the meeting, as advertised, was unique, senior defense officials have for several years now been included in the annual ASEAN Regional Forum (ARF) official ministerial dialogues, although the senior representative at ARF meetings is the foreign minister. Security issues are the focus of ARF discussions but some key issues have been left off the table or dealt with only tangentially. It remains to be seen whether regional defense establishments will see the Shangri-La Dialogue as a useful complement to the ARF or as a preferred alternative. At a minimum, it should put some pressure on the foreign ministers to ensure that their dialogue becomes more relevant.

It will also be interesting to watch the level of future Chinese participation. It is not clear why such a low-ranking Chinese delegation participated in the first meeting but one could speculate that the presence of many Taiwanese security specialists, including members of the official national security community, could have been a factor – IISS meetings are open to all members, and this includes many distinguished Taiwanese.

Conference on Interactions and Confidence Building Measures in Asia. Another new multilateral forum involving selected East Asian states has been formed in Central Asia through the initiative of President Nursultan Nazarbayev of the Republic of Kazakhstan.

The first summit meeting of the Conference on Interactions and Confidence building measures in Asia (CICA) brought heads of state from China, Mongolia, and Russia together with their counterparts from 13 other Central, South, and Southwest Asian states. (Lower-ranking observers were also present from Indonesia, Japan, South Korea, Malaysia, Thailand, the U.S., and Vietnam.) Media attention was focused on the presence of Indian President Atal Behari Vajpayee and Pakistani President Pervez Musharraf and the inability of both Russian President Vladimir Putin and Chinese President Jiang Zemin to get these two antagonists to sit down and talk to one another. CICA itself received almost no attention.

According to its charter, the main objective and thrust of the CICA will be “to enhance cooperation through elaborating multilateral approaches towards promoting peace, security, and stability in Asia.” Other objectives included increased trade and economic cooperation and the protection of human rights and fundamental freedoms. The member states “unconditionally and unequivocally condemned terrorism in all its forms and manifestations,” signing a CICA Declaration on Eliminating Terrorism and Promoting Dialogue among Civilizations. Summits are to take place every four years, with foreign ministers meeting every two years and working groups gathering annually to promote CICA’s objectives. As with the nongovernmental Boao Forum, it remains to be seen if interest in this extremely broad-based initiative can be sustained, although the fact that summits will occur only once every four years may keep Russia and China (among others) interested in supporting this Central Asian initiative, if for no other reason than to maintain their own influence in this buffer region.

Asia Cooperation Dialogue. A Thai-initiated Asia Cooperation Dialogue (ACD) added yet another definition of “Asia” to the mix, involving ministers from nine of the 10 ASEAN states (all but Burma, which was invited but refused to participate due to ongoing border tensions with Thailand), ASEAN’s Plus Three partners (China, Japan, South Korea), three South Asia states (Bangladesh, India, and Pakistan), and, inexplicably, Bahrain and Qatar. It was initially supposed to be an informal gathering of foreign ministers but was later opened to ministers in general after several foreign ministers were unable (or unwilling) to attend. Discussions focused on economic, social, and cultural issues, rather than political or security concerns.

While the ACD’s host, Thai Prime Minister Thaksin Shinawatra, proclaimed the meeting an “historic Asian event” – not to mention the “beginning of a new chapter in world history” – and the ministers have agreed to meet again in Thailand next year for more informal discussions, critics have been less enthusiastic, with one former Thai diplomat describing it as ADC (Asia Diplomatic Confusion) rather than ACD. No one seemed to view this initiative as a potential threat to the official ARF ministerial gathering.

Shanghai Cooperation Organization. One common element in all the above forums is Chinese participation. China has become a big believer in multilateralism, playing the lead role in the BFA and a central role in the CICA, and sending its foreign minister to the ACD. Beijing also chose not to boycott the IISS meeting despite the presence of

Taiwan officials (in their private capacities, of course). In addition, China remains a driving force behind the Shanghai Cooperation Organization, which links China and Russia with four of their Central Asian neighbors (Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan).

Several ministerial-level SCO meetings took place during the past quarter, culminating in a summit meeting in St. Petersburg, Russia on June 5-8, 2002, immediately after the CICA summit. The six heads of state signed the SCO Charter, giving the group formal legal status as a full-fledged international organization. A secretariat has been established in Beijing. The leaders also agreed to set up a joint regional antiterrorism agency based in Kyrgyzstan, which President Putin observed would be a “contribution to global antiterrorist efforts.”

To its credit, the SCO had already taken on an antiterrorism focus prior to last Sept. 11. At that time it was also touted as a check against unipolar tendencies, with pronouncements also strongly condemning missile defense and supporting the Anti-Ballistic Missile Treaty. While the SCO was “not aimed at any third country,” it was not too difficult to discern a growing anti-U.S. bias. Those themes are now being played down, with Putin stating that others, including the U.S., were welcome to join the SCO if they desired. Thus far, India seems to have expressed the greatest interest.

One country being encouraged to join by both China and Russia is Mongolia, a former Soviet satellite that has focused on becoming part of the East Asian security community in recent years. Ulaanbaatar seems hesitant to sign up, however. As one Mongolian security specialist told me, the SCO seems to work as follows: Russia and China get together and decide what should happen next and then the others are told about it and expected to go along. While this may be a bit harsh, it does reflect the legitimate sovereignty concerns of a small landlocked country caught between two giant neighbors. At present, Mongolia seems more comfortable participating in the broader-based CICA and the East Asia-oriented ARF.

Southeast Asia in the Spotlight

Refreshingly, Southeast Asia also managed to attract Washington’s and the world’s attention during the past quarter. In his June speech, Secretary Powell, in addition to praising individual and collective attempts to fight terrorism, also applauded the ARF for tackling new threats ranging from terrorism and narcotics trafficking to human trafficking and HIV/AIDS, and noted that he was personally looking forward to attending the ARF meeting in Brunei in late July.

In addition, Assistant Secretary of State James Kelly gave a very comprehensive presentation centered on U.S. Southeast Asia policy during a speech at the Asia Society’s Washington Center on April 4. Kelly called on ASEAN to “harness its collective political will” to address transnational threats, while pointing out that Washington “needs to engage more with ASEAN members and with the organization, and we will.” He

underscored America's support for an ASEAN Free Trade Agreement (AFTA) and the establishment of bilateral free trade agreements (FTAs) like the one being negotiated between Washington and Singapore.

Kelly emphasized the need for both economic and political reform, commending the great strides made by some ASEAN members while pointing out continuing deficiencies. He also expressed support for continuing efforts to create an ASEAN Human Rights Commission. Kelly also praised the individual and collective ASEAN efforts to combat terrorism, which included the subsequent signing of an antiterrorism pact among Indonesia, Malaysia, and the Philippines on May 8. This laid the groundwork for a broader agreement to facilitate antiterrorism training and information sharing reached by ASEAN home affairs and interior ministers on May 22.

Also capturing the international spotlight was the success of retired Malaysian diplomat Razali Ismail, acting in his capacity as UN special envoy for Burma, to convince Rangoon's ruling junta to release Nobel Laureate Aung San Suu Kyi from house arrest on May 6. Kelly had praised Rizali's initial efforts during his April speech, calling on Burma's generals to demonstrate their sincerity about reform and national reconciliation by taking some positive steps, including the release of Aung San Suu Kyi.

The release, while significant, is only a small step in a long process to achieve national reconciliation. During my own discussions in Rangoon in late May, no one seemed to be sure what the ruling junta's long-term game plan was or even if they had one. Thus far, they seem to be honoring their "no strings attached" release of Aung San Suu Kyi, however. She was able to travel to Mandalay in June; it was her previous attempt to travel outside the city that earned her 18 months of house arrest. And, on May 31, her National League for Democracy hosted its first ever public lecture featuring an outside guest speaker – I had the honor and pleasure of presenting this lecture to an overflow crowd of heroic Burmese democracy advocates. The government made no attempt to impede or disrupt the presentation (even though they turned down a request, made through the American Center in Rangoon, for me to give a lecture on U.S. foreign policy at the national university).

Prime Minister Mahathir Mohamad's tearful announcement of his immediate resignation from Malaysian politics on June 22 (since temporarily rescinded) kept Southeast Asia in the spotlight, as did his earlier trip to Washington for his second meeting with President Bush – they also met along the sidelines of the APEC Leaders' Meeting in Shanghai last October. While democracy, Malaysia-style, has its definite shortcomings, Mahathir has gained much international recognition and respect, clearly echoed in Washington, for his outspoken criticism of Islamic extremism. His willingness as a Muslim to speak out against radicalism and his efforts over the years to create a multi-ethnic, religiously tolerant society in Malaysia may have some in Washington actually missing him when he official steps down in favor of Deputy Prime Minister Abdullah Ahmad Badawi after hosting the Organization of Islamic Conference summit in October 2003.

Regional Chronology

April - June 2002

Mar. 31-April 1, 2002: Indonesian President Megawati Sukarnoputri visits South Korea.

April 3-6, 2002: Ex-ROK Unification Minister Lim Dong-won visits Pyongyang as ROK President Kim Dae-jung's special envoy.

April 1-4, 2002: President Megawati visits India.

April 2-9, 2002: Li Peng, chairman of China's National People's Congress, visits Japan.

April 3-5, 2002: ROK special envoy Lim Dong-won meets with DPRK leader Kim Jong-il in Pyongyang.

April 4, 2002: Asst. State Secretary James Kelly lays out the U.S. ASEAN and North Korea policy in a speech at Asia Society in Washington, D.C.

April 4, 2002: President Bush calls Taiwan "Republic of Taiwan" in a State Department speech.

April 4-5, 2002: USTR Robert Zoellick meets with Thai Prime Minister Thaksin Shinawatra in Bangkok.

April 5, 2002: Douglas Paal appointed director of the Taipei office of the American Institute in Taiwan.

April 6, 2002: Liberal Party leader Ozawa Ichiro suggests Japan could "produce nuclear warheads" if threatened by China "arrogance."

April 6, 2002: India-Burma-Thailand foreign ministerial meeting is held in Rangoon, Burma.

April 7-9, 2002: Indian PM Atal Behari Vajpayee meets with Singapore PM Goh Chok Tong in Singapore.

April 7-11, 2002: ROK PM Lee Han-dong meets with Vietnamese President Tran Duc Luong and PM Phan Van Khai in Vietnam.

April 8, 2002: Japanese and ROK Justice Ministers sign an extradition treaty in Seoul.

April 8-10, 2002: USTR Zoellick visits China.

April 9, 2002: Trilateral Coordination and Oversight Group (TCOG) meeting in Tokyo.

April 9, 2002: U.S. Congressional Taiwan Caucus is inaugurated.

April 9-12, 2002: Former U.S. Ambassador to South Korea Donald Gregg visits Pyongyang in a private capacity.

April 11, 2002: USTR Zoellick meets with Japanese Trade Minister Hiranuma Takeo and FM Kawaguchi Yoriko in Tokyo.

April 11-14, 2002: The first Boao Forum for Asia in Hainan, China; PRC Premier Zhu Rongji, PM Koizumi, and PM Thaksin among attendees.

April 13-15, 2002: Asst. Secretary Kelly meets Malaysian PM Mahathir Mohamad in Malaysia.

April 15, 2002: USCINCPAC Adm. Dennis Blair visits the Philippines.

April 15, 2002: Japan and the ROK hold the first bilateral history panel attended by high-level officials.

April 15, 2002: Air China Flight 129 from Beijing to Pusan crashes in bad weather on approach to Pusan's Kimhae Airport.

April 16, 2002: U.S.-Japan working-level security meetings held in Washington, D.C. *Asahi* reports U.S. officials informally request Japan to dispatch Aegis-equipped warship to Indian Ocean.

April 16-21, 2002: ROK FM Choi Sung-hong meets President George W. Bush, Secretary Powell, and National Security Council Advisor Condoleezza Rice in the U.S.

April 17, 2002: Xanana Gusmao wins East Timor's first presidential election.

April 20-21, 2002: G-7 financial ministers' meeting in Washington.

April 20-21, 2002: Japanese Defense Agency (JDA) chief Nakatani Gen visits the ROK.

April 21, 2002: PM Koizumi unexpectedly visits Yasukuni Shrine.

April 21, 2002: China cancels April 27-30 visit of JDA chief Nakatani and scheduled May port call in Tokyo by PLA Navy.

April 22-May 6, 2002: "Balikatan 2002" military exercises held on Luzon island, Philippines.

April 23-26, 2002: PRC Vice President Hu Jintao visits Malaysia and Singapore.

April 24-25, 2002: Deputy Assistant Secretary of Defense Peter Brookes visits Jakarta to initiate a new U.S.-Indonesian security dialogue.

April 25, 2002: FM Ivanov meets Chinese FM Tang Jiaxuan.

April 25, 2002: Secretary Powell says U.S. is ready to resume dialogue with North Korea.

April 25-May 3, 2002: U.S. Joint Chief of Staff Gen. Richard Myers visits the Philippines, Japan, and the ROK.

April 26, 2002: Shanghai Cooperative Organization (SCO) holds foreign ministers' meeting in Moscow.

April 27-28, 2002: PM Koizumi visits Vietnam.

April 27-May 3, 2002: VP Hu meets with President Bush and other senior officials in Washington.

April 29, 2002: PM Koizumi visits East Timor.

April 29, 2002: Defense Secretary Donald Rumsfeld meets with Russian DM Sergei Ivanov and FM Ivanov in Moscow.

April 29-30, 2002: Officials from the DPRK and Japan meet in Beijing to discuss abduction issue.

April 29-May 1, 2002: Laotian PM Boun Nhang Vorachith meets with President Macapagal-Arroyo in the Philippines.

April 30, 2002: KEDO-DPRK talks resume in Hyangsan, North Korea.

April 30-May 3, 2002: Malaysian DM Najib Tun Razak meets Secretary Rumsfeld and members of Congress.

May 1, 2002: PM Koizumi visits Australia and agrees to open working level talks on a free trade area.

May 2, 2002: East Timor President Gusmao meets President Megawati in Indonesia, invites her to East Timor's independence ceremony on May 20.

May 2, 2002: PM Koizumi visits New Zealand.

May 2, 2002: Singaporean Senior Minister Lee Kuan Yew meets President Bush in the U.S.

May 2-3, 2002: FM Ivanov meets with President Bush and hold arms talks with Secretary Powell in Washington.

May 6, 2002: North Korea cancels participation in new round of inter-Korean economic talks.

May 6, 2002: Burma's democratic leader Aung San Suu Kyi is released from 19 months' house arrest.

May 7, 2002: Malaysia, Indonesia, and the Philippines sign pact to coordinate security operations to fight terrorism.

May 8, 2002: North Korean asylum-seekers forcibly taken from Japan's consulate in Shenyang by Chinese police.

May 9-11, 2002: Two PRC naval ships pay the first visit to the ROK.

May 10, 2002: ASEAN Plus Three hold fifth finance ministers' meeting in Shanghai.

May 11-15, 2002: South Korean Representative Park Geun-hye visits DPRK, meets with Kim Jong-il.

May 13, 2002: Indonesian DM Matori Abdul Djalil hold talks with Secretary Rumsfeld and NSC Rice in D.C.

May 13, 2002: President Kim quits the Millennium Democratic Party

May 13-15, 2002: PM Mahathir visits the U.S. and signs antiterrorism treaty.

May 14-28, 2002: The U.S., Thai, and Singapore forces joint military exercise "Cobra Gold" is held in Thailand.

May 15, 2002: SCO defense ministers meet in Moscow.

May 16, 2002: Burma's military junta signs agreement with Russia to build a nuclear research reactor.

May 16-19, 2002: New USCINCPAC Adm. Thomas Fargo meets President Macapagal-Arroyo in the Philippines.

May 19-24, 2002: A DPRK team visits the South to inspect a nuclear power plant.

May 20, 2002: East Timor achieves independence; President Megawati attends ceremony.

May 20-24, 2002: President Macapagal-Arroyo and PM Mahathir in Tokyo.

May 21, 2002: DPRK FM Paek Nam-sum meets with FM Ivanov in Russia.

May 21, 2002: PRC FM Tang Jiaxuan meets with PM Goh in Singapore.

May 22-24, 2002: PM Mahathir meets President Kim in Seoul.

May 23-24, 2002: Australian FM Alexander Downer meets with Indonesia FM Hassan Wirajuda in Jakarta.

May 23-27, 2002: President Bush and Russian President Vladimir Putin sign a treaty that slashes long-range nuclear warheads by two-thirds by the year 2012, in Russia.

May 27-June 2, 2002: U.S. joint military exercise Cooperation Afloat Readiness and Training (CARAT) held in Surabaya, East Java, Indonesia.

May 28, 2002: Bush and Putin both arrive in Italy to formally sign the NATO protocol on the NATO-Russia Council.

May 28-29, 2002: SCO holds first economic ministerial meeting in Shanghai.

May 29, 2002: Secretary Wolfowitz states that the U.S. “opposes” Taiwan independence.

May 29-30, 2002: APEC Trade ministerial meeting held in Puerto Vallarta, Mexico.

May 31, 2002: PM Koizumi attends World Cup opening ceremony in Seoul, meets President Kim Dae-jung.

May 31, 2002: DM Djalil and Secretary Wolfowitz meet in Singapore.

May 31-June 2, 2002: Russian DM Sergei Ivanov visits Beijing to meet Chinese counterpart Chi Haotian and other leaders.

May 31-June 2, 2002: DM Ivanov meets President Jiang in Beijing.

May 31-June 2, 2002: Shangri-la dialogue on Asian security is held in Singapore. Ministers and security officials from 20 countries participate, including Secretary Wolfowitz.

June 2-3, 2002: Secretary Wolfowitz meets President Macapagal-Arroyo in Manila.

June 4, 2002: The first Conference on Interaction and Confidence building measures in Asia (CICA) held in Kazakhstan; Presidents Jiang, Putin, Pakistani President Pervez Musharraf, and Indian PM Vajpayee participate.

June 5-8, 2002: President Jiang visits St. Petersburg for the SCO summit.

June 6, 2002: Bush administration grants Russia status as a “market economy.”

June 7-9, 2002: U.S.-North Korea MIA talks in Thailand. Negotiators agree to hold three 30-day searches in North Korea starting July 20.

June 10, 2002: U.S. and South Korea draw 1-1 in World Cup match.

June 10, 2002: Secretary Powell’s address to Asia Society outlines U.S. Asia policy.

June 11, 2002: U.S. Attorney General John Ashcroft meets with Russian Prosecutor General Vladimir Ustinov in Moscow.

June 13, 2002: U.S. formally abandons the 1972 Anti-Ballistic Missile Treaty.

June 14, 2002: Russia announces it is no longer bound by the 1993 Start II accords that outlaw multiple-warhead missiles and other destabilizing strategic weapons.

June 14, 2002: U.S. coordinator on North Korea Jack Pritchard meets with North Korean Ambassador to the UN Pak Gil-yon in New York.

June 17, 2002: U.S. and Philippine forces exchange fire with guerillas in the Philippines.

June 17, 2002: TCOG meets in San Francisco.

June 18-19, 2002: The Asia Cooperation Dialogue (ACD) in Cha-am, Thailand.

June 19, 2002: Thai troops and Burma troops exchange fire.

June 21, 2002: Trade Minister Shi warns countries not to enter FTAs with Taiwan.

June 21, 2002: Asst. Secretary Kelly says the U.S. will hold talks with DPRK soon.

June 22, 2002: PM Mahathir announces intention to retire immediately, later agrees to remain for 16 more months.

June 22, 2002: The U.S.-Malaysia “CARAT 2002” joint military exercise.

June 26-27, 2002: G-8 summit is held at the Kananaskis retreat in the Canadian Rockies.

June 29, 2002: An inter-Korean firefight in the Yellow Sea sinks an ROK patrol boat, killing five. Northern casualties are estimated at 30. Each accuses the other of shooting first.

**U.S.-Japan Relations:
All is Good, If You Don't Look Too Close**

by Brad Glosserman
Director of Research, Pacific Forum CSIS

It has been a relatively quiet quarter for United States-Japan relations. Political, economic, and security relations have continued on a positive course. The absence of any key event – read “crisis” – has allowed both governments to focus their attentions elsewhere.

Yet if the trajectory is good, there has been a big change in a critical element of the U.S.-Japan relationship: the popularity of Japanese Prime Minister Koizumi Junichiro has suffered a precipitous drop. Since public support was the prime minister's only card in his battles with the old guard of his Liberal Democratic Party (LDP), the plunge in public approval ratings threatens to undermine his entire legislative program. Mr. Koizumi's weakness will also be felt in relations with the United States. The failure to pursue aggressive economic reform could damage his credibility in Washington's eyes. The prime minister has already been forced to give up on the passage of legislation that would allow the Japanese government to respond to crises – an indicator of Japan's “new” seriousness in security affairs.

No News is Good News

When viewed from afar, relations between Washington and Tokyo look very good. The United States continues to express its support for the Koizumi government and its reform agenda. In their June 25 meeting before the Group of Eight (G-8) summit in Kananaskis, Canada, U.S. President George W. Bush endorsed Japan's efforts to get its economy back on track. For his part, Mr. Koizumi continues to support the U.S. antiterrorism effort and the U.S. initiative in the Middle East. Japan's participation in the war against Afghanistan has been extended, although the naval presence has been slightly reduced. In early June, Tokyo dispatched two more vessels to the Indian Ocean as part of that effort. The two governments are also cooperating at lower-level meetings, such as the Trilateral Coordinating and Oversight Group (TCOG), which includes the U.S., South Korea, and Japan.

Japan Defense Agency (JDA) chief Nakatani Gen highlighted the importance of the U.S. security role in the region at the Shangri-la Defense Dialogue that convened in Singapore in early June and was hosted by the London-based International Institute for Strategic Studies. Mr. Nakatani toed the party line when he noted that the U.S. commitment to Asia is “vital not only for the defense of my country, but also for the stability of the region.” He had ventured into more risky territory with an earlier remark: Mr. Nakatani called for regular meetings of a multilateral security framework of defense authorities, in which every country in the region would participate on an equal footing. He took some of the sting out of that proposal by arguing that it would “complement and reinforce” current bilateral alliances in the region, a line that seemed to parallel Secretary of State

Colin Powell's reasoning in his June Asia Society speech. Then, Powell said that the U.S.-Japan alliance is the "framework within which Japan can contribute more to its own defense as well as peace and security worldwide."

There were some hiccups, however. Japan, along with other nations, protested the U.S. decision to impose tariffs on imported steel products and has filed notice with the World Trade Organization of its intention to impose its own tariff on U.S. exports. The U.S. has been backtracking on its original decision by offering a growing number of exemptions to foreign steel producers. By the end of June, over 250,000 tons of Japanese steel have been exempted from the tax. Japan's rising steel exports to Asia have softened the impact of the tariff and it is reported that Japan may not retaliate after all.

A Smorgasbord of Scandals

The biggest issue for the bilateral relationship concerns domestic political developments in Japan. Scandal and the prime minister's own political weakness – the two are related – pose the biggest challenges for the alliance in the months ahead.

In late May, it was revealed that the JDA had been keeping tabs on individuals who requested information under Japan's freedom of information act. Not only is keeping such lists illegal, but the JDA denied that it was keeping track of the individuals making the requests when word of the lists leaked. The government issued a series of misleading and incorrect statements that only increased concern about its credibility. Finally, officials tried to withhold the full report on the investigation into the scandal – despite promises to release the findings – but the media furor forced them to honor the original pledge.

The timing could not have been worse. The government had four priorities in the current Diet session: a bill to commence privatization of the postal savings system, another to reform health insurance, a law to limit information disclosure (considered a privacy bill to give it the right "spin"), and emergency legislation that would give the government special powers if a foreign country attacked Japan (*yuji hosei*). Because the defense scandal concerns the Defense Agency and information collection, it has effectively forced the government to take the latter two bills off the table. (The logic is that no legislation can be discussed without addressing the scandals and that would take too much time and be too divisive; moreover, the debate could cripple chances of getting the bills approved.)

That scandal followed revelations that Japanese defense officials had pressed the U.S. to request that Tokyo dispatch Aegis-equipped destroyers to the Indian Ocean as part of Japan's contribution to the war against terror. While the U.S. had wanted the destroyers as part of the flotilla, there is no indication that the U.S. request reflected anything other than its own assessment of U.S. needs. Nonetheless, there were suspicions in Japan that the military was using the Sept. 11 crisis to make an end-run around the country's normal policy process.

Finally, several Japanese politicians have made comments about the continuing relevance of Japan's three nonnuclear principles. (According to that policy, Japan will not manufacture, possess, or introduce nuclear weapons.) In April, Liberal Party leader Ozawa Ichiro warned that China's heavy-handedness could prompt a Japanese nuclear backlash. A few weeks later, Chief Cabinet Secretary Fukuda Yasuo declared that "depending upon the world situation, circumstances, and public opinion could require Japan to possess nuclear weapons." Fukuda's remarks were triggered by comments by his deputy Abe Shinzo to college students (thought to be off-the-record) that called for a rigorous examination of the legal restraints on Japan's defense policies.

When put in context, the three statements make sense. But for many Japanese – and many others – the timing is suspect. Coming on the heels of the Maritime Self-Defense Forces deployment to the Indian Ocean and the tabling of legislation to extend government power in the case of an emergency, it looks like the government is trying to radically alter defense policy and the constraints in which it has been formulated. (see "Trust Japanese Democracy," *PacNet* 26)

The Koizumi Slide

Those incidents are trouble enough for a reform-minded administration. But Mr. Koizumi's popularity has also taken a big hit. His decision in late January to dismiss Foreign Minister Tanaka Makiko has cost the prime minister his reformist image. The subsequent scandal that erupted in the Foreign Ministry and the mounting difficulties he has encountered have disillusioned the public. Mr. Koizumi's public approval ratings have been halved since he took office. Recent polls show his favorable ratings are now in the high 30s and 40s (depending on the poll). While that is several times higher than his hapless predecessor, it is less than half his stratospheric ratings of a year ago. More damaging still is the fact that more respondents now give his Cabinet unfavorable marks than favorable ones.

That tumble signals much more than a politician's return to earth. Since public support is Mr. Koizumi's only real weapon in his battle against the LDP old guard, the drop in the polls undercuts his ability to fight the dinosaurs. That, in turn, will further erode his image as a reformer. And the opposition within the party smells blood. The old boys have been increasingly obstructionist in the Diet; to add insult to injury they have renewed calls for a Cabinet reshuffle to give the government "a fresh start." That would give the faction leaders, who were excluded from the original Cabinet selection, a chance to reassert their power. It would effectively end Mr. Koizumi's claim to be a new-style politician and could cost him his office.

While the U.S. has not put all its money on the prime minister, there is little chance that his replacement could establish the rapport with Mr. Bush that Mr. Koizumi has developed. Few Japanese politicians have Mr. Koizumi's charisma and political sense. And even if they could create the same personal relationship with the U.S. president, it is extremely unlikely that his replacement would have the same reform agenda – after all,

that program is what got the prime minister into trouble with his own party. Worse, it will take time for the new government to be established and to get down to business; that is time Japan does not have given its economic troubles.

Silence is Golden

“Troubles” is a polite term. Japan’s economic situation doesn’t seem to be improving. Despite government claims that the economy has bottomed out, the statistics don’t offer much reason for hope. Unemployment has started to rise again, hitting 5.4 percent in May, a tenth of a percentage point below the postwar record set last December. Employment has fallen to 63.56 million; 14 months of decline have brought that number to the lowest level since 1954. Yet there is still no sense of urgency in Japan. The new recovery plan unveiled at the G-8 summit was greeted with indifference. The Bank of Japan has intervened five times in the last few months to keep the yen from appreciating too strongly against the dollar, which would crush prospects for exports, the only bright spot in the Japanese economy. Despite the Bush administration’s free market leanings, the U.S. has kept silent about Japanese attempts to manipulate the value of their currency.

This silence reflects growing disillusionment in Washington about Japanese economic prospects. With one exception – Glenn Hubbard, the chairman of the president’s Council of Economic Advisors – the Bush administration has apparently decided that there is no point in beating a dead horse. In Secretary of State Colin Powell’s Asia Society speech in June, he merely listed Japan’s economic ills and called on the government to fix them. President Bush was largely silent on the subject when he met Mr. Koizumi in Canada in late June. U.S. thinking is that Japan will act when it is ready, and U.S. attempts to prod, push, or pull Tokyo will only generate ill will.

The POW Wild Card

There is one sleeping issue on the bilateral agenda that has potentially serious implications: compensation for POWs that did forced labor during World War II. U.S. soldiers have filed suit in a California court for redress and the court continues to assert jurisdiction despite arguments by the U.S. State Department that the issue was settled in the 1951 San Francisco peace treaty. Earlier this year, a Japanese court ruled that Japanese companies owed Chinese POWs compensation. That ruling could influence the U.S. court: A U.S. judge would be hard pressed to deny there is a grievance when a Japanese court has already awarded plaintiffs in a similar action.

Yet even if the case does not go forward in the U.S., Japan could lose in the court of public opinion. After the high-profile lawsuits against Swiss banks, lawyers are eager to take on new territory. The claims against South African companies for their behavior during the apartheid years are only the latest manifestation of these suit-happy attorneys. It will be extremely difficult for Japanese companies to argue for exemptions, especially when the plaintiffs are former U.S. soldiers.

Another Hot Summer

In other words, appearances are deceiving. The positive course in U.S.-Japan relations could abruptly shift. Much depends on developments in Japan: an economic shock or another blow to the Koizumi administration would oblige the Japanese political world to focus its energies inward. That might not be a bad thing, given the need for bold action in Tokyo. But turmoil in Tokyo would be problematic for the alliance if events elsewhere in the world force Washington to call on its ally for support. All in all, it promises to be a hot summer in Tokyo as political maneuvering picks up speed.

Chronology of U.S.-Japan Relations April - June 2002

April 2, 2002: U.S. Trade Representative (USTR) report urges Japan to promote liberalization efforts in the fields of telecommunications, agriculture, and automobiles in the 2002 National Trade Estimate Report on Foreign Trade Barriers.

April 3, 2002: Secretary of Cabinet Chief Fukuda Yasuo responds to USTR report saying, “the trade report contains inaccurate descriptions of Japan.”

April 3, 2002: U.S. Navy agrees to pay \$11.47 million compensation to Ehime Prefecture for the damage caused to the Ehime Maru by USS Greeneville. Compensation for victims of the incident is not included.

April 3, 2002: The *Asahi Shimbun* reports that Koizumi Cabinet support rate hits a record low of 40 percent, dropping below its disapproval rate of 44 percent.

April 6, 2002: Liberal Party leader Ozawa Ichiro suggests Japan could “produce nuclear warheads” if threatened by Chinese “arrogance.”

April 9, 2002: Trilateral Coordination and Oversight Group (TCOG) meeting in Tokyo.

April 10, 2002: JDA head Nakatani Gen announces JDA plan to withdraw a destroyer and a fleet oiler from the supporting mission for the war in Afghanistan.

April 11, 2002: USTR Robert Zoellick meets with Minister of Economy, Trade, and Industry (METI) Hiranuma Takeo and Foreign Minister Kawaguchi Yoriko in Tokyo.

April 11, 2002: Two hundred more SDF personnel arrive in East Timor, bringing total deployment to 700.

April 15, 2002: Standard & Poor’s downgrades Japan’s long-term sovereign credit rating for the second time in six months.

April 16, 2002: Japanese Cabinet endorses *yuji hosei* (“emergency legislation”).

April 16, 2002: FM Kawaguchi expresses Japan’s full support for U.S. Secretary of State Colin Powell’s mediation effort in Middle East.

April 16, 2002: U.S.-Japan working-level security meetings held in Washington, D.C., with both defense and foreign ministry officials. *Asahi* reports that U.S. officials informally request Japan dispatch Aegis-equipped warship in the case of a U.S. attack on Iraq.

April 17, 2002: *Yuji hosei* submitted to the Diet.

April 20-21, 2002: Finance Minister Shiokawa Masajuro pledges tax cuts and maintenance of easy monetary policy to boost Japanese economy at G-7 meeting in Washington.

April 23, 2002: *Yomiuri Shimbun* poll shows Koizumi support rate at 51 percent, disapproval rate at 47 percent.

April 26, 2002: *Tokyo Shimbun* reports that U.S. National Security Council indicates that U.S. intends to participate in the process of identifying the alleged North Korean spy boat that sank in the East China Sea.

April 28-29, 2002: Chairman of the Joint Chiefs of Staff Gen. Richard Myers meets with JDA head Nakatani in Tokyo.

April 29, 2002: Deputy Defense Secretary Paul Wolfowitz says Washington wants Japan to deploy an Aegis-equipped destroyer to the Indian Ocean at a meeting with Liberal Democratic Party (LDP) Secretary General Yamasaki Taku in Washington.

May 1, 2002: METI Minister Hiranuma meets USTR Zoellick.

May 2, 2002: *Kyodo News Agency* poll shows Koizumi Cabinet’s approval rate drops to 43.4 percent and disapproval rate is 45.1 percent; 80.2 percent of respondents speculate Koizumi Cabinet will not last more than one year.

May 2, 2002: U.S. Treasury Secretary Paul O’Neill urges Japan to use the WTO to settle steel dispute with the U.S. instead of taking “unilateral trade actions.”

May 2, 2002: U.S. Marine is arrested on suspicion of assaulting two Japanese women in Yamaguchi Prefecture.

May 4, 2002: FM Kawaguchi visits Teheran and urges Iran to repair its bilateral relationship with the U.S.

May 4, 2002: Japanese Defense White Paper expresses support for plan to upgrade the JDA to a ministry.

May 5, 2002: Secretary Powell suggests the U.S. might request Japan's help with the Middle East peace process.

May 7, 2002: U.S. Energy Secretary Spencer Abraham meets METI Minister Hiranuma on the sidelines of the G-8 meeting. Abraham says the U.S. intends to rejoin the International Thermonuclear Experimental Reactor project.

May 7, 2002: *Asahi* reveals that Japanese MSDF officials asked Commander of U.S. Naval Staff Adm. Robert Chaplin on April 10 to suggest that Washington request Japan dispatch Aegis-equipped destroyers and P-3C anti-submarine patrol aircraft.

May 7, 2002: Japanese Diet begins debate on *yuji hosei*.

May 13, 2002: OECD announces that the U.S. has replaced Japan as the top donor of Official Development Assistance.

May 15, 2002: Thirtieth anniversary of Okinawa's return to Japan from U.S. occupation.

May 17, 2002: Japan notifies the WTO of intent to retaliate against U.S. tariffs on steel imports.

May 21, 2002: *The Japan Times* reports that 28 U.S. nuclear-powered submarines have made port calls without notification, due to security concerns, since Sept. 11 attacks.

May 22, 2002: Okinawa Prefecture police and U.S. Forces Japan hold annual meetings to discuss crime issues around the U.S. bases in Okinawa.

May 22, 2002: The U.S. Navy cancels demo flights at Atsugi base.

May 23, 2002: Council of Economic Advisers Chairman Glenn Hubbard says Japan should promote personal and corporate tax cuts, indicating disapproval of Koizumi's reluctance to make tax cuts.

May 30, 2002: Tokyo District Court rules that the Japanese government pay ¥ 2.4 billion in damages to 4,763 residents for noise caused by U.S. military aircraft at Yokota Air Force base.

May 31, 2002: Moody's downgrades Japan sovereign debt.

May 31, 2002: Cabinet Secretary Fukuda comments on Japan's nonnuclear principles, widely interpreted to mean change is possible.

June 4, 2002: Japan ratifies Kyoto Protocol on climate control.

June 5, 2002: U.S. Commerce Department announces that Japanese direct investment in the U.S. fell 85.4 percent in FY 2001.

June 8, 2002: JDA dispatches destroyer Satogiri and oiler Hamana to Indian Ocean.

June 9, 2002: Crew member of USS Curtis Wilbur arrested in Nagasaki for allegedly injuring bar employee.

June 10, 2002: City assembly of Naha, Okinawa Prefecture, adopts a resolution to protest Ambassador Howard Baker's May 19 remark expressing gratitude to Okinawa for hosting the bulk of the U.S. military presence in Japan.

June 10, 2002: Okinawa Gov. Inamine protests U.S. nuclear test on June 7.

June 13, 2002: METI Minister Hiranuma announces delay of retaliation plan against U.S. steel tariffs.

June 22-23, 2002: *Asahi* poll shows Koizumi support rate at 37 percent and disapproval rate at 47 percent.

June 23, 2002: PM Koizumi promises that he will speed negotiations on relocation of the U.S. Futenma heliport in Okinawa.

June 24, 2002: U.S.-based CNBC buys \$15 million a stake, about 3 percent, in TV Tokyo.

June 24, 2002: Amb. Baker says Japan has withdrawn opposition to U.S. indigenous people's whaling rights, which was denied in IWC meeting in May.

June 26, 2002: PM Koizumi meets President Bush on the sidelines of G-8 meeting in Canada.

**U.S.-China Relations:
Fleshing out the Candid, Cooperative,
and Constructive Relationship**

by Bonnie S. Glaser
Consultant on Asian Affairs

An active agenda of exchanges and consultations took place this quarter, providing Sino-U.S. relations with a modicum of stability as Washington focused on the war on terrorism and other foreign policy priorities. Chinese Vice President Hu Jintao toured the United States, stopping in Washington for two days of meetings with President George W. Bush, Vice President Dick Cheney, and many Cabinet members. Cooperation between Washington and Beijing in the war on terrorism advanced with the establishment of semi-annual consultations on depriving terrorist networks of their sources of financing. Broader discussions on combating terrorism were also held in the second round of bi-annual U.S.-Chinese counterterrorism talks. Sessions were held of the Joint Commission on Economic Cooperation and Trade and the Joint Commission Meeting on Science and Technology, providing a boost to commercial and economic ties. Beijing remained both suspicious and perplexed by U.S. policy toward Taiwan, and verbal gaffes by President Bush and Deputy Secretary of Defense Paul Wolfowitz created unease on both sides of the Strait. Finally, representatives from the U.S. and Chinese militaries explored the possibility of resuming contacts.

Antiterrorism Cooperation Continues

Cooperation between Washington and Beijing in the war on terrorism advanced in the second quarter of 2002, although it remained limited compared to America's collaboration with scores of other coalition partners. In late May, China and the U.S. inaugurated semi-annual consultations on depriving terrorist networks of their sources of financing. At the invitation of the U.S. Department of Treasury, a delegation from China held discussions with U.S. counterparts for three days, during which they visited and were briefed at the FBI's Financial Review Group, Treasury's Operation Green Quest, and the Financial Crimes Enforcement Center. In a press release issued at the close of the meetings, the Treasury Department declared that the discussions "represent another important step in our bilateral relationship with China and in the international fight against global terrorism." The press release added that the semi-annual meetings "will not only strengthen cooperation between China and the U.S. in the area of terrorist financing but will also seek to further strengthen the existing cooperative relationship in the law enforcement and counterterrorism areas between the two countries."

Broader discussions on combating terrorism were held June 20-21 in the second round of bi-annual U.S.-Chinese counterterrorism consultations in Washington, D.C. In that meeting, delegations from both countries comprising representatives of law enforcement, intelligence, military, diplomatic, and financial agencies discussed a wide range of issues related to international and regional terrorism such as the situation in Afghanistan, Central Asia, South Asia, and Southeast Asia. The talks were headed on the U.S. side by Ambassador Francis X. Taylor, the State Department's coordinator for counterterrorism, and on the Chinese side by Li Baodong, director general of the Foreign Ministry's Department of International Organizations and Conferences. Ambassador Taylor expressed America's appreciation for China's contributions to the war on terror and discussed next steps in the global war on terrorism. The Chinese delegation conveyed Beijing's assessments of its ongoing domestic counterterrorism campaign.

According to a U.S.-China joint press release, "the two sides reviewed bilateral counterterrorism cooperation, expressed satisfaction with progress to date, and discussed next steps and goals." They emphasized the importance of U.S.-China counterterrorism cooperation as part the global war on terror and agreed that "such cooperation is a solid foundation for the constructive cooperative relations between the United States and China." In addition, Washington offered to provide expert advice and assistance on event security, in anticipation of the 2008 Olympics being held in Beijing. The two countries also indicated plans to hold several expert-level dialogues on this and other subjects in the coming months.

In evaluating the assistance provided by China and other countries to the war on terror, the Bush administration seemed to draw a distinction between *military* support and support of a political, diplomatic, or financial nature. A Department of Defense Fact Sheet released in early June listed 69 nations that are contributing to the global war on terrorism. Although DoD claimed that the list was not intended to be all-inclusive, nonetheless it was notable that China was not among those countries that the Pentagon judged to be U.S. coalition partners. The list included Eritrea and United Arab Emirates, which were described only as having sent a few personnel to U.S. Central Command (CENTCOM).

By contrast, China was included in the State Department's annual report to Congress "Patterns of Global Terrorism 2001," issued on May 21 by the Office of the Coordinator for Counterterrorism. The report lauded Beijing's vote for UN Resolution 1368 authorizing the use of international force against al-Qaeda, along with its "constructive approach to terrorism problems in South and Central Asia." Chinese financial and material support for the Afghan Interim Authority was also welcomed. China's bilateral cooperation with Washington was described as producing "encouraging and concrete" results, notably the approval by the Chinese government to establish an FBI Legal Attaché office in Beijing and set up U.S.-China counterterrorism working groups on financing and law enforcement. "Beijing has agreed to all our requests for assistance," the report noted. The report went farther than previous U.S. government statements in acknowledging "credible" accounts that some Uighurs who were trained by al-Qaeda

have returned to China, but fell short of Chinese demands that the U.S. recognize as terrorist groups the East Turkestan Islamic Party and the East Turkestan Liberation Organization operating in and around the Xinjiang Uighur Autonomous Region. Moreover, the report reiterated previous warnings by Bush administration officials that a counterterrorism campaign cannot serve as a substitute for addressing legitimate social and economic aspirations.

Washington Discovers Who's Hu

In a carefully choreographed visit initiated and arranged by the White House, PRC Vice President Hu Jintao toured the United States for six days beginning on April 27, stopping in Honolulu, New York, Washington, D.C., and San Francisco. The visit was Hu's first to the United States and was billed as an opportunity to provide China's leader-in-waiting a first-hand impression of the world's only superpower. It was also designed to allow Americans to get acquainted with Hu, who has been portrayed as an enigmatic figure. Indeed, one U.S. official noted that Hu's trip had the song "Getting to Know You" playing in the background. No breakthroughs were anticipated and none took place, but the visit was nevertheless judged to be a success by both countries.

Hu's swing through Washington, D.C. was packed with high-level meetings at a frantic pace. In less than 48 hours, he met with the president, the vice president, and the secretaries of state, defense, treasury, commerce, and labor, as well as lawmakers on Capitol Hill and the president of the World Bank. With the exception of the meetings with Vice President Dick Cheney and Secretary of State Colin Powell, the sessions were half an hour or less. With time for introductory pleasantries, photo ops, farewells, and interpretation, most of the exchanges consisted of only a few sentences on substantive matters.

In a 30-minute meeting at the Oval Office, Hu conveyed China's concerns about Washington's increasingly close ties to Taiwan and warned against taking any steps that would provide encouragement to pro-independence forces on the island. President George W. Bush repeated the mantra of U.S. policy, including pursuit of a "one China" policy based on the three Sino-U.S. communiqués and the Taiwan Relations Act, and insistence on a peaceful resolution of differences between China and Taiwan. Bush also reiterated that the U.S. does not support Taiwan independence and does not wish to see provocation by either side of the Strait. The various elements of U.S. policy toward China and Taiwan had been articulated by President Bush to President Jiang Zemin when the two presidents met at the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting last October but had not been reiterated during Bush's visit to Beijing in February, apparently because the U.S. side hoped to discuss new matters instead of covering the same ground the leaders had conferred about in their previous meeting. Bush's failure to restate U.S. policy created some anxiety in Beijing, which increased further following Taiwan Defense Minister Tang Yiau-ming's visit to the United States in April. Hu Jintao's priority during his meeting with President Bush was to obtain reassurance that U.S. policy toward China and Taiwan had not changed. With this goal attained and no

major *faux pas* in the course of his travels through the U.S., Hu was able to return home having proven his skills as a diplomat. Vice President Cheney's statement to Hu, reported only by Chinese media, that "the Bush administration neither supports Taiwan independence nor encourages the development of the Taiwan independence forces" was icing on the cake.

Other topics discussed between Hu and U.S. officials included the war on terrorism, agricultural issues, Taiwan, missile proliferation, trade, Tibet, religious freedom, and human rights. At every opportunity, Hu pronounced that China stands with the United States in combating terrorism. President Bush and other senior U.S. officials thanked Hu for Beijing's cooperation in the fight against terrorism. Regional security issues such as Central Asia, the Middle East, South Asia, and the Korean Peninsula were touched upon in the meeting with Secretary Powell, but none of these topics was discussed in great depth. According to U.S. officials, Vice President Hu was well-briefed and demonstrated a good understanding of every issue that was raised. He was poised, business-like, and gracious, and he was cautious to not upstage China's paramount leader Jiang Zemin, which some observers viewed as confirmation that China's next leadership line-up is not a done deal. On several occasions, Hu noted that his task was to implement the agreement between Presidents Bush and Jiang to develop a constructive, cooperative relationship between the United States and China.

At a banquet hosted by the National Committee on U.S.-Chinese Relations and seven other groups, Hu Jintao delivered his only public speech before a high-powered gathering of American China watchers. He talked mainly about the bilateral relationship and proposed "four principles" for vigorously promoting the development of U.S.-Chinese ties: 1) strengthen high-level strategic dialogue as well as exchanges among various levels and departments; 2) strengthen exchanges and cooperation in all fields; 3) respect each other and handle differences on the basis of seeking common ground; and 4) strengthen dialogue and cooperation on major issues related to world peace and security. Hu's responses to questions from the audience on China's economy and political structural reform were extremely detailed and long-winded, leading one observer to remark that he sounded more like a provincial mayor than an impending state president. In replying to a third question about Taiwan, Hu read a prepared answer, underscoring the sensitivity of the issue in Sino-U.S. relations.

A last-minute invitation from Secretary of Defense Donald Rumsfeld enabled Hu Jintao to become the highest-ranking Chinese official to visit the Pentagon. Although the meeting was brief, they had a good exchange of views on the U.S.-China military relationship, Taiwan, Chinese arms and technology sales to Iraq, proliferation of weapons of mass destruction, and the war on terrorism. Hu emerged from the meeting smiling and told reporters that the two sides "will take some action to resume military exchanges." The Pentagon spokesman characterized the understanding differently, however, saying "they agreed to have their military representatives talk more about military contacts in the near future." In late June, the Defense Department sent Assistant Secretary of Defense for International Security Affairs Peter Rodman to Beijing to explore the possibility of

restoring military contacts, which were mostly suspended after the April 1, 2001 mid-air collision between a Chinese fighter jet and the U.S. EP-3 reconnaissance plane. The talks were “frank” and “constructive,” according to Rodman but produced no agreements on military exchanges. A U.S. Embassy statement declared that “the talks dealt candidly with problems that had arisen in the past” and that discussions would continue. Chinese Defense Minister Chi Haotian insisted in his meeting with Rodman that the U.S. should shoulder main responsibility for the “twists and turns” in bilateral military relations over the past two years.

U.S. Bungles Policy Rhetoric, Upsetting Beijing and Taipei

In a speech at the U.S. State Department on April 4, President Bush called on the Senate to pass Trade Promotion Authority legislation. While praising the success of U.S. efforts to facilitate China and Taiwan’s accessions to the WTO, he referred to China and Taiwan as “countries” and called Taiwan the “Republic of Taiwan.” The same day Bush signed a bill supporting Taiwan’s entry into the World Health Organization (WHO), triggering new worries in Beijing that the United States was modifying its “one China” policy. According to the White House’s subsequent clarification, the president simply made a “slip of the tongue.” In a phone conversation with Chinese Foreign Minister Tang Jiaxuan, Secretary Powell reassured his counterpart that there had been no change in U.S. policy regarding the cross-Strait issue.

The following month, Deputy Secretary of Defense Paul Wolfowitz seemed to depart from long-standing U.S. policy by implying that the United States backs reunification of Taiwan and the mainland, rather than supports a peaceful resolution of differences between the two sides of the Strait. In a statement at a Brookings Institution forum May 15, Wolfowitz stated that the U.S. has “no intention, no desire, to separate Taiwan from the mainland.” Wolfowitz asserted, “We think that a peaceful process is the only way to bring Taiwan and the Mainland together again. And, frankly, we believe that the sooner a peaceful approach is adopted, the sooner that solution can happen.”

Two weeks later, at a briefing on the eve of his departure for a conference in Singapore of defense ministers and security experts, Wolfowitz again misstated Bush administration policy. In an answer to a reporter’s question about his remarks at the Brookings Institution forum, Wolfowitz maintained that his statement was “another way of saying we’re opposed to Taiwan independence.” The consistent public position of both the Bush administration and its predecessor has been that the U.S. does not support Taiwan independence and officials have up till now been careful not to carelessly supplant the words “does not support” with “opposes,” which would signal a policy shift in Beijing’s favor. Once again, U.S. officials scrambled to clarify U.S. policy on cross-Strait relations, this time to Taipei, which worried that Wolfowitz’s statements would provide Beijing with new leverage over Taiwan and result in a toughening of China’s cross-Strait policy.

The strong reaction to the unintended verbal gaffes by both President Bush and Deputy Secretary Wolfowitz underscores the lack of confidence that both Taiwan and China have

in the sustainability of U.S. policy. Uncertainty and concern in Beijing about U.S. intentions and policy toward Taiwan undoubtedly explain, at least in part, China's decision to dispatch deputy chief of the Mainland's Taiwan Affairs Office Zhou Mingwei to Washington in late June, only four months after his last visit. Zhou met with Deputy Secretary of State Richard Armitage and other U.S. officials to discuss U.S. and Chinese policies toward Taiwan and cross-Strait relations. He sounded alarm bells about various pieces of legislation on Capitol Hill, including: 1) the *Defense Authorization Bill for Fiscal 2003*, which carries provisions from the aborted Taiwan Security Enhancement Act on U.S.-Taiwan joint military training and on strengthening U.S.-Taiwan high-level military personnel exchanges and 2) the *Supplemental Appropriations Bill*, which contains language suggesting that Taiwan enjoys the status of a "non-NATO ally."

In a meeting with Representative Robert Wexler (D-Fl.), one of the founders of the Taiwan Caucus, Zhou inquired about the objectives of the Caucus and accentuated Chinese opposition to Taiwan's bid for observer status in the WHO. With American academics, Zhou complained that Taiwan President Chen Shui-bian is putting up roadblocks to the establishment of direct transportation links between Taiwan and the mainland and insisted that Chen's cross-Strait policies are politically motivated. U.S. officials used the opportunity presented by Zhou's visit to upbraid Beijing for threatening to retaliate against countries that negotiate free trade agreements with Taiwan.

Commercial and Economic Ties Proceed Apace

On the economic front, this quarter witnessed a series of visits to China by U.S. Cabinet members and other senior officials to promote commercial relations and bilateral economic cooperation. U.S. Commerce Secretary Donald Evans led a 15-member delegation of U.S. business leaders to Beijing and Shanghai in late April, the first U.S. business development mission to China since its accession to the WTO. Evans and his Chinese counterpart Minister of Foreign Trade and Economic Cooperation (MOFTEC) Shi Guangsheng co-chaired a meeting of the Joint Commission on Economic Cooperation and Trade (JCCT), a forum for addressing issues critical to continued economic cooperation between the U.S. and China. U.S. participants expressed concerns about intellectual property rights protection, new Chinese regulations on private express delivery services, export control end-use visits, the sanctity of contracts, and issuing of insurance licenses to U.S. companies. Chinese participants raised Section 201 safeguards on steel imports to the United States, high-tech export controls, anti-dumping procedures, and the General System of Preferences. A press release issued by the Department of Commerce following the JCCT session noted that the forum "made progress in many areas," although "differences remain." Among the achievements of this 14th JCCT session were agreements to conduct training exchanges on WTO responsibilities and to increase private-sector participation in the work of the JCCT. Both sides also agreed to expand the JCCT framework through additional contacts at the sub-Cabinet level and through regular telephone discussions between Evans and Shi.

Another highlight of the quarter in the economic realm was the signing of four U.S. grant agreements by Trade and Development Agency (TDA) Chief of Staff Carl Kress and Chinese leaders. The agreements will provide management and technical support to China's Sinopec International in the development of an e-procurement platform, fund a study on the increasing use of U.S. geothermal heat pump technology in China, provide technical assistance for the preparation of a Chinese loan application to the World Bank for a solid waste management and disposal project, and fund a feasibility study to modernize and expand air traffic information flow in China. The TDA, a U.S. government-funded program that assists in the creation of jobs for Americans by helping U.S. companies pursue overseas business opportunities, also declared its intention to offer the Chinese government grants to survey market trends and to fund a WTO e-learning program that will provide guidance to both Chinese government officials and citizens on WTO implementation.

Also in April, the U.S. and China held the 10th bilateral Joint Commission Meeting on Science and Technology. John Marburger, assistant to the president for science and technology and director of the Office of Science and Technology Policy, led the U.S. delegation. Xu Guanhua, minister of science and technology headed the Chinese delegation. The meeting focused on cooperation in energy and material science, life and environmental science, agricultural and food science, and scientific education and popularization.

Shared Interest in a Modicum of Stability

The preservation of relatively stable Sino-U.S. relations currently serves both U.S. and Chinese interests. Beijing's cooperation in – or at least non-opposition to – the war on terrorism is important to Washington. China has been helpful in easing tensions between Pakistan and India, working in parallel with the U.S. to persuade both countries to back away from the brink of war. Beijing could also be instrumental in promoting the resumption of the U.S. dialogue with North Korea and advancing the process of reconciliation between North and South Korea. Steps by China to tighten up its exports controls and halt proliferation of weapons of mass destruction technology and delivery systems would also be beneficial to U.S. security interests. These issues were among those discussed by Chinese Vice Foreign Minister Wang Yi, who visited Washington for consultations on regional and international security matters in the last week of June.

China has an even greater stake in the maintenance of a normal and stable relationship with the United States. Unexpected changes in the international environment in the past year have significantly increased China's strategic vulnerability. A large majority of nations have rallied behind President Bush in support of the war on terrorism, enhancing America's global leadership position and slowing, if not reversing, Beijing's hoped for trend toward a multipolar world. The U.S.-Russian rapprochement has weakened China's ability to limit the negative effects of unparalleled U.S. global clout. The discarding of the Anti-Ballistic Missile Treaty has posed new challenges for sustaining the credibility of China's nuclear deterrent. The strengthened position of Taiwan President Chen Shui-

bian and his Democratic Progressive Party along with firmer ties between Washington and Taipei, especially in the military sphere, have injected new uncertainty into cross-strait relations and raised doubts about whether reunification can ever be achieved. And all the above developments are taking place at a time of a critical leadership transition in China. Surely, the imperative for avoiding strategic animosity with the United States is obvious.

Chronology of U.S.-China Relations

April - June 2002

April 3, 2002: Chinese President Jiang Zemin meets with Sen. Dianne Feinstein (D-Ca.).

April 4, 2002: The Chinese government frees an elderly Tibetan teacher on medical parole after 19 years in prison.

April 4, 2002: At a State Department news briefing, President George W. Bush welcomes both Taiwan and the PRC into the WTO.

April 6, 2002: President Bush signs a bill supporting Taiwan's campaign to obtain observer status at the annual assembly of the WHO in Geneva in May.

April 9, 2002: U.S. Trade Representative Robert B. Zoellick delivers a speech at China's Central University of Finance and Economics in Beijing.

April 9, 2002: On the 23rd anniversary of the Taiwan Relations Act, the U.S. Congressional Taiwan Caucus is inaugurated with 85 members. The Caucus is founded by Democrat Representatives Robert Wexler (D-Fl.) and Sherrod Brown (D-Oh.) and Republicans Dana Rohrabacher (R-Ca.) and Steve Cabot (R-Oh.).

April 21- 25, 2002: U.S. Commerce Secretary Donald Evans visits Beijing. Evans and Chinese Minister of Foreign Trade and Economic Cooperation Shi Guangsheng co-chair a meeting in Beijing of the Joint Commission on Economic Cooperation and Trade.

April 23, 2002: The Department of Commerce announces that U.S. and Chinese trade officials signed in Beijing four grant agreements that will provide funding for projects in China involving e-commerce, renewable energy, the environment, and aviation.

April 25-26, 2002: The 10th China-U.S. Joint Commission Meeting on Science and Technology is held in Beijing.

April 25, 2002: Sen. Paul Wellstone (D-Mn.) submits Senate Resolution 252, expressing the sense of the Senate regarding human-rights violations in Tibet, the Panchen Lama, and the need for dialogue between the Chinese leadership and the Dalai Lama or his representatives.

April 27, 2002: Vice President Hu Jintao arrives in Honolulu on a week-long visit to the United States that included stops in New York, Washington D.C., and San Francisco.

May 1, 2002: Hu meets with President Bush in the Oval Office.

May 7, 2002: President Jiang meets with former U.S. President George H.W. Bush and his wife in Shanghai.

May 9, 2002: The U.S. imposes two-year economic sanctions on 14 companies, including eight Chinese firms, for selling weapons-related goods to Iran.

May 10, 2002: The U.S. House of Representatives approves the “Defense Authorization Bill for Fiscal 2003.” The bill carries provisions on U.S.-Taiwan joint military training and on strengthening U.S.-Taiwan high-level military personnel exchanges.

May 10-22, 2002: National War College China Field Study delegation visits Beijing, Urumqi, and Kunming.

May 14, 2002: Taiwan loses its sixth successive bid for observer status to the WHO.

May 16, 2002: U.S. Secretary of State Colin Powell briefs Chinese Foreign Minister Tang Jiaxuan on the U.S.-Russian nuclear arms agreement via telephone. The two officials also discuss Sino-U.S. relations and the Indo-Pakistani situation.

May 20, 2002: Sen. Sam Brownback (R-Ks.) and Ted Kennedy (D-Ma.) submit Senate Concurrent Resolution 114 calling upon China to immediately release certain refugees from North Korea on humanitarian grounds and in accordance with international law.

May 26, 2002: FM Tang speaks with Secretary Powell by phone to exchange views on the Indo-Pakistani situation.

May 29, 2002: Congressional delegation led by Curt Weldon (R-Pa.) arrives in Beijing and meets with Jiang.

May 29-31, 2002: In the first of a series of semi-annual meetings planned to deal with the issue of terrorist financing, experts from China and the U.S. meet at the Department of the Treasury in Washington, D.C. to exchange views on how to prevent and combat the financing of terrorism.

June 4, 2002: Senate passes by unanimous consent an amended version of Senate Resolution 252 calling upon China to release the Panchen Lama and talk with the Dalai Lama about the future of Tibet.

June 4-13, 2002: At the invitation of the U.S.-China Inter-Parliamentary Exchange Group, a Chinese National People's Congress delegation headed by Zeng Jianhui, chairman of the NPC Foreign Affairs Committee, visits the United States. The Chinese delegation meets with House Speaker Dennis Hastert (R-K.) and Henry J. Hyde (R-Il.), chairman of the House International Relations Committee.

June 6, 2002: U.S. Deputy Trade Representative Jon M. Huntsman, Jr. and Under Secretary of Commerce for International Trade Grant D. Aldonas testify to the Congressional-Executive Commission on China.

June 13, 2002: House lawmakers pass a resolution 406-0 calling on the PRC to treat DPRK asylum seekers humanely and halt the forced repatriation of North Koreans who face a well-founded fear of persecution if they are returned to North Korea.

June 20, 2002: Members of the U.S. Senate follow the House of Representatives unanimously in calling for a resolution urging the PRC government to allow safe passage for DPRK refugees and to cease repatriating them.

June 20-21, 2002: U.S. and Chinese delegations meet in Washington, D.C. for bi-annual bilateral consultations between the two countries on counterterrorism.

June 24-25, 2002: Vice Foreign Minister Wang Yi visits Washington for consultations with U.S. officials at the Department of State and the National Security Council.

June 25-27, 2002: Assistant Secretary of Defense for International Security Affairs Peter Rodman stops in Beijing after visiting Tokyo and Seoul for consultations with Chinese officials on U.S.-Chinese military relations.

June 26, 2002: Zhou Mingwei, deputy head of China's State Council Taiwan Affairs Office, arrives in Washington, D.C. for discussions on Taiwan with U.S. officials, lawmakers, and scholars.

**U.S.-Korea Relations:
After the "Breakthrough," Now What?**

by Donald G. Gross
Adjunct Professor
Yonsei University Graduate School of International
Relations

This quarter in U.S.-Korea relations opened with a bang and ended with a long pause. At the outset, South Korea's Special Presidential Envoy Lim Dong-won undertook a critical mission to North Korea to put the process of inter-Korean reconciliation back on track. North Korea's willingness to meet with Lim signaled a desire to improve the atmosphere on the peninsula after more than a year of verbal sparring with the Bush administration.

Lim's mission was broader than that of previous South Korean envoys. In addition to improving the atmosphere for North-South talks, Lim aimed to persuade Pyongyang to resume bilateral negotiations with Washington. This was not an easy task in the aftermath of President George W. Bush's "axis of evil" speech in late January, which raised the level of animosity between the U.S. and North Korea significantly.

After months of hearing the U.S. say "the ball is in North Korea's court," Pyongyang finally agreed with Lim in early April to resume bilateral negotiations with Washington. North Korea also decided to continue reunions of divided Korean families, organize a new round of South-North economic talks, and continue discussions with South Korea on military confidence building.

Analysts speculated that Lim's mission was mainly intended to head off a new confrontation with Washington on nuclear-related issues. President Bush's earlier refusal to certify North Korea's compliance with the 1994 U.S.-DPRK Agreed Framework signaled Washington's official unhappiness with North Korean actions to date. Although Bush indicated that the U.S. would continue supplying North Korea with heavy fuel oil, his action raised the specter of a renewed conflict on nuclear-related issues.

Once North Korea decided to resume negotiations with the U.S., a predictable political debate occurred in Washington between moderates and hard-liners over the reason for Lim's breakthrough. Conservatives argued that Bush's new hard-line policy, expressed in his "axis of evil" remarks, had brought Pyongyang back to the negotiating table. Moderates took the view that Lim's new effort at reconciliation with the North, a component of President Kim Dae-jung's Sunshine Policy, was the motivating factor.

What most influenced North Korea's decision will probably never be known precisely. Most likely, fear of Washington's new aggressiveness in confronting potential enemies in the aftermath of the Sept. 11 attacks, was a significant factor. The fact that North Korea faced yet another period of economic and humanitarian crisis also presumably focused Pyongyang's attention on repairing its domestic problems during the immediate future.

Secretary Powell's Restatement of U.S. Policy

In advance of the expected bilateral talks with North Korea, U.S. Secretary of State Colin Powell laid out key elements of U.S. policy in a speech to the Asia Society in New York City on June 10. From a U.S. policy perspective, Powell's speech attempted to integrate the views of administration hard-liners, who sought to toughen the U.S. approach toward North Korea, and the views of moderates who were interested in pursuing a pragmatic diplomatic agreement. In so doing, it established an opening U.S. position from which the Bush administration can move, according to its own logic, toward a comprehensive diplomatic settlement with Pyongyang. Of course, such a settlement depends heavily on North Korea's willingness to meet U.S. concerns, which is by no means assured.

At the outset of his speech, Powell blasted North Korea for its "dangerously deluded policies [that] drag its people further and further into a hell of deprivation and oppression." This "plain-speaking" rhetoric demonstrated the new Bush administration emphasis on publicly expressing its frank views of North Korea while pursuing pragmatic diplomatic negotiations.

Powell enthusiastically endorsed President Kim's Sunshine Policy of engagement and called for North Korea to continue the process of inter-Korean reconciliation by establishing industrial zones, implementing military confidence building measures, reuniting more separated families, and completing the North-South railway line. In so doing, the secretary strived to remove the doubt about U.S. support for progress in the North-South talks that has lingered since President Bush's "axis of evil" remarks.

The secretary forthrightly asserted that the U.S. "is prepared to take important steps" to normalize relations with North Korea, based on Pyongyang's agreement to: 1) end its proliferation of missiles to rogue states and eliminate its long-range missile program; 2) come into full compliance with International Atomic Energy Agency (IAEA) safeguards pursuant to the Nuclear Non-Proliferation Treaty (NPT); 3) move toward a less threatening conventional military posture by first implementing basic confidence building measures with the South; and 4) improve monitoring and access so inspectors can ensure that humanitarian food aid is not diverted from its intended recipients.

Powell's restatement of U.S. policy contained several important new nuances. By referring to compliance with "IAEA safeguards pursuant to the NPT," he seemed to press North Korea to accelerate inspections of its nuclear-related facilities beyond what is called for in the 1994 Agreed Framework. North Korea has argued that it only need

allow intrusive IAEA monitoring and inspection when it receives key components of the first light-water reactor, as provided in the Agreed Framework.

Powell once again stressed the importance of reducing North Korea's conventional military threat, but did so with greater regard to South Korean sensibilities than in the past. South Korea has emphasized the need for North Korea to first implement military confidence building measures, as agreed in previous North-South talks, and Powell underlined U.S. support for that approach.

Finally, Powell underscored more strongly than in the past that North Korea should allow greater monitoring of humanitarian food distribution. Critics have charged that humanitarian food aid is sometimes diverted to the North Korean military or to regime supporters rather than hungry and needy people. While promising to continue "generously to support" humanitarian food assistance, Powell put North Korea on notice that greater monitoring would be required in the future.

Shortly after the Powell speech, U.S. North Korea coordinator Jack Pritchard met with North Korea's UN Ambassador Pak Gil-yon on June 14 in New York to discuss the modalities of a U.S. envoy's planned visit to Pyongyang. In spite of North Korea's decision in early April to resume talks with the U.S. and Washington's willingness to meet Pyongyang officials "anytime, anyplace," it took more than two months for this first follow-on meeting to occur.

At the end of the quarter, no one could confidently predict that Pyongyang and Washington would resolve outstanding issues any time soon. While both parties might find it useful to resume talks, each had strong reason to demonstrate to domestic constituencies the virtues of their "tough stance" toward the other before agreeing to any concessions.

South Korean Elections and U.S.-Korea Relations

In mid-June, President Kim's Millennium Democratic Party (MDP) suffered a major defeat in regional and parliamentary elections. Observers attributed the landslide victory of opposition Grand National Party (GNP) candidates to widespread public displeasure over the bribery scandal involving President Kim's two sons as well as the low voter turnout. The election result pushed GNP presidential candidate Lee Hoi-chang well ahead of MDP candidate Roh Moo-hyun in the polls and indicated a greater probability that conservatives would prevail in the December 2002 presidential election.

Since the advent of democracy in Korea in the late 1980s, the U.S. has strived to maintain its distance from Korean domestic politics. Any perceived "interference" by the U.S. in the campaign could open the U.S. to political attacks by anti-American activists and thus weaken the U.S.-Korea alliance.

That is why some controversy arose in Korea over the statement of Assistant Secretary of State for East Asian and Pacific Affairs James Kelley to a congressional committee that the 2002 South Korean elections could adversely affect U.S.-South Korean relations. The statement was interpreted as expressing U.S. concern over the possible election of MDP candidate Roh Moo-hyun, who was leading opinion polls at the time.

U.S. Ambassador to South Korea Thomas C. Hubbard dampened this speculation in mid-April by saying the U.S., in fact, had no concern over the emergence of Roh Moo-hyun as a presidential candidate – and thus seemed to put to rest the controversy. Shortly thereafter, Roh fired a foreign policy adviser who had warned the Bush administration not to interfere in the presidential campaign.

World Cup and Anti-Americanism

Early in the World Cup competition, the scheduled game between the U.S. and South Korean teams stirred tangible fears of anti-American demonstrations throughout the country. Security police cordoned off the U.S. Embassy in downtown Seoul, the general police presence near American bases was unusually large and the government kept a force of 10,000 troops in reserve to deal with all possible contingencies. President Kim decided not to attend the U.S.-Korea game in the city of Taegu because of security concerns.

At the time, anti-Americanism in Korean public opinion was high for several reasons. Bush's "axis of evil" comments initially stirred wide resentment among the Korean public. Moreover, the perceived unfairness of a judge's decision disqualifying a South Korean speed skater at the Salt Lake City Winter Olympics spurred unexpected and widespread anti-American sentiments. Lastly, on June 13, a U.S. Forces Korea armored vehicle, on a training mission, hit and killed two teenage girls who were walking along a road. The incident inspired large protests at U.S. military installations from civic groups calling for a negligent homicide investigation.

On the day of the U.S.-Korea match in Taegu, no large-scale demonstrations materialized, however. This was largely due to what some observers called a "politically correct" result of the game: a 1-1 draw.

Trade and Economic Issues

Trade friction between the U.S. and South Korea on steel exports to the U.S. worsened considerably during the quarter. Despite Korean protests, the U.S. on March 20 imposed between 8 and 30 percent tariffs on 14 Korean steel import products. In early May, the South Korean government responded by demanding compensation in the amount of approximately \$171 million for the estimated damage from the first year of tariffs. The Koreans demanded that this compensation (due to the alleged "unfair punishment" of Korean steel exporters) come in the form of tariff exemptions on various non-steel products.

Although the U.S. steel tariffs generated anger among South Korean trade officials, the tariffs did not seem to pose any lasting harm to the overall economic or political relationship. Indeed, the strategy of negotiation to obtain “compensation” that Korea pursued indicated it was seeking a fair way of resolving the dispute before it could cause any long-term damage.

On the more positive side, U.S. Trade Representative (USTR) Robert Zoellick in April downgraded South Korea from a “Priority Watch List” country on intellectual property rights to a simple “Watch List” country. The U.S. thus indicated satisfaction with Korea’s efforts over the past year to enact new laws and undertake systematic enforcement measures to protect intellectual property rights. In the past, companies such as Microsoft had pressed the USTR to keep South Korea on the Priority Watch List because many Korean software companies illegally copied programs and otherwise violated intellectual property rights with apparent impunity.

U.S.-South Korea trade issues during the quarter occurred against a background of a rapidly improving ROK economy. The latest data showed 5.7 percent economic growth at the end of March compared to a year earlier. This better than expected expansion was driven by 8.9 percent growth in the construction sector and 7.7 percent growth in the service sector, with private consumption climbing 8.4 percent compared with a year earlier. Business and consumer confidence ran high, reflecting optimism that Korea has returned to the growth pattern it followed before the 1997 Asian financial crisis.

One benefit of the expanding ROK economy was to encourage purchases of foreign automobiles that have generally been considered luxury items. With the USTR pushing South Korea hard to take measures to expand U.S. auto sales, foreign auto sales in May reached a 1 percent market share, equaling their pre-1997 financial crisis high-water mark. General Motors’ agreement to acquire failing Daewoo Motors this quarter as well as Hyundai’s opening of a new automobile manufacturing plant in Alabama also relieve some tension on the auto trade issue.

F-15 Fighter Deal

In mid-May, the Korean government made its final selection of Boeing Corporation to supply 40 F-15K advanced fighter jets to the Korean Air Force by 2008. The total negotiated value of the contract was \$4.2 billion.

Controversy surrounded the lengthy selection process for the fighter aircraft. Civic groups in Korea charged the government with undue favoritism for Boeing after Dassault Aviation, a French company, initially submitted a lower bid for supplying the fighters. The civic groups also accused Boeing of offering aircraft technology that was less than state-of-the-art. Although Dassault was accused in the media of making illicit payments to support its bid, the French company mounted – and later dropped – a public relations and legal challenge to the government’s decision to award the contract to Boeing.

U.S. Embassy Housing Controversy

Civic groups also made an issue during the quarter of the U.S. Embassy's plan to build new housing on a site it purchased in central Seoul. The civic groups argued that the Korean government should not issue a license for construction since the housing would be built on the site of a former Korean palace, showing "disregard" for Korea's cultural heritage. At the end of the quarter, it appeared that the Korean government would delay licensing the construction, in part because the mayor-elect of Seoul opposed it and supported finding an alternative site.

U.S. Upgrades South Korea on Combating Human Trafficking

Last year, in its first report on "human trafficking," the U.S. State Department designated South Korea a "tier three" country that was not making sufficient efforts to meet minimum standards in combating the illicit trade of women and children. This designation caused considerable anger in South Korean government circles but was applauded by civic groups that long condemned government inaction to protect women against sexual and other forms of exploitation, particularly by organized criminal gangs. In early June, the U.S. recognized the government's "extraordinary strides" in the past year to crack down on human trafficking and moved it to a "tier one" country that meets minimal standards.

North Korean Refugees

During the quarter, the question of giving U.S. asylum to North Korean refugees became an issue in U.S.-Korea relations. After several highly publicized incidents of refugees entering foreign embassies and consulates in China, the State Department took the position that the refugees could not use a U.S. embassy to request political asylum in the United States. The Department argued that requests for asylum could be made legally only by a person who is physically present in the United States or at the U.S. border.

In response, South Korean Foreign Ministry officials anonymously criticized the U.S. for showing no concern over the fate of the refugees, despite repeated Bush administration statements condemning the oppressive nature of the North Korean regime. Perhaps stung by this criticism, the administration offered strong support to the ROK in a new dispute with China over refugees in mid-June. The U.S. also indicated it would raise the issue of refugees with North Korea when its bilateral talks resume.

Future Prospects

At the outset of this quarter, Special Presidential Envoy Lim Dong-won secured the agreement of North Korea to resume bilateral negotiations with the United States for the first time since President Bush took office. Yet even as of late June, the two sides had not settled on the schedule for the expected trip of a U.S. envoy to Pyongyang – the first

step in resuming negotiations. This delay and the apparent difficulty in carrying out a smooth diplomatic process – even after the official agreement to meet – reflect the deep suspicions harbored on both sides as they pursue a negotiated settlement.

For the moment, and perhaps through the South Korean presidential election in December, it suits the interests of both the U.S. and North Korea to conduct bilateral negotiations. For the U.S., resuming negotiations closes the gap with its Korean ally on policy toward North Korea. For North Korea's regime, negotiations are a way to buy time and relieve pressure while it struggles with its deep economic problems and tries to remain in power. It now seems that North Korea may have decided to wait until a new South Korean president is elected in December before taking any concrete measures to resolve diplomatic issues with either the U.S. or South Korea.

According to a saying popular among diplomats, "North Korea never misses an opportunity to miss an opportunity." North Korea's apparent decision to forego reaching any major agreements during President Kim Dae-jung's remaining months in office may well fit this established pattern.

Chronology of U.S.-Korea Relations April - June 2002

April 3, 2002: Special Presidential Envoy Lim Dong-won calls on North Korea to reduce tension during meeting in Pyongyang.

April 5, 2002: Lim and North Korea leader Kim Jong-il agree on new family reunions, economic meetings, and for North Korea to resume dialogue with U.S.

April 9, 2002: Trilateral Coordination and Oversight Group (TCOG) meeting in Tokyo.

April 9-12, 2002: Former U.S. Ambassador to South Korea Donald Gregg visits Pyongyang in a private capacity.

April 11, 2002: South Korea decides to send 200,000 tons of fertilizer to North Korea.

April 17, 2002: ROK Foreign Minister Choi Sung-hong meets President George Bush and Secretary of State Colin Powell to discuss relations with North Korea.

April 18, 2002: U.S. Ambassador to South Korea Thomas C. Hubbard says the U.S. has no concerns about the emergence of Roh Moo-hyun as a presidential candidate.

April 19, 2002: South Korea announces it will buy 40 F-15K fighter jets from Boeing.

April 25, 2002: Secretary Powell says U.S. is ready to resume dialogue with North Korea.

April 28, 2002: Divided Korean families reunite at Mt. Kumgang.

April 30, 2002: U.S. indicates that it accepts North Korea's invitation to send an envoy to Pyongyang to resume dialogue.

May 1, 2002: Presidential candidate Roh fires adviser who warned against U.S. interference in campaign.

May 6, 2002: North Korea cancels participation in inter-Korean economic talks.

May 7, 2002: U.S. urges North Korea to resume economic talks with the South.

May 8, 2002: Korean Peninsula Energy Development Organization (KEDO) officials begin discussions of a protocol for nuclear liability with North Korean officials in Pyongyang.

May 9, 2002: South Korea demands compensation from the U.S. for damage to the South Korean steel industry from U.S. import safeguards.

May 14, 2002: South Korean legislator Park Geun-hye reports North Korea will conduct joint investigation of leaking dam after meeting with Kim Jong-il.

May 17, 2002: Protests against U.S. Embassy plan to construct apartments in Seoul.

May 18, 2002: North Korean experts visit South Korea to examine airports for re-establishing direct inter-Korean air link.

May 20, 2002: Boeing agrees to cut price for F-15K fighters to approximately \$4.23 billion, sealing deal with Korean government.

May 22, 2002: China releases five North Korean defectors who entered a Japanese consulate in Shenyang, China on May 8 to travel to Seoul via Manila.

May 24, 2002: South Korea delays publishing a defense report identifying North Korea as the "main enemy."

June 6, 2002: U.S. raises South Korea's rating in report on human trafficking to a country that complies with minimum standards.

June 10, 2002: U.S. and South Korea draw 1-1 in World Cup match, averting possibility of anti-American protests.

June 10, 2002: Secretary Powell speech to Asia Society further defines U.S. Korea policy.

June 13, 2002: A U.S. Forces Korea armored vehicle, on a training mission, accidentally kills two Korean teenage girls in Uijongbu, north of the capital Seoul.

June 13, 2002: The conservative Grand National Party sweeps local elections in a major blow to President Kim's Millennium Democratic Party.

June 13, 2002: U.S. expresses "extreme concern" that Chinese police dragged North Korean defectors from South Korea Consulate in Beijing.

June 14, 2002: Ambassador Hubbard says U.S. will discuss with North Korea missile and nuclear concerns as well as humanitarian and refugee issues in resumed bilateral talks. U.S. coordinator on North Korea Jack Pritchard meets with North Korean Ambassador to the UN Pak Gil-yon in New York.

June 17, 2002: TCOG is held in San Francisco.

June 23, 2002: China releases 23 North Korean defectors after reaching agreement with Korea.

**U.S.-Russia Relations:
Growing Expectations: How Far Can
Rapprochement be Carried Forward?**

by Joseph Ferguson
Researcher

The Johns Hopkins School of Advanced International Studies

The spring of 2002 showed great promise for the newfound U.S.-Russia partnership. Presidents George Bush and Vladimir Putin carried out successful summit meetings in Moscow and St. Petersburg in May and managed to sign a groundbreaking strategic arms reduction agreement. In addition, Russia was welcomed into NATO and given a seat on a council with a voice in alliance matters that will be most pertinent in the 21st century. The United States also was behind the pledge by the G-7 nations to contribute \$20 billion over 10 years to nonproliferation programs in Russia and the former Soviet republics and to give Russia a permanent seat at future G-8 meetings. Most important, the United States and Russia have continued their cooperation in the war on terrorism and Russia continues to give the U.S. a free hand in Central Asia. In return the U.S. leadership remains mum on Chechnya. Nevertheless, more is expected in Russia in return for unquestioned support of the U.S. Putin is beginning to feel some domestic opposition to his policy of “appeasing” the U.S., and it is a question how long he can continue this policy if Russia appears to accrue no advantage.

Trade-Offs

The U.S. has shown little latitude in its relations with Russia, apart from the tendency for leaders in Washington to overlook Russia’s brutal actions in Chechnya. Recent reports claim that Russia is preparing to forcefully repatriate war refugees back into Chechnya where low-scale fighting continues. The fighting is likely to heat up in the summer months. On other fronts, however, the U.S. government has continued to pressure Russia. The State Department informed the Russian Foreign Ministry in April that some of the nonproliferation exchanges under the Nunn-Lugar Cooperative Threat Reduction program would be cancelled due to Russia’s inability to meet its obligations under the program. The U.S. also began pressing Russia to terminate its lucrative military and scientific assistance to Iran, which includes the construction of a nuclear power reactor at the Bushehr complex, 500 miles south of Tehran. Russian leaders have countered that the reactor is no different than the one the U.S. is helping North Korea to construct.

Leading up to the May summit meeting, many in Russia were asking what rewards Russia would get in return for its unquestioned support of the United States in Central Asia, Russia's traditional sphere of influence. A series of trade spats in the winter and the refusal of the U.S. Congress to repeal the Jackson-Vanick amendment, which links emigration to trade rights, led Russian politicians and citizens alike to cry foul. A survey conducted in early April by the All-Russia Center for Public Opinion Studies showed that attitudes in Russia toward the U.S. had reached a low point comparable to the summer of 1999, when U.S. and NATO forces began bombing Yugoslavia. Aleksei Arbatov, a Duma lawmaker from the liberal Yabloko faction, warned Putin and leaders in the presidential administration, "you won't get anything from the Americans." Leonid Ivashov, a former high-ranking Defense Ministry official, went even further when he likened Russia's new pro-U.S. strategy as "an attempt at geostrategic suicide." President Putin, however, has remained firm in his policies and shown the ability to rise above any type of opposition by relying on his wide popular support, which remains strong in spite of opposition among the political elite.

Trade relations were tense in the wake of the U.S. decision to impose tariffs on Russian steel exports. Russia responded by imposing a ban on U.S. poultry imports. Perhaps recognizing the building impatience in Russia, the Bush administration lobbied Congress hard to grant Russia status as a free-market economy. This classification was finally granted on June 6. But many Russian leaders expect more. They want guarantees about NATO expansion and substantial U.S. economic assistance, including debt relief. So far the United States has delivered little, they say. In early May, the Russian daily *Pravda* warned that Russia would get "nothing" from the upcoming summit. Even two prominent American analysts warned in the May 1 edition of *The Los Angeles Times* that United States could take Russia for granted only "at its peril."

A Farewell to Arms

The May summit was a four-day affair held in Moscow and St. Petersburg, and the two leaders went a long way in muting some of the criticism that had been receiving press in both Russia and the United States. A week before they met, the two leaders announced that an anticipated arms control deal would be signed. Russian leaders considered it a small victory that they were able to convince U.S. leaders to sign an actual treaty. The daily *Izvestia* called U.S. actions a "concession." Washington had initially shown hesitation, insisting that friends do not need treaties. The Russians persisted and in Moscow on May 24, Bush and Putin signed a short, three-page agreement calling for cuts in warheads to a level between 1,700-2,200 on each side. The two presidents, accompanied by their wives, spent the rest of their time in Russia sightseeing and visiting Russia's "northern capital" St. Petersburg – Putin's hometown. Bush and Putin met again several days later in Italy where they participated in signing an agreement on the creation of the NATO-Russia Council. The council will give Russia a voice (though not a veto) in this consultative body, which will meet to discuss issues pertaining to counterterrorism, controlling the spread of nuclear, chemical, and biological weapons, missile defense, peacekeeping and management of regional crises, civil defense, search-and-rescue at sea,

promoting military cooperation, and arms control. Russia will have no say in strategic matters and in expansion decisions.

The two leaders seem to genuinely enjoy one another's company and truly believe in the new partnership. Putin has demonstrated his commitment by complying with most requests from Washington. Russian leaders seem to have acquiesced to NATO expansion, including membership for the Baltic republics. Russia has not only not opposed U.S. actions in Central Asia, but it has let the United States know that it stands by with a ready spigot should OPEC decide to restrict oil supplies. Sticky issues do, however, remain and these include Iran, proliferation concerns, and economic issues. Russian leaders have been anxious to settle strategic issues and get on with the business of economic cooperation.

Most Russian analyses of the May summits in Russia and in Italy were dubious about the long-term advantages for Russia. Though recognizing the importance of building good relations with the United States, few Russians are unwilling to do so at all costs. The *Nezavisimoe Voyennoe Obozrenie*, a defense-oriented weekly, asked of the summit: "is it surrender or transition to partnership?" "What partnership?" asks Andranik Migranyan, vice chair of the Reform Foundation, an independent Moscow-based think tank. "Americans understand partnership as the complete subordination of Russia to American interests" he says. "The agreements ... signed at this summit are meaningless window dressing, designed to keep Russia in its orbit." Respected Defense Analyst Pavel Felgenhauer termed the arms control agreement signed by Bush and Putin a "worthless scrap of paper." Felgenhauer feels that the treaty extends great strategic advantages to the United States by dint of its open-ended nature. He feels that this could leave the U.S. with a force of near-ready warheads that can be quickly reassembled, while Russia will be forced by economic reasons to destroy most of its delivery systems. When the Anti-Ballistic Missile (ABM) Treaty officially and quietly expired in June, the daily *Nezavisimaya Gazeta* simply announced that "Washington has won." Meanwhile, many U.S. observers are concerned that the arms reduction agreement could heighten proliferation risks in Russia because of the increased number of warheads that will be dismantled in Russia.

Putin and top officials in his administration continue to insist that Russia is on the right path alongside the United States. They were partially vindicated when the Bush administration granted Russia the classification of a market economy in June. Also, at the Kananaskis G-8 summit in Canada in late June, the major Western nations did pledge \$20 billion for nuclear nonproliferation programs in Russia and the former Soviet republics. But many Russians argue that they will need more help for their economy. Putin is counting on U.S. assistance whether in the form of credits or debt relief. Putin maintains high support ratings because he has stabilized the situation in Russia economically and socially. "[Putin's] ratings among the Russians do not really depend that much on his foreign policies," says Dmitri Trenin of the Carnegie Moscow Center think tank. Failure to improve the economic situation, however, will result in the growth

of opposition to all of his policies, domestic and foreign. Putin is hoping his approach to the United States will pay off.

There are reports that the U.S. is exploring debt forgiveness if Russia promises to use the same amount toward domestic nonproliferation programs. Russia needs any help it can get. The increase in oil revenues will only go so far. With Germany still paying for reunification and Japan mired in a decade-long economic slump, the United States is really the only major source of assistance Russia can look to. As *The Wall Street Journal* points out, over the past 10 years, U.S. direct investment in Russia comes to only \$4 billion – roughly the level of American investment in China in a year. U.S. trade with Russia meanwhile accounts for less than 1 percent of its total trade, the same level as with Costa Rica.

The China Factor

China's leaders have kept a close watch on the U.S.-Russian *rapprochement*. International relations in East Asia still seem to be viewed in the context of a "zero-sum" game, wherein better relations between two nations translates to worse relations with these two countries and certain third countries. China, in particular, takes this view with respect to China-U.S.-Russia relations and China-U.S.-Japan relations. China's leaders have insisted that they see no worrying trends in relations with Russia, and they quickly dismiss the notion that Russia's inclusion in the NATO-Russia Council is damaging to China-Russia relations. Chinese leaders, however, "must be very deeply concerned" about the Russia-U.S. partnership and the presence of U.S. troops in Central Asia, says one Asian diplomat in Moscow. Russia seems to have swallowed not only NATO expansion but also the demise of the ABM Treaty, something disconcerting to China's leaders. The Shanghai Cooperation Organization (SCO) met in St. Petersburg in June, but after the Bush-Putin summit it was barely noticed. Of great concern to strategic planners in China is that NATO could seek to expand even further east – perhaps into Central Asia. "They are trying very, very hard to make sure that never happens," the diplomat says. But Vladimir Putin has consistently maintained a balance in his diplomacy and is unlikely to allow relations with China to deteriorate too much. In a televised interview in late June, Putin stated that China-Russia relations are "as good as they have ever been."

The Outlook

Now that the U.S.-Russia strategic relationship has been shored up, it is time for the two nations to implement an effective plan on economic cooperation. The Russians are expecting this and a perceived failure by the United States to deliver will not only harm the relationship but could doom the political standing of Vladimir Putin in Russia.

Chronology of U.S.-Russia Relations

April - June 2002

April 11, 2002: At a Madrid conference on Middle East security, U.S. Secretary of State Colin Powell meets with Russian Foreign Minister Igor Ivanov for nuclear arms talks.

April 15, 2002: Russian Minister for Economic Development and Trade German Gref arrives in Washington for talks on trade issues and Russia's status as a free market economy.

April 22, 2002: Russian Deputy Prime Minister and Finance Minister Aleksei Kudrin in Washington for a meeting of the U.S.-Russia Business Forum.

April 23, 2002: U.S. Undersecretary of State John Bolton conducts talks on arms control with Russian Deputy Foreign Minister Georgii Mamedov in preparation for U.S. President George W. Bush's visit to Russia in May.

April 27, 2002: The seventh session of the Russian-American Group for Afghanistan under the co-chairmanship of Russian First Deputy Minister of Foreign Affairs Vyacheslav Trubnikov and U.S. Deputy Secretary of State Richard Armitage takes place in Moscow.

April 29, 2002: On his way to Central Asia, U.S. Defense Secretary Donald Rumsfeld meets with Russian Defense Minister Sergei Ivanov at Sheremetyevo airport in Moscow.

May 5, 2002: Foreign Minister Ivanov meets with Secretary Powell in Washington to discuss the war on terror, arms control, and the upcoming U.S.-Russia summit meeting in Russia.

May 8, 2002: In Detroit at the forum of energy ministers from the Group of Eight (G-8), Russian Energy Minister Igor Yusufov declares "Russia's readiness to become the guarantor of stability at the world market of energy resources."

May 13, 2002: President Bush announces that he and Russian President Vladimir Putin will sign a treaty to remove two-thirds of long-range nuclear warheads from missiles, bombers, and submarines and "liquidate the legacy of the Cold War."

May 13-14, 2002: Undersecretary Bolton in Moscow, meets with Deputy FM Mamedov, the U.S. and Russia reach an agreement to cut 1,700 to 2,200 nuclear warheads.

May 14, 2002: At a NATO meeting in Reykjavik, Iceland NATO Secretary General George Robertson announces the establishment of a joint council of the 19 NATO nations and Russia known as the NATO-Russia Council.

May 23-24, 2002: President Bush in Moscow for four-day visit. On May 24, Bush and Putin sign a “landmark treaty” slashing U.S. and Russian long-range nuclear warheads by two-thirds. Both sides pledge to cut their arsenals to between 1,700 and 2,200 warheads by the year 2012.

May 28, 2002: Bush and Putin arrive in Italy to sign the NATO protocol on the NATO-Russia Council.

June 6, 2002: The Bush administration grants Russia status of a “market economy.” U.S. Commerce Secretary Donald Evans said the new designation “reflects the tremendous economic changes that Russia has made over the last decade.”

June 11, 2002: U.S. Attorney General John Ashcroft meets in Moscow with Russian Prosecutor General Vladimir Ustinov to discuss U.S.-Russian anticrime and antiterrorism measures.

June 13, 2002: The ABM Treaty officially expires.

June 14, 2002: In response to the U.S. withdrawal from the ABM Treaty, the Russian government announces that the START II arms control treaty is no longer valid. Russian Defense Minister Sergei Ivanov announces that the cancellation of START II “gives Russia much more flexibility in building and planning its strategic nuclear forces.”

June 26-27, 2002: G-8 summit is held at the Kananaskis retreat in the Canadian Rockies; the members agree to hold the 2006 G-8 summit meeting in Russia.

U.S.-Southeast Asia Relations: Building for the Long Term

by Marvin Ott
Professor, National Security Policy, National War College

The quarter was marked by continued U.S. efforts to consolidate and clarify its counterterrorism strategy in the region. In the Philippines, U.S. military training and assistance seemed to produce more energetic and effective operations by the Philippine Army against Abu Sayyaf guerrillas. Politically and operationally, U.S. counterterrorism cooperation with Malaysia strengthened notably while collaboration with Singapore stayed close. Indonesia remained the primary focus of U.S. concern and even here significant movement toward close working relations became evident. Terrorism-related issues continued to overshadow more traditional U.S. concerns in the region regarding economic issues, human rights, and an incipient strategic rivalry with China. U.S.-China relations were relatively quiescent – facilitating a single-minded focus on terrorism in U.S. relations with Southeast Asia.

Strategic Focus

Since the end of the Vietnam War in 1975, U.S. strategy toward Southeast Asia has tended to lack sharp focus and clear priorities. The end of the Cold War and the general disorientation this produced in the U.S. security community tended to reinforce the sense of strategic drift. Finally, the loss of U.S. bases in the Philippines in the same time period removed the southern anchor of U.S. power in East Asia – leaving the U.S. military presence heavily concentrated in Northeast Asia. The Seventh Fleet and its air assets continued to patrol Southeast Asian sealanes, but U.S. officials sometimes had difficulty articulating the purpose of this substantial mobile presence.

The rationale tended to take two forms: (1) U.S. forces acted as a kind of security guarantor for Southeast Asia preventing many historic and not so hidden rivalries and disputes within the region from spiraling out of control; and (2) these forces acted as a counterweight (and barrier) to possibly overweening Chinese strategic ambition toward Southeast Asia. Taken together (so the argument went), the net effect was to provide Southeast Asia with a relatively peaceful and secure environment in which economic development could proceed and political stability could be nurtured.

There was much merit in this formulation. But for all its subtlety and even sophistication, it lacked the immediacy and clarity that can only be provided by a tangible

and credible threat. That was provided on Sept. 11, particularly when Washington determined that al-Qaeda had established at least a “toehold” in Muslim Southeast Asia – sufficient for the U.S. president to declare the region as the “second front” in the U.S. global war on terrorism.

That view, and its corollary call for collaboration against Islamic militants, has been surprisingly well received in Southeast Asian capitals. “Surprising” if one assumed a high level of Southeast Asian skepticism and resistance to demands by the U.S. superpower to crack down on certain domestic groups. The key to such receptivity lies in the perception of existing political establishments that militant/terrorist organizations like al-Qaeda pose a mortal threat to current governments as well as political and social stability.

As a consequence, U.S. security strategy and programs, augmented by diplomacy in multiple forms, have become strikingly single-minded around one theme – the war on terrorism.

The Philippines: Boots on the Ground

The Philippines has provided the U.S. military with both a target and an opportunity to deploy assets against it. Abu Sayyaf, a militant Islamic splinter group in the extreme south, has long bedeviled the Philippines government with a campaign of kidnappings and ransom. When the attacks on Sept. 11 occurred, Abu Sayyaf happened to be holding two American hostages. That, plus a tenuous history of some contact with al-Qaeda was sufficient to generate a U.S. offer, and Manila’s acceptance, of assistance. The result was a contingent of over 600 troops comprising primarily Special Forces and Seabees (for civic infrastructure projects). While the engineers built roads and repaired bridges, the Special Forces trained Philippine troops and provided equipment. In time the U.S. also offered a reward of \$25 million for the capture of the top five leaders of Abu Sayyaf. Judging from press reports and events, the net effect of U.S. assistance was a steady improvement in the tempo and effectiveness of Philippine Army operations.

Sometime in June, the guerrillas holding the hostages (the Burnhams and Ebidorah Yap) were forced to flee their longtime redoubts on Basilan Island and retreat to Mindanao. There a Philippine Scout Ranger unit tracked them down. When the shooting stopped, Mr. Burnham was dead (apparently executed by his captors) as was Ms. Yap, but Mrs. Burnham was rescued. A few days later a senior leader of Abu Sayyaf was apparently killed when a speedboat (detected with U.S. overhead surveillance) he and others were using to leave Mindanao was intercepted and sunk by the Philippine military.

These operations against Abu Sayyaf were taking place simultaneously with separate and larger joint Philippine-U.S. exercises “Balikatan 2002” in central Luzon. President Gloria Macapagal-Arroyo gave strong public support to both joint activities and Philippine army officers declared their high satisfaction with the results of U.S. assistance. With the removal of the hostage factor, President Macapagal-Arroyo called for a no-quarter war of

extermination against Abu Sayyaf. She also indicated a desire for some U.S. forces to remain in the Philippines for continued assistance (including joint patrols) against Abu Sayyaf beyond the formal end of “Balikatan” on July 31. Subsequently, Defense Secretary Donald Rumsfeld effectively acceded to that request.

The net effect of these developments was (1) to weaken – perhaps fatally – Abu Sayyaf and (2) to re-establish effective U.S.-Philippine military cooperation for the first time in over a decade. The general change in tone in U.S.-Philippine relations compared to the acrimony prevalent in the early 1990s was striking.

Malaysia: Friends After All

U.S.-Malaysia relations, if judged by commercial/economic, defense, and intelligence standards, have long been close and productive. But on the political/diplomatic dimension the picture has been quite different with rancor – in public or barely below the surface – the order of the day. For years Prime Minister Mahathir Mohamad has used the sharp edge of his tongue to lacerate U.S. policy for neocolonial bullying (among many other sins). A low point was reached in 1998 when Vice President Al Gore used a platform in Kuala Lumpur to criticize Mahathir for the jailing of his erstwhile deputy, Anwar Ibrahim.

When George W. Bush was elected president (much to Mahathir’s publicly proclaimed delight), Kuala Lumpur began efforts to repair relations. These acquired serious momentum in the wake of Sept. 11. To the surprise of many in Washington, Mahathir quickly staked out a position of common cause with the U.S. in the global struggle against terrorism. The same militant Islamic impulses that fed support for al-Qaeda also posed a threat to the moderate, essentially pragmatic, Malaysian government. Bush and Mahathir met at the October 2001 Asia Pacific Economic Cooperation (APEC) Leaders’ Meeting in Shanghai and established a working relationship. Washington made a point of publicly thanking Mahathir for his expressions of support – culminating in an invitation for the prime minister to visit the White House in June. Despite some predictions that Mahathir would ruffle feathers in Washington, the visit went smoothly and produced a bilateral agreement to collaborate closely in counterterrorism efforts, including intelligence sharing, border security, and money laundering.

Domestically, Mahathir seized upon Sept. 11 (and subsequent statements by the major Malay opposition party calling for a “jihad against America”) to clamp down hard on militants. As a result, Mahathir’s political position, weakened in the wake of Anwar’s arrest, rebounded strongly. In foreign policy, senior Malaysian officials spoke publicly of the value of joint military cooperation with the U.S. Meanwhile Malaysia assumed a high-profile role in a variety of fora as advocate for energetic multilateral cooperation against terror. These included the Organization of Islamic Conference (OIC) where Malaysia assumed a three-year chairmanship, a special ASEAN ministerial meeting, and a joint summit of Indonesia, Malaysia, and the Philippines. From Washington’s

standpoint, all this established Malaysia as an increasingly valuable and effective voice for the war on terrorism within Islamic and developing councils.

In sum, the startling effect of Sept. 11 and subsequent policy initiatives was to put U.S.-Malaysia relations on the strongest footing at least since the 1960s – and perhaps ever.

Indonesia: Delicate Dance

By any measure, the most important regional player in any counterterrorism effort is Indonesia. It has both the largest Muslim population and is the most vulnerable, with a debilitated economy, a weak government, and a demoralized and discredited military. In recent years money from the Persian Gulf has introduced a more orthodox, less tolerant, strain of Islam than the traditional Javanese *abangan* form. Together these factors have produced something new and ominous on the Indonesian scene – organized sectarian (Muslim/Christian) violence on a large scale.

When a terrorist cell was uncovered in Singapore with connections to Malaysia, Indonesia, and the Philippines, senior officials in Singapore, Kuala Lumpur, and Washington quickly identified an Indonesian cleric as the mastermind and urged Jakarta to take action. The predominant Indonesian response was defensive and resentful – denying that there was any persuasive evidence of an al-Qaeda presence in the country.

Still, for U.S. officials looking for a glass half full, opportunity lies in the makeup of the current Indonesian government. President Megawati Sukarnoputri is a secular nationalist with close ties to the Indonesian Army. These are the elements in the political spectrum that are natural allies in any campaign to reign in Islamic militants. For them, sectarian violence poses a potentially lethal threat to the unity – and hence the survival – of the country. The problem for Washington is, in part, homegrown. Since the bloody campaign of pro-Jakarta militias (closely tied to the army) in East Timor, the U.S. has maintained Congressionally-mandated restrictions of assistance to or cooperation with the Indonesian military.

The Bush administration has made it clear that it sees the Indonesian armed forces (TNI) as an absolutely vital element in an effective counterterror strategy in Indonesia (and Southeast Asia). Senior officials led by Deputy Defense Secretary Paul Wolfowitz have tried to stake out a position in favor of removing barriers to cooperation with the TNI while reaffirming continued support for military reform and accountability. During the quarter, both Wolfowitz and Assistant Secretary of State of East Asian and Pacific Affairs James Kelly visited the region and expressed understanding of the difficulties facing President Megawati and guarded approval for the steps her government was taking.

Indonesian official reaction during this period evolved. In February, TNI leaders rejected a Pentagon offer of humanitarian aid in dealing with serious flooding in Jakarta. Several senior officers made statements to the effect that Indonesia could handle any security

problems without outside help (or interference). But in late April, U.S. and Indonesian security officials began sensitive talks to explore a possible resumption of military-to-military cooperation. Both the commander of U.S. forces in the Pacific and the U.S. ambassador to Indonesia publicly advocated a restoration of military ties. In an interview in Singapore, Wolfowitz made the case for not allowing the perfect to become the enemy of the good. "I believe very strongly in an agenda of military reform. But, I also believe that democracy in Indonesia requires a competent military that can protect the rights of minorities. We've got to pursue both agendas. We can't be dogmatic about insistence on total reform of the Indonesian military before we'll help them in any way at all."

Unlike in the Philippines and Malaysia, the quarter ended with U.S.-Indonesia relations still very much a work in progress. The administration's goal of robust counterterrorist assistance to Indonesia will have to overcome imbedded suspicions (and legal restrictions) in the Congress plus doubts in Indonesia whether the gains will outweigh the risks.

Chronology of U.S.-Southeast Asia Relations April - June 2002

April 1, 2002: Cambodia announces it has agreed to a U.S. offer to grant asylum in America to 905 ethnic Montagnards who fled across the border from Vietnam. Hanoi has labeled the U.S. offer a deliberate attempt to stir up unrest among ethnic hill tribes.

April 1, 2002: An Islamic Conference of Foreign Ministers on Terrorism opens in Kuala Lumpur.

April 2, 2002: U.S. Senators Daniel Inouye (D-Hi.) and Ted Stevens (R-Ak.) of the Defense Appropriations Subcommittee arrive in the Philippines to assess the deployment of 660 U.S. troops in the southern Philippines.

April 5, 2002: U.S. Trade Representative Robert Zoellick begins talks in Singapore with ASEAN trade ministers.

April 11, 2002: Philippines Supreme Court rules that ongoing U.S. counterterrorism training for Filipino soldiers is legal because it is covered under the Mutual Defense Treaty and the Visiting Forces Agreement. However, the Court says it has "no doubt that U.S. forces are prohibited from engaging in offensive war on Philippines territory."

April 11, 2002: A presidential spokesman indicates the Philippines would approve the deployment of a U.S. engineering brigade from Okinawa to help in development projects on Basilan Island.

April 13, 2002: Assistant Secretary of State for East Asian and Pacific Affairs James Kelly meets with Malaysian Prime Minister Mahathir Mohamad in Kuala Lumpur.

April 15, 2002: U.S. Ambassador Skip Boyce reaffirms that the U.S. does not support separatist movements in Indonesia – whether in Irian Jaya or elsewhere.

April 15, 2002: USCINCPAC Adm. Dennis Blair visits the southern Philippines to assess the ongoing deployment of U.S. forces to assist Philippine troops operating against the Abu Sayyaf; the Philippines declares U.S. troops could return fire if attacked.

April 22, 2002: Malaysian Defense Minister Najib Tun Razak says Indian and U.S. navies are welcome to conduct joint antipiracy patrols in the Malacca Straits.

April 22, 2002: The U.S. and Philippines armed forces launch joint exercises in central Luzon – the second phase of “Balikatan 2002.” About 2,700 U.S. troops are involved in training in jungle warfare, tactical night-flying, amphibious landings, and search and rescue.

April 24-25, 2002: U.S. Deputy Assistant Secretary of Defense for Asian and Pacific Affairs Peter Brookes arrives in Jakarta to initiate a new U.S.-Indonesia security dialogue to explore restoring military cooperation severed in 1999.

April 26-29, 2002: Gen. Richard Myers, chairman of the Joint Chiefs of Staff, arrives in the Philippines.

April 30-May 3, 2002: DM Najib visits the U.S. to discuss terrorism and Middle East issues with Secretary of Defense Rumsfeld and members of Congress.

May 1, 2002: Singapore Senior Minister Lee Kuan Yew meets with President Bush at the White House in a meeting devoted primarily to international terrorism. The president expresses his “great gratitude” for Singapore’s support in the war on terror.

May 2, 2002: Public opinion poll shows 69 percent of Filipinos support U.S. assistance to Philippine troops on Basilan, 31 percent are opposed.

May 6, 2002: Burmese opposition leader, Aung San Suu Kyi, is freed after 19 months of house arrest.

May 6, 2002: Hundreds of Muslim students protest the presence of Ambassador Boyce in Makassar, accusing him of being behind the arrest two days earlier of the leader of Laskar Jihad.

May 9, 2002: *The New York Times* report indicates widespread popular concern in Indonesia that the U.S.-sponsored war on terrorism will become a war on democracy as the U.S. moves to assist the Indonesian Army and police despite their histories of human rights abuses.

May 13, 2002: A senior Malaysian legal affairs official meets with U.S. Attorney General John Ashcroft and reports he was told the U.S. endorses Malaysia's use of the Internal Security Act to fight terrorism.

May 13-15, 2002: PM Mahathir visits the U.S. and signs antiterrorism treaty.

May 13-15, 2002: Indonesian Minister of Defense Matori Abdul Djalil meets with Secretary Rumsfeld and National Security Advisor Condoleezza Rice in Washington in an effort to speed up the restoration of full military cooperation.

May 13-23, 2002: A senior officer in Burma's military government holds a series of meetings in Washington with a number of agencies including state, justice, and the CIA exploring how Burma can shed its designation as a narco-state.

May 14-28, 2002: The 21st annual "Cobra Gold" exercise in Thailand with the participation of 13,200 U.S., 7,700 Thai, and 700 Singaporean forces.

May 15, 2002: Philippines Senate Defense Committee Chairman Ramon Magsaysay, Jr., says there is no legal impediment to the extension of U.S.-Philippines military exercises aimed at eradicating Abu Sayyaf.

May 17, 2002: Adm. Thomas Fargo, new USCINCPAC, visits U.S. troops in the southern Philippines.

May 22, 2002: USAID signs a Memorandum of Understanding with the Philippines providing a framework for assistance in Manila's efforts to curb money laundering.

May 23, 2002: PM Mahathir declares that Malaysia will not seek foreign military assistance against internal terrorist threats. He also notes that relations with the U.S. are improved and that the Bush administration is "more appreciative" of Malaysian policies.

May 24, 2002: The U.S. House votes \$8 million in aid for training Indonesian police as part of an antiterrorism bill but does not embrace the administration's call for assistance to the Indonesian military.

May 25, 2002: USCINCPAC Fargo says it would be desirable for Japan and other Asia-Pacific countries to participate in future "Cobra Gold" military exercises to upgrade regional capabilities to deal with transnational threats.

May 29, 2002: Indonesian Vice President Hamzah Haz meets with a controversial Muslim cleric publicly linked by Singapore and Malaysia to a regional terrorist network and announces that, "There are no terrorists here. I guarantee that."

June 3, 2002: The first of the Montagnard refugees from Vietnam departs Cambodia for resettlement in the U.S. The refugees fled to Cambodia in February 2001 after Vietnamese authorities crushed antigovernment demonstrations in the Central Highlands.

June 3, 2002: Speaking in Singapore, Deputy Defense Secretary Paul Wolfowitz calls for renewed U.S.-Indonesian military links.

June 4, 2002: U.S. Customs Commissioner Robert Bonner announces an agreement with Singapore by which U.S. inspectors will begin security screening of cargo containers before they leave Singapore for the U.S. This is the first time U.S. inspectors will be stationed overseas.

June 5, 2002: Thai Gen. Surayud Chulanot on an official visit to the U.S. stresses the importance of Thai-U.S. military cooperation and Bangkok's support for the war on terrorism.

June 7, 2002: The Philippine military announces that Philippine Scout Rangers had found the Abu Sayyaf group holding the two American hostages and a Filipina nurse. In the ensuing firefight one U.S. hostage and the nurse were killed, the other U.S. hostage was rescued.

June 17, 2002: Two official Vietnamese delegations visit Washington to lobby against a Vietnam Human Rights bill that has passed the House and is pending in the Senate.

June 21, 2002: The Philippine Army reports that a leader of Abu Sayyaf has "no doubt" been killed in a speedboat clash between the military and a small guerrilla group.

June 22, 2002: PM Mahathir tearfully announces his resignation, but subsequently is convinced by party officials to remain in power for another 18 months to ensure a smooth transition of power to Deputy PM Abdullah Badawi.

June 23, 2002: Although "Balikatan 2002" will end July 31, President Macapagal-Arroyo announces plans to extend the stay of U.S. forces and seek their wider deployment for joint operations in the fight against Abu Sayyaf.

June 26, 2002: Secretary of Defense Rumsfeld says some U.S. forces will continue small unit training in the Philippines after the bulk of U.S. forces withdraw.

June 26-July 1, 2002: Malaysia and the U.S. conduct the annual Cooperation Afloat Readiness and Training (CARAT) exercise involving 2,400 Malaysian soldiers and sailors and 1,400 U.S. Marines and Coast Guard personnel.

**China-Southeast Asia Relations:
Former Tigers under the Dragon's Spell**

by Lyall Breckon
Senior Analyst, CNA Center for Strategic Studies

With the United States preoccupied by the war on international terrorism and Southeast Asians concerned above all with economic recovery, China found new space during the quarter for increasing its presence and influence among its southern neighbors. Beijing combined diplomacy with promises of expanded trade in an effort to counter Southeast Asian fears that China's economic acceleration would leave them impoverished – at least by pre-1997 standards – and with few options for regaining rapid growth. The worries remain, but China may be succeeding in pushing them further into the future.

Meanwhile, admiration for China's attentive cultivation of the region, including successful visits by PRC Vice President Hu Jintao to Malaysia and Singapore, is widespread. New Chinese energy investments in Indonesia, and Beijing's invitation to Singapore to play a role in development of China's western regions, furthered the impression of growing interdependence, rather than domination by China.

Relief is also widespread in most ASEAN capitals that the United States and China appear to be mending relations. China's political support for the war on terrorism, and its acceptance of operations near its borders, in Central Asia and the Philippines, that increase U.S. influence, generate comfort in Southeast Asian capitals. Regional observers note the change from a year ago, in the aftermath of the EP-3 reconnaissance plane incident. ASEAN capitals are concerned that firmer, less ambiguous U.S. commitments to Taiwan's security could lead to another, more serious, Taiwan Strait crisis but do not see this happening in the near term.

Trade and Investment at the Forefront

Southeast Asian governments remain concerned about China's increasingly successful competition for foreign investment. Singapore in particular is feeling the pinch of China's competition. Its trade union council reported in June that 42,000 Singaporeans had lost their jobs since January 1997 due to the move of Japanese and other foreign companies out of Singapore to China and other, lower-cost ASEAN countries. On the other hand, Singapore's opportunities in China, where it has the advantage of language, are greater than those of any other ASEAN member.

Singapore has invested heavily in China for years, as part of a deliberate hedging strategy to build interdependence as China's economic and political power grow to match its size. China has been the largest recipient of investment from Singapore since 1997, and Singapore is expanding its role as an "incubator" to help China's industries commercialize products and services for the international market.

Chinese leaders paid several visits to the island republic during the quarter. Vice President Hu Jintao, during his April stopover on the way to Washington (see below), offered Singapore new opportunities to assist in China's development in four areas, including participation in China's "Go West" campaign to develop the economies of its poorest and least stable border region. Hu and Singapore's leaders agreed to set up a high-level joint council to examine further cooperation.

Malaysia is also concerned about China's gains in the global economy at Southeast Asia's expense and is also hard-headed about how to respond. Prime Minister Mahathir Mohamad told the Pacific Basin Economic Council on May 6 that "it is up to Southeast Asians to find ways to benefit from China's new-found wealth ... China is here and we cannot banish it." Philippine President Gloria Macapagal-Arroyo, in Japan for a working visit, stated that China's emergence as a market economy is not a threat and can serve as a catalyst for the growth of Southeast Asian economies. She lauded plans for a free trade area, noting that "large integrated markets, not small fragmented ones, are what attract investors."

In nonmanufacturing sectors, on the other hand, China's growth is increasing demand for Southeast Asian exports. Chinese energy firms continued to buy oil and gas rights in Indonesia during the quarter. PetroChina agreed in April to buy the assets of U.S.-based Devon Energy and gained Indonesian agreement to sell it a stake in the BP Tangguh liquefied natural gas (LNG) facility if Indonesia wins the current competition to supply natural gas to Quangdong province.

Progress on an ASEAN-China Free Trade Area

ASEAN and Chinese officials held the first discussion-cum-negotiating session May 13-16 in Beijing to draw up a blueprint for progress toward their agreed goal of an ASEAN-China Free Trade Area (FTA) in 10 years. It would establish the world's largest trading zone, comprising 1.8 billion people, with an estimated combined GDP of \$2 trillion. Advocates cite studies showing that exports from both ASEAN and China could rise by about 50 percent as a result of the FTA.

The parties have agreed to try to reach a framework FTA agreement in time for the ASEAN Plus Three summit in November. Chinese sources point out that progress should be quick because China's agricultural sector is complementary with that of ASEAN – unlike that of Japan, which subsidizes farm production. China is reportedly promising that it is even prepared to liberalize agricultural imports during the negotiating phase of the FTA and will give special treatment to ASEAN's less developed members.

The Competition Heats Up

Reflecting concern at China's gains, Indian Prime Minister Atal Behari Vajpayee declared April 8, during a visit to Singapore, that Southeast Asia would be a "focal point" for India's strategic policy and economic interest. He joined the free trade area bandwagon by gaining Singaporean's agreement to explore the issue. Faced with expanding Chinese ground transportation links with Southeast Asia, Vajpayee said India was planning with Burma and Thailand to build a road network connecting the three countries. Indonesia's President Megawati Sukarnoputri visited New Delhi in April, gaining \$147 million in Indian funding for railway construction in her country.

Japan's response to China's challenge to its position as the dominant Asian economic power in the region lacks much of China's flexibility. Japanese Prime Minister Koizumi Junichiro made his second trip to Southeast Asia in three months with a visit to Vietnam April 27. Faced with the growing momentum of China's liberalizing trade policies in Asia, Japan – which for decades made economic cooperation the centerpiece of its relations in the area – appeared lumbering and rigid, hampered by its own stagnant economy. Japan has agreed to try to work out a free trade agreement with ASEAN, but representatives of the latter told Japanese officials during the quarter that an FTA would not be possible unless Japan liberalizes agricultural imports. Given the reliance of the ruling Liberal Democratic Party on protected farmers as one of its core constituencies, this presents Koizumi with a painful choice.

Hu Jintao's Travels

Vice President Hu Jintao, expected to succeed President Jiang Zemin later this year, stopped in Malaysia from April 23-25 and in Singapore from April 26-27 en route to his first visit to the U.S. The order of his travels may have been intended to signal that Beijing's priorities put Asia first and was seen as such by some Southeast Asian observers.

Hu's messages were deftly crafted to play to the special concerns of each capital. In Malaysia, Hu told his hosts that the PRC opposes big nations bullying the small: "China views all countries as equals, irrespective of their size." He expressed solidarity with Malaysia on the Israeli-Palestinian conflict and played directly to Prime Minister Mahathir by pointing out in public remarks that the ASEAN Plus Three forum is the realization of Mahathir's proposal in the early 1990s for an East Asia Economic Group (EAEG). Hu did not point out, but his listeners were well aware, that the East Asian Economic Group would have excluded the United States. Mahathir picked up the compliment, commenting after Hu's visit that "we call it the ASEAN Plus Three, but we are kidding ourselves. ASEAN Plus Three is, in fact, EAEG." With two-way trade between the two nations at \$9.4 billion in 2001 – a 17 percent increase over the previous year – Malaysia has become China's number one trading partner among the ASEAN countries.

In Singapore, Hu told Senior Minister Lee Kuan Yew that Singaporeans “are wise and industrious, and their achievements are admirable.” As noted above, Hu and Singapore’s leaders agreed to enhance cooperation in key areas of economic development. Hu also addressed international terrorism, a special concern for Singapore in light of arrests of 13 of its citizens last December for plotting to attack U.S. and Singaporean targets. He told Lee that the Chinese government “always opposes and denounces all forms of terrorism” and called for comprehensive countermeasures.

Proliferating Multilateralism

China, once suspicious and reserved about multinational fora in which others could gang up against it, now confidently promotes such gatherings. Beijing sponsored or fostered three Asia-only multilateral initiatives during the quarter. The objectives of all three were only vaguely defined, suggesting that China sees them primarily as a way of asserting and demonstrating regional leadership, rather than achieving concrete results.

The Boao Forum for Asia (BFA), which convened April 11-14 in the coastal resort on Hainan Island from which it got its name, was presented by China as the “first annual session” of an Asian version of the Davos World Economic Forum. China reported that some 2,000 officials, “academic celebrities,” and business executives from 48 Asian countries or territories participated. The BFA’s goal, Chinese leaders said, was to provide a high-level dialogue platform for Asian countries to review the economic and social challenges they are facing and to promote economic cooperation in Asia, while opening up further to the other parts of the world. In addition to Premier Zhu Rongji, Prime Ministers Koizumi of Japan, Prime Minister Thaksin Shinawatra of Thailand, and Prime Minister Lee Han-dong of the Republic of Korea, and Deputy Prime Minister Nguyen Manh Cam of Vietnam took part and were joined by representatives of the United Nations and international trade and financial institutions.

Prime Minister Thaksin took a prominent role at Boao and, in an initiative apparently synchronized with his Chinese hosts, proposed that the first Asian Cooperation Dialogue (ACD) of foreign ministers be held in June in Thailand as a “track one,” i.e., official, counterpart to the BFA. Thaksin had conceived the ACD prior to becoming prime minister and gained endorsement for it at ASEAN’s Hanoi ministerial meeting last year. Its purpose, even vaguer than most of ASEAN’s current talk shops, was described as providing a noninstitutionalized arrangement for exchanges, to supplement and complement existing regional cooperative frameworks. With the push from Boao, and some evidently hasty senior-level recruiting efforts, the ACD was held at Thailand’s seaside resort of Cha-am June 18-19. Foreign ministers present, in addition to Surakiart Sathirathai of Thailand and Tang Jiaxuan of China, included those from Bahrain, Bangladesh, Cambodia, Japan, South Korea, Laos, Malaysia, the Philippines, Singapore, and Vietnam. Brunei, India, Indonesia, Pakistan, and Qatar were represented by other ministers.

The results of the conference, at least as reflected in the chairman's statement, appeared to center on endorsing further dialogues and agreeing to hold another ACD in Chiang Mai next year. There was some positive comment from Southeast Asian observers, among other things for providing an opportunity to include India, Pakistan, and several Persian Gulf states. Other critics were scathing, criticizing the ACD's lack of a defined mandate or coherent geographic scope, and its redundancy given the plethora of existing Asian fora covering the same ground.

Following the BFA, China hosted a third annual meeting of the Association of Asian Parliaments for Peace April 16-19. (The first two meetings were in Dacca and Phnom Penh.) Parliamentarians from 10 countries, mostly central Asian, participated, but Malaysia and Vietnam also took part.

China and Vietnam: A Complex Minuet

China's relations with Vietnam continued to go smoothly, with occasional flashes of asperity. Russia's final withdrawal in early May from Cam Ranh Bay, leased in 1979 by the Soviet Union as a naval base, provided another opportunity for Vietnam's Foreign Ministry to ease any Chinese concerns that the United States might move back in by reiterating that Hanoi "would not cooperate with any other country to use Cam Ranh Bay for military purposes." Vietnamese leaders and media were at pains during the quarter to defend Hanoi's concessions to China in border agreements reached three years ago. Dissidents abroad, however, continued to condemn the agreements as having "triggered suspicion and discontent within a population that fears that the territory has been sold off for cheap."

Regarding maritime territorial disputes with China, however, Hanoi showed no give. Bolstering Vietnam's claim to the Spratly (Truong Sa) Islands in the South China Sea, Vietnamese media reported May 4 that special steps had been taken to permit "residents" and soldiers living in the islands to cast their ballots in National Assembly elections a week early. It is not clear how many Vietnamese voters, if any, are present in the Spratlys apart from military personnel in the garrisons that Vietnam established in the 1970s. On June 10, the Vietnamese Foreign Ministry protested China's declaration of a live-fire military exercise in portions of the Tonkin Gulf claimed by Vietnam as its exclusive economic zone and continental shelf. It described the declaration as a violation of the Law of the Sea Convention. China rejected the protest as "completely unreasonable."

Other Views on Spratly Islands Issue

Despite the failure so far to find a Code of Conduct for territorial differences in the South China Sea that both China and the ASEAN claimants can agree on, concerns in ASEAN capitals – apart from Hanoi – about conflict there do not appear great. China's new gas and oil investments in the region – and the prospect that China is likely soon to sign a massive, long-term natural gas contract with either Indonesia or Australia, in either case

requiring secure shipping through the South China Sea – may suggest that Beijing can obtain greater energy stability by contracting with regional governments than by trying to grab the dubious hydrocarbon reserves that may lie under the Spratly Islands.

U.S. Interests

Whether China is “racing to replace” the United States economically in Southeast Asia, as a recent headline put it, as a matter of deliberate policy or is assuming the role in Asia that its sheer size would inevitably give it in a global economy, there is little that could be done to stop the process. The comments of senior ASEAN leaders indicate they are aware of the need to do a better job of integrating their own economies, to be able to hold their own collectively in the face of China’s challenge. U.S. investment and imports will be vital for ASEAN economies for many years to come. But China’s market and investment seem certain to take on greater importance for ASEAN governments than they have had in the past.

Some Southeast Asian observers warn that increasing economic interdependence will force ASEAN to follow China’s priorities and agenda on noneconomic issues. The promise of an ASEAN-China FTA, for instance, could put disputed territorial claims with China on hold, since ASEAN capitals will be reluctant to press issues that could threaten access to China’s vast market.

Whether this will translate into political and military dominance in Southeast Asia, to the detriment of U.S. interests, however, is dependent to a large extent on Washington’s actions and policies and the attention it pays to Southeast Asia’s own objectives. ASEAN governments’ interest in retaining a robust U.S. presence, including military capabilities, and a level of political involvement making the U.S. a partner and player in regional issues is more likely to increase than diminish as China’s influence grows. “Asia-for-the-Asians” multilateral fora will not supplant structures like the ASEAN dialogue and the ASEAN Regional Forum that link the ASEAN states to the United States. Public statements by U.S. administration officials during the quarter suggesting more equanimity than alarm about China’s deepening economic role in Asia, and acceptance that a strong China involved in the regional order can contribute to stability, seem about right.

Chronology of China-Southeast Asia Relations April - June 2002

April 3, 2002: Li Ruihuan, chairman of the National Committee of the Chinese People’s Political Consultative Conference, tells a Philippine-China Council for the Promotion of Peaceful Reunification delegation that all Chinese people worldwide have a historical responsibility to realize the peaceful reunification of both sides of the Taiwan Strait and thanks Philippine citizens of Chinese origin for their contribution.

April 8, 2002: Vietnam's Deputy Prime Minister Pham Gia Khiem, visiting Beijing, asks China to expand its assistance to Vietnam's nuclear programs in agriculture, industry, and medicine.

April 9, 2002: Thailand's largest commercial bank announces it is expanding its operations in China to take advantage of the expected liberalization of financial services as a result of China's WTO membership. Bangkok Bank projects that its Chinese operations may contribute 30 percent of its total overseas income within several years.

April 14, 2002: Vietnamese Deputy Prime Minister Nguyen Manh Cam tours Hainan and Guangdong provinces of China after attending the Boao Forum for Asia.

April 14-22, 2002: Chairman of Vietnam's National Assembly Nguyen Van An visits China at the invitation of Li Peng, chairman of the National People's Congress. He tells Vice Premier Li Lanqing that Vietnam will push bilateral friendship to a new high.

April 15, 2002: PetroChina, China's largest oil company, announces it will pay \$216 million for the oil and gas operations in Indonesia of Devon Energy Corporation.

April 18, 2002: Chinese Defense Minister Chi Haotian meets with Philippine Secretary of Defense Angelo Reyes, who tells him the government of President Gloria Macapagal-Arroyo will strictly abide by the "one China" policy.

April 24, 2002: Two Singapore Navy ships visit Kaohsiung in Taiwan after exercises with Taiwan's Navy.

May 10, 2002: Finance Ministers of the ASEAN Plus Three – China, Japan, and the ROK – hold their fifth meeting in Shanghai.

May 13, 2002: Chinese Minister of Foreign Trade Shi Guangsheng visits Vietnam.

May 14-28, 2002: Chinese officers join observers from 17 other nations at the annual U.S.-Thai-Singapore "Cobra Gold" military exercises.

May 15, 2002: A Special Working Group on a Singapore-Kunming rail link meets in Rangoon, announces that a feasibility study had examined six routes, and recommends one that would transit Cambodia, Vietnam, and Laos, with an additional sector that would integrate Burma into the network.

May 17, 2002: Chinese Foreign Minister Tang Jiaxuan, en route to East Timor's independence celebration, meets with Indonesian Foreign Minister Hassan Wirayuda in Jakarta.

May 21, 2002: With 900,000 registered drug addicts – mostly on heroin – and an addict population up to eight times that number, China opens a three-day meeting in Beijing with representatives of Burma, Cambodia, China, Laos, Thailand, Vietnam, and UN representatives, and calls for stronger measures to fight narcotics production and trafficking.

May 22, 2002: Following a meeting in Bali, Chinese Deputy Foreign Minister Wang Yi announces that China is ready to cooperate with ASEAN countries to make the South China Sea secure.

May 22, 2002: *People's Daily* reports that the Philippines “has again been playing new tricks” in the South China Sea, by planning to extend its continental shelf from 200 nautical miles to 350 nautical miles and intensifying the “fierce and crude” arrest and detention of Chinese fishermen and boats.

May 23, 2002: Two ships of the Chinese PLA Navy call at Changi naval base in Singapore on the Chinese Navy’s first round the world voyage. *People's Daily* reports that the ships, a missile destroyer and a supply ship, later conduct antipiracy exercises in the Straits of Malacca.

June 3, 2002: Fifteen Chinese “youth volunteers,” the first such peace corps-like contingent sent to any country by China, arrive in Lang Son province of Vietnam to help Vietnamese doctors provide medical care during June.

June 4, 2002: A delegation led by chief of the Communist Party of Vietnam Internal Affairs department Truong Vinh Trong holds talks in Beijing on legal reform, countering corruption, and party building.

June 6-7, 2002: China holds the first China-ASEAN Seminar on Trade, Investment, and Development Cooperation in Kunming, with more than 400 participants from 10 ASEAN countries and China.

June 8, 2002: Senior officials open a session of the Great Mekong Subregion Cooperation Meeting in Kunming, initiated by the Asian Development Bank and China, Laos, Burma, Thailand, Cambodia, and Vietnam in 1992

June 17, 2002: Commander of the Philippine Air Force Benjamin Defensor meets with Qiao Qingchen, commander of the PLA Air Force.

June 19, 2002: Li Peng meets with a delegation from the Thai Parliament.

June 20, 2002: China announces that of the nearly 300,000 refugees it has accepted since the late 1970s, most have come from Vietnam. (China invaded Vietnam in 1979, and the Vietnamese government subsequently expelled large numbers of its Sino-Vietnamese citizens to China and other countries.) Beijing quoted a spokesperson for the UN High Commissioner for Refugees as saying that the Vietnamese are well integrated in Chinese society. The occasion was World Refugee Day, and the announcement may have been intended to deflect criticism for China's treatment of North Koreans fleeing into China.

June 21, 2002: A visiting military delegation led by the commander of the Royal Brunei Armed Forces Jaafar Aziz meets senior Chinese military leaders including Zhang Wannian, vice chairman of the Central Military Commission. Fu Quanyou, chief of staff of the PLA, reportedly tells Jaffar that China is willing to develop military ties with the RBAF.

June 22, 2002: The first visit by Philippine Navy ships to the PRC begins with the arrival of two vessels in Shanghai for a five-day visit.

June 25, 2002: Defense Minister Chi meets with the Supreme Commander of the Royal Thai Armed Forces Narong Yuthavong in Beijing.

**China-Taiwan Relations:
Negotiation Feelers and Defense Issues**

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

Despite the absence of formal dialogue, Beijing and Taipei have been signaling interest in achieving direct trade and travel and probing possibilities for new mechanisms for negotiations. Taiwan President Chen Shui-bian took an important step in moving this process forward when he indicated that the private sector could play a role in negotiating the “three links.” Beijing responded saying it was ready to negotiate with business representatives from Taipei. The challenge is whether mutually acceptable roles for the private and government elements in a new negotiating process can be defined to both sides’ satisfaction. It is not clear whether this can be done. Economic ties continue to expand; the long-awaited oil exploration joint venture deal has been signed. Even while these and other positive developments occur, Beijing and Taipei continue to confront each other internationally and strengthen their military preparations.

No Dialogue, but Many Signals

The hiatus in institutional dialogue between Beijing’s Association for Relations Across the Taiwan Strait (ARATS) and Taipei’s Straits Exchange Foundation (SEF) continues. Despite the hiatus, there is always a degree of public and private communication across the Strait. This year, both sides have been signaling a new interest in achieving direct trade, travel, and transportation across the Strait. Vice Premier Qian Qichen’s Jan. 24 accommodating remarks on the Democratic Progressive Party (DPP) and his interest in a new mechanism for negotiating economic issues were significant signals. At the end of March, President Chen expressed his desire to make a visit to his ancestral home in Fujian. His administration has continued to ease Taiwan’s restrictions on cross-Strait economic ties. In April, Taipei adopted legislation authorizing PRC investments in Taiwan real estate. In May, Taipei liberalized the conditions for tourist visits by PRC citizens. In April, the PRC returned one of Taiwan’s most wanted fugitive criminals. Disasters have occasioned expressions of sympathy. In April, ARATS broke its self-imposed communications ban and sent a condolence message to SEF on the late March earthquake in Taiwan. Later, SEF reciprocated with condolences on a Chinese plane crash in Pusan, Korea. Chinese President Jiang Zemin expressed his condolences over the crash of CAL 611 in late May, and the PRC subsequently assisted the investigation of that crash by providing its radar tracking data on the flight.

On May 10, while traveling around Taiwan and the offshore islands with journalists, President Chen made a series of proposals on cross-Strait relations. He said that the DPP could send its director for China Affairs to the PRC for talks and indicated in very general terms that private-sector representatives could play a role in negotiations on direct trade and travel. The PRC's Taiwan Affairs Office (TAO) quickly rejected the former, saying that DPP representatives could not visit China in their party capacities until the DPP had removed the independence clause from the Party charter and accepted the "one China" principle. But Beijing was silent on the latter suggestion about a role for the private sector. Chen's statement represented a significant shift in Taipei's previous position that trade and transportation would have to be negotiated by authorized government representatives, such as SEF and ARATS. His comments in one sense were a response to suggestions that Qian Qichen had made over a year earlier. In mid-May, the PRC Foreign Ministry spokesman noted that Chen had seemed to make a concession on transportation issues. Then, the TAO stated that Beijing was ready to appoint counterparts to negotiate with private-sector representatives from Taiwan. These comments raised hopes that a breakthrough was imminent.

However, when Beijing then invited two prominent Taiwan business leaders to Beijing for negotiations, Mainland Affairs Council (MAC) Chairperson Tsai Ing-wen quickly responded by saying that Taipei would choose its own representatives. Over the following weeks, Taipei indicated that it would authorize organizations, not individuals, to handle talks and that it envisaged using nonprofit organizations with experience, credibility, and standing. MAC officials lowered expectations by commenting that even if private channels could be established it would take two years to negotiate direct links.

Transforming the general concept of private-sector negotiations into a new agreed negotiating mechanism will not be easy. Finding a way around political issues will be difficult. Another challenge will be whether respective roles for the private and government participants in the process can be defined in a manner acceptable to both Beijing and Taipei. The Hong Kong-Taiwan air agreement negotiations are something of a precedent, but it is not certain that the process can be duplicated on the more politically sensitive and broader issues of direct trade, travel, and transportation. There is no shortage of Taiwan business leaders eager to play a role. In late June, several Taiwan delegations including opposition legislators and businessmen were visiting Beijing. The TAO's Li Bingcai outlined for these visitors some of Beijing's thinking on how private talks could be conducted. Press reports indicate that the government's role would only be to approve the negotiation results. Li also insisted that the negotiations must be treated as "domestic matters" and the transportation routes as "internal routes." Predictably, the MAC in Taipei rejected these political premises.

What is Driving These Overtures?

Neither sides' rationale has been adequately explained in public. In Beijing, the belief is that closer economic ties will restrain or counterbalance Taiwan's drift toward "gradual

independence.” Beijing already derives significant economic benefits from Taiwan’s investments and trade and wants these to grow. There is also the perception that Taiwan’s growing economic “dependence” provides China some unspecified leverage. President Chen’s interest is driven both by economic need and domestic politics. While many in his party disagree, Chen recognizes that Taiwan’s economic recovery and future international competitiveness will benefit from opening direct trade with China. In addition, Chen is clearly focused on the 2004 presidential elections and apparently believes that opening direct trade will demonstrate that he can manage cross-Strait relations successfully, thus depriving his opponents of one crucial criticism of his leadership. Beijing recognizes Chen’s political motivation and will want to structure a negotiating process that minimizes Chen’s ability to claim credit. While Chen will want to emphasize the role of his administration, Beijing will want to minimize it. As illustrated in the late June discussions in Beijing, this dynamic will complicate, prolong, and perhaps frustrate the process of working out a mutually acceptable mechanism.

No Hiatus in Competition Internationally

Whatever this signaling portends, there has been no let up in the continuing struggle between Beijing and Taipei in various international arenas for legitimacy and advantage. Once again this year, Taipei pushed hard to obtain observer status at the World Health Organization (WHO) and the PRC worked to prevent this. In hopes of portraying its interest in the WHO as nonpolitical, Taipei indicated in April that it would accept observer status as a “health entity,” an idea patterned after Taiwan’s successful application to the World Trade Organization as a “customs territory.” Spokesmen also indicated that Taipei would seek to participate as “Taiwan” rather than the “Republic of China,” an approach that pleased DPP supporters at home but only reinforced Beijing’s determination to block the effort. In the end, the World Health Assembly decided again by a large margin not to consider Taipei’s application.

Washington was the other major arena for struggle. Despite considerable concern about the direction of U.S. policy on Taiwan issues, Beijing had decided in March to go ahead with plans for Vice President Hu Jintao’s inaugural visit to the U.S., which took place in early May. Throughout that visit, both governments emphasized the positive. Taiwan was of course discussed. In his public remarks, Hu carefully avoided threats on Taiwan and emphasized only how U.S. compliance with the Taiwan provisions of the three Sino-U.S. joint communiqués would strengthen U.S.-China relations. Afterward, President Jiang said publicly that he was satisfied with the U.S. commitments made to Hu concerning Taiwan, though he did not specify what those were. In any event, the China-U.S. tensions over Taiwan issues noticeably subsided during the visit.

Taipei for its part continued to press its case in Washington. In April, members of the House of Representatives announced the formation of a bipartisan Congressional Taiwan Caucus. While it is not clear how crucial a role Taiwan’s lobbying played in creating the caucus, Taipei welcomed it and marked the occasion by sending a multi-party delegation

from the Legislative Yuan (LY) to Washington to attend the inauguration of the caucus and to play up the anniversary of the passage of the Taiwan Relations Act (TRA). DPP member Truong Chai, the leader of the Taiwan delegation and a long-time advocate of independence, took the occasion to urge members of Congress to invite President Chen to address a joint session of Congress. In Taipei, Foreign Minister Eugene Chien told the LY that a formal visit to the U.S. (not just a transit) by Chen was an objective that the government was striving to obtain. President Chen continues to tell U.S. visitors that U.S.-Taiwan relations have never been better, and in June, he began to characterize the U.S. and Taiwan as “inseparable democratic allies.”

Competitive Military Build-ups

For the past 18 months, Beijing has consciously publicly downplayed the military element of its Taiwan policy that it, nevertheless, continues to develop. The long-term modernization plans for the People’s Liberation Army (PLA), which involve strengthening capabilities useful in Taiwan contingencies and the deployments of additional missiles opposite Taiwan, continue to be implemented. Intelligence sources indicate that the number of short- and medium-range missiles deployed against Taiwan is now 350-400. Press reports indicate that China is taking delivery of new SU-30s, that its recently ordered Sovremenny-class destroyers will be equipped with more advanced antiship missiles, and that Beijing is negotiating the purchase of eight additional project 636 Kilo-class submarines.

While Beijing has cooled its rhetoric, the PRC military build-up continues to drive concerns in Taipei and Washington about the long-term military balance in the Strait. President Chen has voiced his concern that the military balance may shift in 2005. In explaining the Defense Department’s interest in closer military ties with Taiwan, Deputy Defense Secretary Paul Wolfowitz cited the continuing deployment of military forces opposite Taiwan and China’s refusal to abandon the use of force against Taiwan.

The first ever visit to the U.S. of a Taiwan defense minister in March symbolized the closer cooperation between Taiwan and the U.S. The release in April of speeches made by Wolfowitz and other U.S. officials participating in an unofficial capacity at the private U.S.-Taiwan defense meeting in March shed light on the Bush administration’s defense policies toward Taiwan. As Wolfowitz put it, “We do not support Taiwan independence, but we oppose the use of force.” Having approved a \$4 billion package of arms for Taiwan in the spring of last year, Wolfowitz turned attention to helping Taiwan with the “software” aspects of defense. He indicated his belief that the U.S. could assist Taiwan with systems integration, defense planning, professionalization of the armed forces, organizational issues, and training. Whereas earlier administrations have portrayed arms sales as an arms-length relationship with Taiwan, Wolfowitz described a more active U.S. collaboration and said, “We are eager to help” in these new areas. He appears to envisage a new relationship with overtones of U.S. Military Assistance and Advisory Group (MAAG) relations characteristic of the 1950s and 1960s.

Other U.S. officials have taken a less alarmist and activist tack on cross-Strait military issues. Outgoing U.S. Commander-in-Chief-Pacific Adm. Dennis Blair told an audience in Hong Kong that he was confident that the military balance in the Taiwan Strait could be maintained. Blair commented that over-emphasis on the military aspects was a mistake because cross-Strait issues could only be resolved through political means. Secretary of State Colin Powell made a similar point in his speech to the Asia Society in June saying cross-Strait differences were fundamentally political and could not be resolved by military means.

Economic Developments

Signs of a resurgence of cross-Strait economic relations continued to accumulate this quarter. The most recent MAC statistics show cross-Strait trade increased 12.4 percent in the first quarter this year. The Investment Commission reports that approved investment in China during January-April was up 1 percent in a period when Taiwan's overall global investments were declining. The Ministry of Economic Affairs reports that export orders were up 14 percent in April and were particularly strong in the electronics sector, a key element of cross-Strait trade.

The most positive economic development this quarter was the formal signing May 16 of the joint venture contract between affiliates of Beijing's China National Offshore Oil Corporation (CNOOC) and Taipei's Chinese Petroleum Corporation (CPC), two state-owned enterprises. The contract calls for joint exploration of the Tainan Basin, an area that spans the southern portion of the Taiwan Strait. The contract is a hopeful indication of the two sides' willingness to collaborate for mutual economic benefit.

Policy Implications

Tensions in the Strait remain low. The joint venture oil deal is a sign that both sides believe tensions will remain low and permit oil exploration to occur in this politically sensitive area. The informal signals and feelers that have occurred on how to negotiate direct trade illustrate the ability of the two parties to communicate on core issues when they see it in their interest to do so. Even though there is no certainty the process will succeed, recent developments demonstrate the wisdom of the U.S. policy of leaving it to those on both sides of the Strait to work out solutions themselves.

One aspect that has not gotten adequate attention in the recent comments on defense issues is the Taiwan defense budget, which has been declining as a percent of GDP for a decade and is now down to about 2.5 percent of GDP, a remarkably low level for a regime that sees itself seriously threatened. While Washington has authorized a wide range of military sales and is now encouraging closer military cooperation, Taipei is not showing the political will to appropriate or commit adequate resources for its own defense. The danger for the U.S. is that Taipei appears to be consciously choosing to

become more dependent on the U.S. to come to its defense in a military confrontation. Taipei needs to take greater responsibility for its own defense and Washington should encourage this.

Chronology of China-Taiwan Relations April - June 2002

April 1, 2002: Beijing's Association for Relations Across the Taiwan Strait (ARATS) sends Taipei's Straits Exchange Federation (SEF) a rare condolence message after Taiwan's earthquake.

April 1, 2002: Taiwan Defense Minister Tang Yiau-ming says Taiwan opposes U.S. use of nuclear weapons in Taiwan's defense.

April 2, 2002: Legislative Yuan (LY) adopts bill authorizing PRC investments in Taiwan real estate.

April 2, 2002: PRC repatriates important Taiwan criminal through Macau.

April 9, 2002: U.S. Congressional Taiwan Caucus is inaugurated by Co-Founders and Co-Chairs: Representatives Robert Wexler, Steve Chabot, Sherrod Brown, and Dana Rohrabacher. Ambassador C.J. Chen, Representative of Taipei Economic and Cultural Representative Office, and a 14-member delegation from the Legislative Yuan, led by the Honorable Trong R. Chai, also attend.

April 9, 2002: PRC Foreign Ministry (MFA) spokesman says Deputy Defense Secretary Paul Wolfowitz's March speech in Florida seriously violates U.S. commitments on Taiwan.

April 11, 2002: President Chen Shui-bian calls for free trade agreements (FTA) with U.S. and Japan.

April 15, 2002: Taipei's SEF sends ARATS condolence message on PRC plane crash in Korea.

April 15, 2002: Mainland Affairs Council (MAC) expresses concern over PRC violations of 1993 Documents Agreement.

April 17, 2002: MAC approves cross-Strait joint venture deal for oil exploration in Taiwan Strait.

April 18, 2002: USCINCPAC Adm. Blair expresses confidence Taiwan and U.S. can maintain military balance in Taiwan Strait, but says solution is political, not military.

April 22, 2002: Executive Yuan decides to press for Organization for Economic Cooperation and Development (OECD) membership.

April 24, 2002: Taiwan Affairs Office (TAO) reports more Democratic Progressive Party (DPP) members visiting China.

April 29, 2002: On anniversary of 1993 Wang-Koo talks, Chen calls for resumption of cross-Strait dialogue.

May 1, 2002: Chinese Vice President Hu Jintao meets President Bush; Hu's speech in Washington takes low key, nonconfrontational approach on Taiwan issues.

May 1, 2002: A *China Daily* article criticizes Chen by name.

May 5, 2002: PRC transports drinking water to offshore islands.

May 6, 2002: Foreign Minister Eugene Chien says Taipei to apply for World Health Organization (WHO) observer status as the "health entity" of "Taiwan."

May 8, 2002: FM Chien states Taiwan seeks formal visit to U.S. for President Chen.

May 9, 2002: Taiwan Central Bank of China Gov. Perng Fai-nan participates in Asian Development Bank meeting, joins group call on Chinese President Jiang Zemin.

May 10, 2002: Chen indicates publicly that private-sector representatives could play a role in negotiating "three links"; separately proposes sending DPP official to China.

May 10, 2002: TAO says DPP officials cannot visit as party representatives until DPP changes party's independence plank and accepts "one China" principle.

May 10, 2002: Taiwan liberalizes terms for tourist visits by PRC citizens.

May 11, 2002: U.S. House of Representatives passes Defense Appropriations Bill with provisions calling for report concerning joint military activities with Taiwan.

May 13, 2002: World Health Assembly decides against considering Taiwan's application.

May 13, 2002: U.S. International Trade Commission holds hearing on Taiwan-U.S. FTA.

May 16, 2002: China Petroleum Corp. and China National Offshore Oil Company affiliates sign joint venture oil exploration agreement in Taipei.

May 16, 2002: PRC MFA spokesman notes Chen's concession on role of private sector.

May 17, 2002: In CNN interview, Chen says unification impossible under PRC military threat.

May 21, 2002: TAO say Beijing ready to conduct "three links" talks with Taiwan business leaders.

May 22, 2002: TAO invites two prominent Taiwan business leaders to China for talks.

May 22, 2002: MAC says Taipei will chose Taiwan's private representatives.

May 23, 2002: Chen describes U.S. and Taiwan as "inseparable democratic allies."

May 27, 2002: President Jiang expresses condolences on crash of CAL 611.

May 29, 2002: Secretary Wolfowitz states that the U.S. "opposes" Taiwan independence.

June 1, 2002: In radio address to China, Chen reiterates desire for new framework for cross-Strait relations that can lead to political integration.

June 3, 2002: PRC provides radar monitoring information to assist CAL 611 investigation.

June 16, 2002: Former Taiwanese President Lee Deng-hui expresses opposition to direct trade with China.

June 18, 2002: Chen advisor Lee Yuan-tseh visits Beijing for academic conference.

June 21, 2002: PRC Trade Minister Shi Guangsheng warns countries not to enter FTAs with Taiwan.

June 24, 2002: TAO's Li Bingcai gives visiting Taiwan delegation ideas on private talks.

June 26, 2002: MAC rejects TAO's premise that cross-Strait routes are "internal."

June 28, 2002: TAO Vice Minister Zhou Minghui holds talks with officials in Washington.

North Korea-South Korea Relations: Sunshine Sunk?

by Aidan Foster-Carter
Leeds University, UK

For a second successive quarter, what former British Prime Minister Harold Macmillan once described as his biggest problem – “Events, dear boy. Events” – have conspired to alter at the last moment the inter-Korean prognosis. Last time it was good news, with a renewal of stalled dialogue. But now the Korean People’s Army’s (KPA) June 29 sinking of an ROK patrol boat, killing five, may be a final blow to ROK President Kim Dae-jung’s Sunshine Policy. This wholly unexpected and allegedly unprovoked attack – a spiteful bid to rain on Seoul’s soccer parade? – did not escalate militarily but politically must cast a long shadow. It will weaken those in Seoul or Washington who would give DPRK leader Kim Jong-il the benefit of the doubt, while vindicating the “axis of evil” camp. As such, not for the first time, it is baffling to see what Pyongyang hopes to gain by this own goal; the fuller implications will be clearer next time we report. The bulk of this article was completed before this sad day.

April began promisingly: Kim Dae-jung’s special envoy returned from Pyongyang with commitments to restart stalled dialogue. But only family reunions were held; other meetings did not materialize. Yet in June, *de facto* official talks on a new topic, telecoms, tentatively agreed that Southern firms will launch mobile service in Pyongyang, perhaps even this year. Unofficial contacts continued, including a boat and two planeloads of civic groups and a *tête-à-tête* between the offspring of the ROK and DPRK’s erstwhile leaders. Moreover, cooperation is extending into new areas such as teaching, in fields from information technology (IT) to nuclear science. In short, it is a mixed picture: frustrating in many ways, yet not without hope. At the same time, an escalating refugee crisis involving several nations, is a sober reminder of the potential for instability on the peninsula.

Out on a Lim

It all began so well. On April 3 Lim Dong-won, ex-unification minister and *eminence grise* of Seoul’s Sunshine Policy, went to Pyongyang as Kim Dae-jung’s special envoy. His main aim was to impress on Kim Jong-il – with whom he talked for several hours – the deadly earnest of U.S. resolve post-Sept. 11. But he also obtained a commitment to resume stalled inter-Korean talks, including family reunions, two long-postponed

economic meetings – and a wholly new suggestion, from the Dear Leader, of a second trans-DMZ rail link along the east coast.

Only the reunions took place, for a week from April 28. In a Southern concession, this fourth round was held at the North's Mt. Kumgang resort rather than in the two capitals as previously. Limited facilities meant taking each side's lucky 100 chosen seniors to meet their kin successively rather than simultaneously. South Korea also fretted at the lack of medical facilities, just in case. But all went well. In total, 565 Southerners met 283 Northerners – live on TV, at least in the South. Turning such poignant private moments into reality TV is not to everyone's taste. In other ways too these staged meetings remain a parody of real reunions, which should be far more frequent and freer: allowing letters, email and telephone, hometown visits, and above all sustained contact. All this is permitted for a luckier group: pro-Pyongyang Koreans in Japan, technically DPRK citizens, who now have both governments' blessing after similar decades of separation to visit relatives in South Korea pretty much as they please.

In a now familiar triumph of hope over experience, the family reunions' success was seized on in Seoul as ushering in a new era. Speculation ran wild that Chinese football fans might enter South Korea for the soccer World Cup through North Korea – hardly a direct route, for most – or even that Pyongyang might send some cheerers if Seoul let its tourists go see their Arirang mass games. Considering North Korea had resolutely ignored all efforts to involve it in the world's premier sporting event – it could have had a match or two, for free – this was wishful thinking. Northern TV showed some games (without paying for them) but at first none involving hosts South Korea and Japan. But the South's success prompted a change of tack, and ROK victories over Italy and Spain were aired after all. Korea is one.

Pyongyang Takes Umbrage

Before that, inter-Korean economic talks were due in Seoul during May 7-10. The first in 17 months, it was hoped these would agree on practical measures for business cooperation, without which Southern firms' interest in the North will remain tentative. Latest figures show inter-Korean trade still running at a modest \$400 million annually, while investment remains negligible. (Contrast the multi-billion-dollar business that has burgeoned under both heads between China and Taiwan, which started at the same time as the Koreas in the late 1980s.) A separate Northern economic inspection team, first mooted two years ago, was also due to tour Southern factories.

Not just yet. In a now familiar ploy, Pyongyang pulled out the day before. Its excuse this time was ROK Foreign Minister Choi Sung-hong, who while in the U.S. had quoted Theodore Roosevelt – “Speak softly, but carry a big stick” – apropos of dealing with the DPRK. Hardly the most heinous of words – doubtless a bid to find common ground with U.S. President George Bush, no easy task – but enough for the North to demand the head of the “traitor.” As of June that remained its stance.

Needless to say, the second trans-DMZ rail link has made no more headway than the first. In fact this surprise idea is no real help to anyone. For Mt. Kumgang Hyundai needs a road, while any trans-Korea freight route to Russia would start from Seoul; the east coast is a branch line. In May, DPRK Foreign Minister Paek Nam-sun was reported as telling Moscow that the KPA was against this link. That too is an old ploy; if true, the North should get its act together.

Meanwhile, with its own side of the first North-South road and rail link now built, in May the South offered the North \$25 million worth of material to finish (or rather, start) its bit. There was no reply. We must assume that DPRK leader Kim Jong-il has no real intention of completing this, although Moscow will press him as well as Seoul. That in turn means Hyundai's planned export zone north of Kaesong is a non-starter, since it will not be profitable unless the border is opened.

Seoul's Farm and Tour Aid Continues

Despite these setbacks, it is not true that the two Koreas have no official dealings. Where it is the sound of one hand giving, Pyongyang rarely refuses. This year 100,000 tons of maize and 200,000 tons of fertilizer have gone north, as before. Indirectly, now that Korea National Tourism Organization, the ROK's official tourist promotion body, is subsidizing Hyundai's Kumgang cruise tours (mainly for students), what had looked a moribund venture is booming again: services have doubled, and the tours are fully booked until September. New attractions aimed at a younger clientele include North Korea's first bungee jump. A beach for swimming is due to open in July.

Other North-South ties continue to develop. Kangwon province, severed by the DMZ, includes Mt. Kumgang and the sea route thereto from the South. It is using this link for more than just tourism. On June 1 a Southern team headed North to spray pines with insecticide, an ongoing project, and to discuss further cooperation. Across the country, Cheju Island has donated oranges and carrots to the North – and had its reward in May, when 255 Cheju residents flew direct to Pyongyang for a week's sight-seeing. A similar visit in June by 320 members of a Southern Christian NGO, Korean Welfare Foundation, went less smoothly: they were pressed to attend Arirang and denied a promised joint service with Northern Christians – whereupon they held impromptu worship in the Koryo Hotel and were not prevented. They returned home a day early.

These visits by ordinary citizens are matched by more formal encounters, such as to celebrate (if that is the word) the second anniversary of the North-South summit in June. As has become a pattern, unification activists do the honors for the South; their Northern hosts (at Kumgang, this time) are by definition governmental, but not officially. Such asymmetry is second-best, yet better than nothing. Next up are youth and women's events, in July and September. Trade unions are another sector that meets regularly; they too did so in June. In total there have been over 19,000 inter-Korean visitors since the

2000 summit – almost all from South to North, and excluding Hyundai’s Kumgang tours – as against under 5,000 between 1989 and June 2000.

Dam Nuisance

Other aqueous affairs at Kumgang are more worrisome. Two rivers, the Han and Imjin, flow from north to south. On both, in recent years, North Korea has built dams that have caused a range of problems downstream, from lowered water levels (affecting power generation and irrigation) to flooding when sluice gates are opened. When the Innam dam at Kumgang was begun in 1986, the ROK’s then military ruler, Chun Doo-hwan, saw it as a plot to flood Seoul – and raised funds, in part coercively, to build his own so-called “peace dam” to counter it.

Now the South has another worry. Satellite photos suggest Innam is leaking, as does muddy water flowing down the Han. Waterways are one of over a dozen specific areas where the two Koreas had agreed to cooperate, but nothing is happening. The North waxed angry at Seoul’s querying the quality of its construction. On May 31, however, it gave notice, out of “brotherly love,” that Innam would discharge from June 3. It is a start, yet one-off notification is no substitute for consistent cooperation. Pyongyang pride preventing it from admitting to potentially fatal flaws, which Seoul would gladly pay to fix if only asked, is a scenario that may well recur. On June 26, the DPRK unexpectedly stopped discharging water from the dam.

Seoul to Wire Pyongyang?

When it suits Pyongyang to call Seoul, it is of course quite capable of doing so. So in early June the ROK’s assistant communications minister led a *chaebol* delegation to Pyongyang for talks with the DPRK’s post and telecoms ministry. Telecoms has not been part of the formal North-South agenda before – and neither apparently was this meeting. Yet it produced a tentative accord for a consortium of Southern big names – Samsung, LG, KT, SK Telecom, and Hyundai – to set up a code-division multiple access (CDMA) network in Pyongyang and Nampo, possibly by the end of this year.

As ever, we must wait and see if it happens. With a tiny estimated market of 40,000 and costs of up to \$30 million, this will be a loss leader at best. If international service is planned, then Seoul must at long last lift its ban on direct phone or fax contact with the North. Some entrepreneurs are not waiting. Kim Beom-hoon of Hoonnet, one of several Southern IT firms with Northern joint ventures, is in hot water at home for exceeding his brief. Having paid \$1 million to install fiber-optic cable to the Chinese border, he has set up an online lottery (www.dprklotto.com) and in May opened Pyongyang’s first Internet café. At \$50 per half hour, locals need hardly apply.

Teach Us All You Know

In general, North Korea is cherry-picking: aborting meetings as it feels like it, while milking a patient and generous South Korea for all it can get. Formal training is increasingly on the agenda. On June 11 ground was broken in Pyongyang for an inter-Korean technology college, funded by Southern Christians. A pair of Hanyang University professors will teach IT for two months this summer at Kim Chaek University of Technology, the DPRK's top engineering school, in the first ever such substantive academic exchange. Most existing IT JVs also involve training.

But the Hanyang duo are not the first Southern professors to lecture in the North. On June 5, a team from Kepco (Korea Electric Power Corp) began teaching 1,400 Northern engineers how to operate the light-water reactors (LWRs) to be built at Korea Peninsula Energy Development Organization's (KEDO) Kumho site. Of these, 529 are due to come South in November for practical training, including simulation, lasting up to 43 weeks. Both the scale and topic of this exercise, on the eve of South Korea's presidential election on Dec. 19, may prove controversial; as it will with those U.S. Republicans who want the LWR project scrapped. It is not hard to imagine Southern hawks agitating, especially if relations with the North are fraught elsewhere (e.g., refugees). Others may worry on safety grounds: according to Seoul press reports, the Kumho classes provide for no failing grades.

Smaller KEDO-related visits already take place, with little publicity in deference to Northern sensibilities. In May a 10-strong DPRK team spent a week in the South, inspecting a power plant and Yangyang airport. The first regular North-South air route was due to open July 10, with the North's Air Koryo shuttling between Yangyang and Sonduk near Kumho.

A Filial Encounter

Politicians have not been prominent in this flow, but the past quarter saw an exception. Park Geun-hye – independent Parliament member, daughter of ex-ROK dictator Park Chung-hee (1961-79), and a potential third force presidential candidate – visited Pyongyang in May. Her dining with Kim Jong-il would have startled their respective parents, even though it was under Park senior and Kim Il-sung that North-South dialogue first began in the early 1970s. The Dear Leader promised to send the North's soccer team South for a friendly game in September. As ever, we shall see.

Kim Jong-il also commented that Southern politics was “incomprehensible.” It has certainly produced two shocks that require his attention. In April, the ruling Millennium Democratic Party (MDP) chose as its presidential candidate Roh Moo-hyun: an outsider and populist, in the past hostile to the U.S. troop presence and a strong supporter of reconciliation with the North. For a while Roh led all polls, mainly as a fresh face. But in June the MDP was routed in local elections by the opposition Grand National Party (GNP), making the GNP leader Lee Hoi-chang once again favorite to be the ROK's next

president. Lee is a critic of the Sunshine Policy, and Pyongyang regularly lambastes him as a traitor. They had better get used to him.

Sunshine Sunk

One decision for the next occupant of the Blue House will be whether to keep the designation of North Korea as “main enemy” in the Ministry of National Defense (MND)’s annual white paper. This phrase, introduced only in 1994, irks Pyongyang; Kim Dae-jung’s wish to excise it was resisted by both the GNP and MND. The result is that no white paper will appear this year.

The North’s penchant for playing the part hardly helps. The June crab-fishing season brought the usual intrusions into Southern west coast waters. On June 19 the ROK Joint Chiefs of Staff assured that all was calm. The number of incursions was down: KPA patrol boats were mainly monitoring their own fishing boats, retreating promptly once challenged. But then North Korea began to act like North Korea. On June 29, a KPA warship without warning fired a direct hit on an ROK Navy boat’s engine room – sinking it, with five dead and 19 wounded. In the ensuing 20-minute firefight, the North took an estimated 30 casualties: one boat was towed away in flames. ROK forces were put on alert, albeit at a lower level of readiness and surveillance than after a similar incident in June 1999.

Then as now Pyongyang claims the South fired first; amid Seoul’s World Cup euphoria, that defies all credibility. Militarily, as in 1999, the incident was contained: ferries resumed in the area next day, while on the east coast the Kumgang tours continued without a break. None of the over 1,100 South Koreans currently in the North were deemed in danger or recalled. The South’s Unification Ministry was quick to state that civilian exchanges would not be reined in.

Yet political fallout is inevitable. Since 1999 North Korea has disavowed the Northern Limit Line (NLL), the UN-set maritime border that – unlike the terrestrial Military Demarcation Line (MDL) – was not agreed under the 1953 Armistice. But unlike the NLL, Pyongyang’s proposal makes no allowance for five Southern-controlled islands close to the North’s coast. Hence the allies regard the NLL, which the North *de facto* observed for almost half a century, as nonnegotiable. But blue crabs are another matter. A Pyongyang that wanted peace and progress could easily have struck a fishing deal with Kim Dae-jung. Instead, it chose to fight.

If Northern motives are murky, outcomes are crystal clear. At the government level, Sunshine is now dead. Kim Dae-jung is on the way out, but the KPA did no favors to Roh Moo-hyun’s fading hopes to succeed him. Instead it shortened the odds on Lee Hoi-chang entering the Blue House next February. This administration can surely give no more aid to Pyongyang. The ripples will spread wider: just when President Bush at long last seemed ready for dialogue in July, this must at least cause a delay. Those in

Washington who would rather not deal at all with what they regard as an incorrigibly recidivist rogue state now feel vindicated. Seoul can no longer convincingly press its ally to be indulgent; Kim Dae-jung may be too dismayed even to try.

Refugee Crisis Escalates

Finally, while its ramifications are far more than bilateral, the escalating DPRK refugee crisis must be noted. The last quarter saw a rush, coordinated by nongovernmental organizations (NGO), of North Koreans seeking sanctuary in foreign diplomatic missions in China. South Korea's role was initially as a final destination, but its involvement escalated when its own Beijing consulate became a target – including by Chinese police, who entered it and assaulted diplomats while dragging off one refugee. In the end he and all the others were allowed to go to Seoul via third countries. But on its border China is now cracking down both on refugees and ROK NGOs who help them, so the long-term issues remain. Despite such pressure, cuts in international food aid to North Korea (after seven years, donor fatigue is setting in) mean that flight into China will continue.

That creates both diplomatic and practical challenges for South Korea. Officially it regards all North Koreans as ROK citizens, yet it is terrified of a deluge. Numbers remain tiny, but they are growing fast, with 514 arrivals by late June as against 583 in the whole of 2001. Those in China are estimated at up to 300,000. Most go back and forth, but some 30,000 might wish to come to South Korea. In June it was reported that the main resettlement facility near Seoul will be expanded. Unification Minister Jeong Se-hyun said that defectors are “a beginning of the reunification process”; yet he also defended the Sunshine Policy as improving conditions in the North and thus stabilizing the situation. Striking a balance here will get no easier.

Thinking Outside the Box

How to sum up this complex picture? On the ground, the two Koreas continue to interact on many levels even when official dialogue is in limbo, as it largely was even before the June 29 shootout. But that incident must cause a chill, while from next February a new president in Seoul will at the very least alter the mix. Also, inter-Korean ties will as ever remain hostage to external factors, above all, U.S. policy – or lack of one. Continuing reports of divisions within the Bush administration on how to handle North Korea are dismaying.

There may be other noises off. The gradualism implicit in the Sunshine Policy, while devoutly to be wished for, is hardly guaranteed. In May, the *Korea Herald* reported a recent unofficial role-play exercise in Seoul. Just before December's election, Kim Jong-il decides he will after all visit the South; Kim Dae-jung agrees. The Dear Leader goes to Cheju, Seoul being too risky. Refugee NGOs stage their biggest stunt yet: an armada of boat people and a mass border crossing into China. Beijing elects not to shoot; there is a coup in Pyongyang and Kim Jong-il seeks asylum – in the U.S. Fanciful, no doubt (he

would surely prefer Russia). But whatever the details, to believe that Korea's future will be simply an indefinite extension of the status quo looks just as implausible. Managing change on the Peninsula, including being ready at any time for the unexpected and unwanted, is the challenge for Seoul and its allies henceforth.

Chronology of North Korea - South Korea Relations April - June 2002

April 3-6, 2002: Ex-ROK Unification Minister Lim Dong-won visits Pyongyang as ROK President Kim Dae-jung's special envoy. After talks with DPRK Leader Kim Jong-il and others, he returns with a commitment to resume inter-Korean cooperation, including a new offer of a second cross-DMZ rail link.

April 5, 2002: A final consignment of 100,000 tons of Southern maize aid is sent to the North.

April 18, 2002: South Korea says it will spend \$54 million to give 200,000 tons of fertilizer to North Korea for delivery over the next month in time for this year's harvest.

April 27, 2002: Roh Moo-hyun, a strong supporter of inter-Korean reconciliation and former advocate of U.S. troop withdrawal, is nominated as the ruling Millennium Democratic Party's presidential candidate.

April 28-May 3, 2002: A fourth round of separated family reunions is held, this time at Mt. Kumgang rather than in Pyongyang and Seoul, briefly reuniting 848 elderly kin.

May 6, 2002: The North pulls out of economic talks due the next day, alleging hostile comments by the South's foreign minister. A separate economic visit due later in May is cancelled also.

May 10, 2002: A chartered Korean Air plane flies 255 Cheju residents directly to Pyongyang for a week's visit.

May 11-14, 2002: Park Geun-hye, daughter of ex-President Park Chung-hee and herself seen as a presidential contender, visits North Korea, dines with Kim Jong-il, and returns via Panmunjom.

May 15, 2002: The ROK unification minister says Seoul is considering giving materials worth \$25 million to the North to expedite completion of North-South railway links.

May 17, 2002: Park Geun-hye says Kim Jong-il promised to send the DPRK's soccer squad South for a friendly game in September. There was no mention of the World Cup.

May 19-24, 2002: A 10-strong Northern team visits the South to inspect a nuclear power plant and Yangyang airport, which will be used for transport to Korean Peninsula Energy Development Organization's (KEDO) light-water reactor (LWR) site at Kumho.

May 24, 2002: South Korea indefinitely postpones issuing this year's defense white paper to sidestep controversy over whether to continue to designate North Korea as "main enemy."

May 26, 2002: A diplomatic source cites DPRK Foreign Minister Paek Nam-sun in Moscow as saying that the North's military is opposed to an east coast North-South rail link.

May 31, 2002: North Korea notifies the South that it will discharge water from its Inman dam from June 3. It does so. South Korea had claimed that the dam was cracking.

June 1-3, 2002: A delegation from southern Kangwon province, which is split by the DMZ, visits its Northern counterpart to spray insecticide on pine trees and discuss other cooperation.

June 4, 2002: Hyundai Asan doubles its Kumgang cruises from 10 to 20 per month. Tours are fully booked through summer, thanks to official subsidies for students and separated families.

June 4-8, 2002: The first ever North-South telecommunication talks are held in Pyongyang. Southern companies provisionally agree to jointly launch a mobile service later this year.

June 5, 2002: First Southern professors to lecture in the North begin teaching an 18-month course on reactor operations to 1,400 Northern engineers at KEDO's LWR site at Kumho. Two other ROK professors will lecture on IT management systems in the North in July and August.

June 6, 2002: South Korea completes shipment of 200,000 tons of free fertilizer to the North.

June 11, 2002: ROK Unification Minister Jeong Se-hyun says that North Korea's economic dependence on South Korea is now comparable to its former ties with the USSR and China. He adds that 652 Southern companies are now doing business with the North.

June 11, 2002: A ground-breaking ceremony is held in Pyongyang for the first inter-Korean college. Pyongyang University of Science and Technology is due to open in September 2003.

June 13, 2002: A 20-member Southern trade union delegation goes to Mt. Kumgang for joint celebrations of the second anniversary of the June 2000 inter-Korean declaration.

June 13, 2002: A KPA patrol boat crosses four miles into Southern waters and remains for four hours, in the eighth such incident this year. Nonetheless, the ROK Joint Chiefs of Staff say on June 19 that violations are down this year and that the North is avoiding confrontation.

June 14, 2002: It is revealed that some 500 Northern engineers will come South in November for two-three months training in power generation, as part of KEDO's light-water reactor project.

June 14, 2002: Southern Christian aid NGO flies 320 members direct to Pyongyang for a week's visit. They return early June 18, after a promised joint service failed to materialize.

June 16, 2002: Over 200 Southern civic activists return from Mt. Kumgang, having agreed to hold joint youth and women's inter-Korean unification events in July and September respectively.

June 16, 2002: The ROK Unification Ministry says it will double its resettlement facility for defectors from 150 to 300. Already 514 have arrived this year, up from 583 in all of 2001. The minister describes defectors as "a beginning of the reunification process."

June 17, 2002: A Unification Ministry poll finds that two-thirds of South Koreans support aid to the North; 21 percent favor raising it; 49 percent have a positive image of North Korea, 48 percent negative.

June 19, 2002: The ROK Unification Ministry reports inter-Korean trade from January-May of \$186.22 million, up 7.9 percent. Southern imports were \$80.56 million (up 60 percent), to the North's \$105.66 million.

June 20, 2002: The South returns three Northern fishing boats that entered its waters.

June 21, 2002: The 2002 Pusan Asiad Organizing Committee sends a letter via Panmunjom, officially inviting North Korea to participate in the 14th Asian Games (Sept. 29 - Oct. 14).

June 21, 2002: North Korea indefinitely postpones the Pyongyang International High-Tech Forum and Expo, set for June 28-29. Some 60 South Korean IT firms had planned to attend.

June 22, 2002: The North's tourist body reiterates an invitation for Southerners to attend its Arirang festival, extended to July 15. Seoul insists on government-level talks first.

June 23, 2002: North Korean TV, which had been illicitly airing highlights of the soccer World Cup, for the first time shows a match involving the South Korean team.

June 24, 2002: Twenty-six North Korean refugees who had entered ROK and Canadian missions in Beijing arrive in Seoul via third countries, after China and South Korea reach an agreement.

June 26, 2002: North Korea and KEDO agree that from July 10 the North's Air Koryo will fly between Yangyang in the South and Sonduk near the Kumho LWR site, carrying project staff.

June 26, 2002: North Korea without notice stops discharging water at its Kumgangsan dam.

June 27, 2002: ROK deputy foreign minister says Seoul supports NGO proposals to set up a camp for North Korean refugees in Mongolia, if Ulanbaatar agrees.

June 29, 2002: Inter-Korean firefight in the Yellow Sea sinks an ROK patrol boat, killing five. Northern casualties are estimated at 30. Each accuses the other of shooting first.

**China-Korea Relations:
Clash, Crash, and Cash:
Core Realities in the Sino-Korean
Relationship**

by Scott Snyder
Korea Representative, The Asia Foundation

The April 15 crash of a China Air flight from Beijing to Pusan in which 129 of 166 passengers died provided a tragic omen for a tumultuous quarter in the relationship between Seoul and Beijing. World Cup euphoria in Seoul and disappointment for a Chinese team that got shut out in three straight matches during its first World Cup appearance somewhat overshadowed a diplomatic imbroglio in Beijing over a steady flow of North Korean refugees seeking asylum in foreign embassies and consulates. The diplomatic standoff over the refugees that had arrived in the South Korean compound may mark a turn to a more complex and contentious relationship between Seoul and Beijing as the two countries celebrate the 10th anniversary of diplomatic normalization.

The level of public awareness of both good and bad aspects of the relationship continues to broaden through exports of pop culture, private sector, and citizen-led exchanges and dramatic footage of one North Korean refugee being forcibly dragged from the South Korean compound by Chinese public security officials. Governments struggle to construct the diplomatic and political infrastructure necessary to bear the weight of increasingly intensive interactions in a wide range of areas: foreign ministers met on the sidelines of the Asian Cooperation Dialogue (ACD) in June to discuss the diplomatic standoff over North Korean refugees in the South Korean compound and coordinated efforts to respond to the spring “yellow dust” syndrome got high-level attention. The two governments continued to support increased economic coordination, including the signing of currency swap agreements worth \$2 billion designed to forestall a repeat of the Asian financial crisis. Despite a more balanced view in recent months of China as a neighbor who may challenge basic South Korean interests, the underlying force in the relationship remains a widespread perception of China as an irresistible business opportunity and of South Korea as an economic model and significant investor in China’s economic growth.

Diplomatic Clash: North Korean Asylum-Seekers Overwhelm PRC Public Security

This quarter marked a sharp escalation of the confrontation between South Korea and China over the treatment of North Korean refugees who have sought political asylum by entering diplomatic compounds and consulates in Beijing and Shenyang. Following the entry and transfer of 25 North Korean refugees into the Spanish Embassy in Beijing in late March (see “Transit, Traffic Control, and Telecoms: Crossing the ‘T’s’ in Sino-Korean Exchange,” *Comparative Connections*, Vol. 4, No. 1), North Korean refugees have sought refuge in the Beijing and Shenyang diplomatic compounds of Canada, the United States, Japan, and South Korea, among others. Over 39 North Korean refugees found their way to South Korea during this quarter via diplomatic compounds in China, despite Chinese efforts to crack down on this flow. With each case, the frustration of the Chinese public security officials has mounted.

Two dramatic cases ensued involving the entry of Chinese public security officials into first the Japanese consulate in Shenyang in May and subsequently the South Korean compound in Beijing in June. In contravention of the Vienna Convention, Chinese authorities entered the compounds in both cases and removed North Korean refugees who were seeking asylum.

China’s response to the initial flow of North Korean refugees into the Spanish Embassy compound in March has been comprehensive. The PRC government has tried to improve border security between North Korea and China so as to curtail the flow of North Korean refugees into China, enforced regulations that punish Chinese citizens for assisting North Korean refugees, denied entry visas to known international human-rights activists who have attempted to publicize the plight of North Korean refugees, detained South Korean nationals from religious organizations based in China that have been active in helping North Korean refugees and in proselytization efforts that are banned in China, and increased the level of security around diplomatic compounds in Beijing and Shenyang by sending notices requesting the cooperation and understanding of the diplomatic community and by constructing or adding barbed-wire fence areas to keep North Korean refugees from going over the walls. There is no doubt that the China’s response has made the plight of North Korean refugees already in China even more difficult. None of these measures has thus far proved adequate, and the aggressiveness of the PRC public security effort backfired badly in the case of the unauthorized entry of PRC security guards into the Japanese Consulate in Shenyang and the South Korean compound in Beijing.

The South Korean government initially cooperated with the PRC primarily to arrange safe passage of refugees from third-country diplomatic facilities via a third-country from Beijing to Seoul. However, the gradual entry of up to 23 North Korean asylum seekers into the South Korean compound in early June marked the first time that the South Korean compound had openly accepted political asylum-seekers from North Korea since Hwang Jang-yop’s defection in 1997. Given the PRC government’s intensive efforts to

revamp public security measures to prevent such refugee flows, the government in Beijing attempted to use the South Korean case as an opportunity to enforce new precedents in its handling of the North Korean refugees, with relatively little success. The PRC government tried to require foreign embassies and consulates to allow an interview with Chinese public security officials prior to their departure from China, and once again insisted that the South Korean government turn over refugees for the interview.

China's frustration with the continuing flow of North Korean refugees through diplomatic compounds was sufficiently high that the Public Security Bureau rather than the Ministry of Foreign Affairs became the focal point for efforts within the Chinese government to stem refugee flows, a situation that contributed to China's miscalculations regarding pursuit by Chinese security officials into the Japanese and South Korean compounds. While South Korea was a passive observer to the dramatic footage of Chinese public security officials entering the Japanese consulate in Shenyang in mid-May, there was widespread outrage in Seoul when footage was shown of the June 13 incident at the Korean compound in Beijing. Chinese public security officials forcibly entered the compound and dragged away one of the North Korean refugees who was seeking asylum, despite protests, scuffles, and blows to South Korean diplomatic personnel and employees who tried to prevent the removal of the refugee, whose son remained inside the compound. Despite Chinese attempts to block transmission of the film taken by South Korean media inside the compound, the film was shown and evoked a strong negative reaction from the Korean public that was mitigated only by preoccupation with South Korea's historic World Cup performance.

Almost two weeks of intensive diplomatic negotiations ensued, including a meeting between foreign ministers of the two countries on the sidelines of the Asian Cooperation Dialogue meeting in Cha-am, Thailand. The PRC government finally agreed on June 23 to release all 26 defectors, including the man who had been removed from the diplomatic compound on June 13 and two other refugees who had entered the Canadian Embassy compound in Beijing, following an agreement in which both the PRC and South Korean governments expressed regret. In return for China's agreement to allow all the refugees safe passage to South Korea, the South Korean government expressed its regret over the incident and its "understanding" of China's request that diplomatic missions not be used as a channel for North Korean refugees to defect to the South. However, the South Korean government faced sharp criticisms at home for expressing regret. Within a day of that group's arrival in Seoul, yet another North Korean defector had entered the South Korean compound in Beijing.

Although the incident was finally resolved in only two weeks, it received a great deal of attention in the South Korean media and brought home to average South Koreans the diplomatic challenges in dealing with China. South Korean editorial and opinion columns expressed outrage that the PRC government would violate South Korea's sovereignty by entering the consulate and that the ROK government would admit any

responsibility as part of the diplomatic solution to this issue. South Korean non-governmental organizations (NGOs) and the public criticized the government for its failure to stand up to the PRC more forcefully. South Korean intellectuals and the media reacted negatively to China's actions and portrayed the PRC government very negatively in the press. The PRC government and media responded in kind, with a decidedly negative turn in press reporting on South Korea's World Cup accomplishments. While the negotiations over the fate of the North Korean refugees were going on, Chinese reporting of South Korea's World Cup success emphasized the Italian and Spanish criticisms of the refereeing and even alleged that South Korea had fixed the refereeing in its favor since the World Cup was being hosted by South Korea and Japan.

Immediately following the release of the 26 North Korean refugees to Seoul, South Korean media began to report on China's earlier detentions of key South Korean missionaries in China who had been aiding North Korean refugees, along with speculation that the Chinese government would be likely to pursue those cases much more harshly as part of its overall crackdown on North Korean refugees. Despite speculation that the PRC government is somehow hamstrung by its relationship with North Korea in how it handles North Korean refugee issues, there is little evidence that the PRC government has felt constrained from acting in its own interests without regard to consultations with Pyongyang. After all, it has successfully handed over to South Korea every North Korean refugee who has chosen to defect via diplomatic facilities of third countries so far. Despite Beijing's concern that continuously handing over refugees to South Korea may increase the flow of refugees through diplomatic properties of third countries, the PRC has thus far clearly understood that it has no viable choice but to allow their transit to South Korea.

China Air Crash: Burgeoning Ties and Trading Blame

The tragic crash of China Air Flight 129 from Beijing to Pusan in bad weather drew attention this quarter to the rapidly expanding infrastructure for exchanges of people and goods between South Korea and China – and the challenges that it entails. It also marked another background event through which the media shaped public images on each side. In the immediate aftermath of the crash, both the Chinese and South Korean media pointed fingers at each other. The 31-year-old Chinese pilot who survived the crash faced questioning from Korean authorities and South Korean media criticisms that he was too inexperienced in only his fifth flight to Pusan airport to fly the plane or that he had been pressed into working too many hours by crew shortages in Beijing. Chinese media responded poorly, with criticisms of South Korean flight control procedures and handling of flights during poor weather.

The 129 passengers and crew who died were extraordinarily unfortunate members of a rapidly rising flow of tourists between China and South Korea. In the month of April, the number of flights between South Korea and China surpassed the number of flights between South Korea and Japan for the first time as flight routes were added between

Korea and China in anticipation of the World Cup. Although unofficial estimates put the number of Chinese visitors to South Korea at 30,000 rather than the expected 100,000, the Chinese presence was one of the larger groups to come to Korea for the tournament. During the first four months of this year, over 500,000 Koreans visited China, marking a year-on-year increase of 58 percent. South Korean students dominate classrooms in Chinese language programs at the top Chinese universities, including Fudan, Beijing, and Qinghua Universities, constituting well over half of foreign enrollment. To celebrate the 10th anniversary of the establishment of diplomatic relations, China and South Korea have also organized student exchanges at a municipal governmental level. Over 100 South Korean students visited Beijing and Xian in early May, and students from Beijing are coming to Seoul during the summer.

Among those Chinese who visited Korea were a number of Korean Chinese who “disappeared” from their tour after attending a China-Costa Rica soccer match in Kwangju. Ethnic Koreans from China have also disappeared after signing up for education and training programs that are a vehicle for illegally entering South Korea. South Korean authorities are struggling to strengthen immigration controls to respond to human smuggling efforts by which Chinese, attracted by South Korea’s higher wages, continue to try to enter Korea illegally. A newly signed extradition agreement between China and South Korea has resulted in the exchange of a drug trafficker wanted in China and a person involved in smuggling drugs and human cargo via the Yellow (West) Sea.

South Korea remains a magnet for Korean Chinese, some of whom spend huge sums with brokers who arrange for them to come to South Korea by either legal or illegal means. Once there, they must work off those debts and send money back to their families in China. The Korean government estimates that almost 75,000 ethnic Korean Chinese are in South Korea illegally to do difficult, dirty, and dangerous jobs in order to make a living, and it has been trying to overhaul procedures for handling illegal immigrants by instituting a voluntary reporting period through the end of May, after which the government is prepared to take strict measures in handling illegal migrant workers. Members of the *Chosonjok* (ethnic Korean Chinese) church launched a hunger strike in early April to protest the government’s plan in anticipation of the new measures.

Cash: Economic Opportunity as the Driver for Sino-ROK Relations

Despite political and diplomatic tensions, the fundamental complementarity of the Chinese and South Korean economies continues to create mutual beneficial opportunities. However, the first signs of future economic conflicts are beginning to reveal themselves in various ways. Among the developments worth highlighting are that China continues to see Korea as a model for dealing with some of its most serious internal problems, including the issue of how to clean up nonperforming loans, which are estimated to constitute a staggering proportion of overall lending in China’s banking sector.

According to the Korea Trade-Investment Promotion Agency, direct investments in China rose by 45 percent during 2001 to \$2.15 billion. Chinese cities this quarter have sent trade missions to South Korea to attract foreign investment, with the city of Weihai sending a delegation of about 1,000 people in mid-May, preceded by large delegations of over 100 people each from Liacheong, Yantai, Yanbian Province, and Guangdong Province. Chinese companies have also taken advantage of the “Korean Wave” to recruit popular Korean celebrities such as Korean actress Kim Hee-sun as spokespersons for their products.

On the other hand, trade disputes are emerging in key sectors of the China-South Korea economic relationship. Management of these disputes will become an increasingly important aspect of the government-to-government relationship. China’s annual production of chemical fiber is projected to exceed 10 million tons next year, and fiber production rate will rise to 100 percent in the near future, sharply reducing the Chinese demand from Korean chemical fiber producers, which are suffering from overcapacity. In industries from oil refining to steel to container handling, it is not hard to see that the stimulus to Korea’s economy created by China’s increasing demand may become a curse in three to five years when China’s plans to build indigenous capacity come on line. The surge in transshipment activity has made Pusan port the third largest in the world and has stimulated massive expansion plans at Gwangyang; however, the construction of state-of-the-art port facilities in Shanghai will clearly eat into transshipment activity, raising interesting questions about the viability of the Pusan-Gwangyang expansion plans. Korean businessmen and economic planners have largely focused on the short-term bottom line, despite the dangers that may await in the mid- to long-term as China builds its own capacity.

One of the more interesting ways in which this realization has begun to play into South Korean planning lies with the Kim Dae-jung administration’s active focus on making South Korea a regional transportation hub and international business center. Capitalizing on Korea’s location as a supplier of high-value-added goods and services to China and the rest of Northeast Asia, the strategy is designed to turn Korea into a central transit point rather than an outlier in regional and global economic affairs. The idea of Korea as a regional hub has received a big boost from Korea’s success in recovering from the financial crisis through the institution of more transparent business practices and from the international focus on Korea derived from its co-hosting of the World Cup.

However, the underlying motivator driving the efforts of the Korean government and business community derives both from the economic opportunity associated with Korea’s proximity to China and from the economic threat arising from China’s future competitiveness. For Korean economists, making South Korea into a regional hub is a way of recognizing that Korea has no choice but to stay ahead of China in the transition from a manufacturing to a service and knowledge-based economy. With China’s modernization well underway, Korean economic planners can feel the breath of a stiff competitor at their back; they have no option but to run harder and faster toward

international best practices that can make Korea an indispensable hub for economic regionalism and globalization. South Korea's failure to pursue this in all its aspects may force the country to the periphery of Asia's economic and political relations and ultimately leave Korea's prospects wholly dependent on China's future growth.

Chronology of China-Korea Relations

April - June 2002

April 8-10, 2002: The Korean Peninsula suffers its worst bout of "yellow dust" from China, with concentrations of fine dust particles measuring up to 2,070 micrograms per cubic meter (70 times the normal concentration).

April 12, 2002: A group of 500 ethnic Korean Chinese in South Korea announces a hunger strike to protest the Seoul government's plan to crack down on illegal aliens.

April 15, 2002: Air China Flight 129 from Beijing to Pusan crashes in bad weather on approach to Pusan's Kimhae Airport. Only 38 of 166 passengers, including the Chinese pilot, survive the crash.

April 16, 2002: The Federation of Korean Industries calls on the South Korean government to urge China to ease restrictions on business activities of foreign companies in a meeting with Minister of Commerce, Industry, and Energy Shin Kook-hwan.

April 19-20, 2002: South Korea, Japan, and China agree to form a yellow dust monitoring network in talks among environment ministers from the three countries held in Seoul.

April 25, 2002: Two South Korean missionaries, Cheon Ki-won of "Durihana Mission" and Pastor Choi Bong-il, were announced to have been detained in China for their activities assisting North Korean defectors and providing them with shelter.

April 28, 2002: Korean Air announces expanded flight service to China to 12 cities on 16 different routes 82 times per week. Korean Air anticipates over 1 million passengers on China-bound flights for the first time in 2002.

May 6, 2002: South Korean government opposes a visit to Seoul by Taiwan's First Lady Wu Shu-chen at the invitation of the Korea Association of Persons with Physical Disabilities, arguing that such a visit would contradict South Korea's "one China" policy.

May 8, 2002: Five North Korean asylum-seekers enter the Japanese consulate in Shenyang, despite Chinese attempts to retrieve them from the consulate. Video of the incident sparks severe criticism of China's handling of North Korean asylum-seekers.

May 10-14, 2002: Deputy Prime Minister and Minister of Finance and Economy Jeon Yun-Churl meets with Chinese counterparts to discuss bilateral economic cooperation and to participate in a tripartite meeting of finance ministers from South Korea, China, and Japan. The Korea-China Investment Cooperation Committee is launched in Seoul under the chairmanship of the Korean and Chinese finance ministers.

May 14, 2002: Three North Korean defectors who had sought asylum at the U.S. consulate in Shenyang arrive in Seoul via Singapore.

May 14-16, 2002: Chinese government mission from Shandong's Weihai province sends a 1,000-member economic mission to Seoul, according to the Korea International Trade Association and the Korea Trade-Investment Promotion Agency.

May 17, 2002: The South Korean consulate draws criticism from human-rights activists by turning away a man who claimed to be a North Korean refugee. On the same day, two North Korean refugees who sought asylum at the Canadian Embassy arrive in Seoul.

May 23-24, 2002: The first North Korean refugees enter the South Korean compound, triggering talks between South Korea and China on how to handle these requests.

May 24, 2002: China slaps duties on half of its annual steel imports as a market protection measure. Korean officials call for negotiations with China on the issue.

May 28, 2002: China publicly claims rights to three asylum-seekers who took refuge in the South Korean compound, arguing that the matter is one for Beijing and Pyongyang and not for Seoul and signaling that defectors to South Korean diplomatic compounds would be treated differently from other cases.

June 5, 2002: Two Chinese tourists disappear after watching the China-Costa Rica World Cup soccer match in Kwangju.

June 8, 2002: A study by China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) reveals that South Korea was involved in 15 of 19 antidumping investigations China has launched against imports during the past five years.

June 10, 2002: Three North Korean defectors enter the Canadian Embassy in Beijing and two additional defectors enter the South Korean Embassy in Beijing.

June 11, 2002: Nine North Korean defectors enter the South Korean compound in Beijing, bringing to 17 the total number of asylum-seekers housed at the compound.

June 13, 2002: Formosa Plastics Group (Taiwan) Chairman Wang Yung-ching visits North Korea to explore possible investments in North Korea.

June 13, 2002: Chinese public security officials enter the South Korean compound and forcibly remove one of 23 North Korean asylum seekers, stimulating a firestorm of protest in Seoul.

June 13, 2002: A Korean man is detained at Incheon Airport for smuggling one kilogram of methamphetamines on a flight from Yantian China.

June 18, 2002: South Korean Ministry of Commerce, Industry, and Energy announces that it is holding talks with the Chinese government to set up a complex for Korean manufacturers at Dandong, across the Yalu River from Sinuiju, on the North Korea-China border.

June 19, 2002: South Korean Foreign Minister Choi Sung-hong and PRC Foreign Minister Tang Jiaxuan hold talks on the North Korean defectors issue on the sidelines of the Asia Cooperation Dialogue in Cha-am, Thailand.

June 24, 2002: Twenty-six North Korean defectors, including 23 who had sought asylum at the South Korean Embassy in Beijing, arrive in Seoul. On the same day, a North Korean woman enters the South Korean Embassy and requests asylum.

June 24, 2002: The Bank of Korea signs a currency swap agreement worth \$2 billion with China as part of measures to prevent the recurrence of another Asian financial crisis.

June 27, 2002: South Korean government officials express concern that the Chinese government will give severe punishments to three South Korean missionaries detained on charges of helping to smuggle North Korean defectors out of the country.

**Japan-China Relations:
The Good, the Bad, and ... Japan-China
Relations**

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

The quarter started well with a series of high-level visits marking the 30th anniversary of the normalization of Japan-China relations. National People's Congress Chairman Li Peng came to Japan and Japanese Prime Minister Koizumi Junichiro met PRC Premier Zhu Rongji on Hainan Island.

But the ever-present force of history resurfaced April 21 when Prime Minister Koizumi visited Yasukuni Shrine to pay homage to Japan's war dead. Less than a month later, the Shenyang incident, in which Chinese police entered the Japanese consulate and forcibly removed North Korean asylum-seekers, turned into a diplomatic cause *célèbre*. And prominent Japanese political leaders again waded into the debate over the constitutionality of Japan possessing nuclear weapons.

Both governments, conscious of their respective investments in the anniversary year, worked to keep relations on track. Agreement was reached on the raising of the mystery ship sunk by the Japanese Coast Guard in China's exclusive economic zone (EEZ). And, after holding firmly to its position that the actions of the Chinese police at the Shenyang consulate did not violate the Vienna Convention, Beijing offered Japan face-saving talks aimed at developing guidelines to prevent a similar recurrence. At the same time, Japan's growing trade with and investments on the mainland served to cushion relations during the rough patches of the quarter.

High-Level Visits – A Good Start...

On April 2, Li Peng began an eight-day visit to Japan. Li proclaimed that the year 2002, commemorating the 30th anniversary of the normalization of Sino-Japanese relations, should be dedicated to deepening feelings of friendship among the youth of both countries. The following day, Li met with Japanese Foreign Minister Kawaguchi Yoriko, Lower House Speaker Watanuki Tamisuke, and Upper House President Inoue Yutaka. At the Foreign Ministry, Kawaguchi took up the mystery ship issue, telling Li of the strong support in Japan for the raising of the ship, while making it clear that she wanted to avoid making the ship a diplomatic issue. (See "Smoother Sailing across Occasionally Rough Seas" *Comparative Connections*, Vol. 4, No. 1). Li replied that if the issue were

handled in accordance with international and domestic law, he was “personally optimistic” about a resolution. In a luncheon address, Li told Japan’s business leaders that complementarities in the economies of the two countries would serve to accelerate growth in Japan, while assuring the audience that China’s economy “will never become a threat to Japan.” In an exclusive interview with the *Asahi Shimbun*, Li expounded on the development of bilateral relations, noting that from time-to-time problems will unavoidably emerge, but, if dealt with carefully and with a long-term, big-picture perspective, they can be resolved.

Koizumi’s April 12 speech at the Boao Asia Forum on Hainan Island, “Asia in a New Century – Challenge and Opportunity,” set out a broad framework for Asia policy, resting on the three values of “freedom, diversity, and openness.” The prime minister noted that China’s leaders and the Chinese people together are “advancing the cause of reform and openness,” and Japan, “as a friend of China, has been supporting such efforts.” Koizumi went on to declare that while “some see the economic development of China as a threat, I do not.” China’s dynamic development created both challenges as well as opportunities for Japan. Thus, he saw the “advancement of Japan-China economic relations, not as a hollowing out of Japanese industry, but as an opportunity to nurture new industries in Japan and to develop their activities in the Chinese market.”

Following the speech, Koizumi met with PRC Premier Zhu Rongji. The discussion focused on developing a mechanism to resolve trade and financial tensions. The two leaders agreed to establish a Japan-China Economic Partnership. In addition to working-level discussions on various issues, vice ministers responsible for foreign policy, economics and trade, finance, and agriculture would also meet once each year. The partnership would seek to avoid, through dialogue, the politicization of economic issues, such as last year’s long-running safeguards controversy.

The Yasukuni Interlude: Back to History

Former Chief Cabinet Secretary Koga Makoto, currently chairman of the Association of Bereaved Families of the War Dead, led a delegation to China and South Korea to discuss lingering issues related to Koizumi’s 2001 visit to the Yasukuni Shrine. He was accompanied by Nonaka Hiromu, also a former Chief Cabinet Secretary, and met with China’s Foreign Minister Tang Jiaxuan. Tang spoke to the delegation of his hopes for a peaceful August that would have no negative impact on September’s 30th anniversary of the normalization of Sino-Japanese relations, in effect asking that the prime minister not repeat last August’s visit to the Shrine.

Eight days later, on Sunday morning April 21, Koizumi visited the Yasukuni Shrine. The event was front-page, above-the fold, headline news. In defending his decision, the prime minister argued that paying respects to the war dead was only “natural.” Koizumi announced that he did not want to resurrect last year’s debate over the propriety of a visit to Yasukuni either shortly before or after the Aug. 15 commemoration of the end of the

war. In this context, Koizumi believed the Spring Festival presented the best opportunity for him to visit the shrine tranquilly as an expression of his true inner feelings. Japan's present prosperity, he noted, was built on the sacrifices of the war dead, and the "most important thing for a political leader was to ensure prosperity by never again resorting to war."

Beijing had a different view of the visit. Foreign Ministry spokesperson Zhang Qiyue made clear that China opposes visits to the shrine by Japanese leaders "at any time and in whatever capacity." Vice Minister for Foreign Affairs Li Zhaoxing called in Japanese Ambassador Anami Koreshige to express China's "strong dissatisfaction and resolute opposition" to the visit, which served to undercut previous explanations the prime minister had made on the subject of history. Meanwhile, in Tokyo, China's ambassador to Japan, Wu Dawei, called on Vice Minister for Foreign Affairs Takeuchi Yukio. Wu told the vice minister that the visit had "deeply wounded the feelings of the Chinese people." China was "resolutely opposed" to Japan's political leaders visiting the Yasukuni Shrine.

On April 29, President Jiang Zemin told a New Komeito delegation, led by Kanzaki Takenori, who carried a personal letter from Koizumi to Jiang, that he considered the visit "absolutely unacceptable." Jiang observed that, following the uproar last August, Koizumi had traveled to China, visited the Anti-Japan War Memorial, and met again with Jiang at the APEC meeting in Shanghai. As a result, Jiang had thought the issue was over. But now "the unthinkable" had again occurred. Jiang went on to say that the Chinese had thought the prime minister to be a man of honor and cautioned that Koizumi should not take this matter lightly. However the prime minister looked at the Yasukuni issue, Jiang made clear that China saw it as "a state-to-state" issue."

Evidencing China's displeasure, Beijing postponed the scheduled April 27-30 visit of Defense Agency head Nakatani Gen and called off the PLA Navy port call scheduled for May in Tokyo. In making the announcement, the Chinese Foreign Ministry found the visits "inappropriate under the present circumstances." *The People's Daily* under the headline, "Japan Must Confront History," argued that Koizumi had miscalculated that, by paying homage at a time other than Aug. 15, he could escape the condemnation of China and Asia.

Jiang's words also drew a restrained response from Tokyo. Government sources were quoted as saying Jiang's rebuke was understandable given his position and that Beijing understood that the visit was a reflection of the prime minister's deep personal beliefs. The Foreign Ministry likewise took the Chinese blast in stride, asserting that the strong response was "expected"; the real test would be China's actions.

Even as the Yasukuni controversy played out, Zeng Qinghong, director of the Chinese Communist Party's Organization Department and confidant of Jiang Zemin, accompanied by Li Jiangqun, party secretary of Shanxi Province and Meng Jianzhu, party secretary of

Jiangxi Province, arrived in Oita Prefecture on April 25. Two days later, Kansaki's New Komeito delegation arrived in Beijing. At the same time, discussion between Tokyo and Beijing continued over the raising of the mystery ship.

Mystery Ship

On Dec. 22, the Japanese Coast Guard intercepted and exchanged fire with an alleged DPRK ship operating within Japan's EEZ. The ship fled, entered China's EEZ, where it sank. It became a political issue in Japan as well as a diplomatic issue between Japan and China.

Early on, Beijing insisted that Japan pay careful attention to China's interests and concerns in efforts to identify and raise the mystery ship. On April 18 and 19, working-level officials from Japan's Foreign Ministry and Coast Guard traveled to Beijing to inform the government of Japan's plans to send divers to the site in early May.

On May 13, the coast guard revealed that exploration of the ship had yielded weapons, including rocket launchers, a machine gun, and an automatic rifle, along with the remains of two bodies. The coast guard also said that it wanted to begin operations to raise the ship in June, following consultations with Beijing.

On June 25, the salvage ship, *Shinyo Maru*, left Kagoshima for the salvage site after Japan and China reached an agreement; operations began June 26. China's request for compensation for Chinese fisherman affected by the salvage operation remained under discussion in Tokyo as salvage operations began.

Shenyang Incident – 14 Days in May

On the afternoon of May 8, five North Koreans – two men, two women, and a child – rushed past Chinese guards attempting to enter the grounds of the Japanese consulate in Shenyang. China's People's Armed Police pursued and forcibly removed the two women and the child from the consulate grounds. The two men who entered the visa section were also forcibly removed. On May 22, the five North Koreans left China for Seoul via Manila.

The incident quickly became a cause *célèbre* between the two countries, a diplomatic version of *Rashomon* with respect to what happened, why, what was said by whom to whom, and when. The incident soon became a political issue between competing factions within the LDP with respect to China policy and, following a series of personnel and money scandals, again put the Foreign Ministry in the crosshairs of Japan's political leadership.

The incident became front-page headline news the next morning in Japan. Temperatures in Tokyo jumped later that day when television news carried a video of the incident. The

initial line taken by diplomatic sources in Tokyo was that the Chinese police had entered consular grounds without permission and infringed on Japanese sovereignty, contravening the Vienna Convention. On the evening of the 8th, the minister of the Japanese Embassy, Takahashi Kunio, lodged a protest with the Chinese Foreign Ministry and asked that the persons taken from the consulate be returned. Prime Minister Koizumi called for the incident to be thoroughly investigated and carefully handled so as not to harm the Japan-China friendship.

Meanwhile, sources in Beijing were making it clear that China would oppose any return of the detainees. Moreover, Beijing regarded the apprehension of the intruders as an action taken to protect the consulate and thus in accord with China's obligation under the Vienna Convention.

On May 10 Foreign Minister Kawaguchi called in the Chinese ambassador and, along with renewing the request for the return of the detainees, asked for an apology from Beijing as well as guarantees that such events would not take place in the future. The Japanese government regarded the incident as a clear violation of the Convention and, from humanitarian considerations, asked the five persons be returned. At the same time, the Foreign Ministry set up a task force to deal with the incident and the next day dispatched an inquiry team to Shenyang.

According to the Chinese version of events, while the two women were "dragging and scratching" the guards, the two males had forcibly entered the consulate grounds, one elbowing his way past the police guard causing a bloody nose. At that point, the vice consul came out of the consulate. The police then asked the vice consul if they could enter the consulate and remove the intruders; the official gave his permission and the police then entered the grounds. Inside the consulate's visa section, the police again asked if they should take away the two men. The Japanese official "bowed and nodded in agreement and said 'yes' in Chinese." Later, when the police asked if they should take away all five intruders, the Japanese official, after a cell phone conversation with higher-ranking officials, gave his approval, "bowed" to the police, and "said 'thanks' in Chinese repeatedly."

China's Foreign Ministry spokesperson Kong Quan told reporters that the guards, acting in a post-Sept. 11 environment, had risked their lives to protect the consulate and its employees from "unidentified" intruders. Japan should understand and appreciate their "sense of responsibility"; instead, what has been witnessed is the "overreaction of the Japanese side."

The Japanese Foreign Ministry, in its report of the incident, refuted the Chinese version and asserted the consular went so far as to attempt to physically block the removal of the five individuals from the police box outside the compound. However, with requests for an apology and for a return of the five detainees being firmly rebuffed by Beijing, Tokyo began to shift its position.

On May 14, Prime Minister Koizumi told the Upper House that, while the government would continue to ask for a hand-over the detainees, it was essential that humanitarian considerations be realized. According to Foreign Ministry sources, Japan's bottom line was that they not be returned to North Korea but rather be allowed to depart China for a third country. In the face of Beijing's refusal to consider either an apology or the return of the detainees, Tokyo was moving to disentangle the fate of the five individuals from the dispute over the Vienna Convention.

A less flattering picture of Japanese humanitarian concerns made front-page news that morning. Both *Sankei* and *Yomiuri* reported that at a May 8 embassy staff meeting, Ambassador Anami instructed staff that they should be prepared to turn away asylum-seekers. While recognizing such actions could "evolve into a humanitarian issue," the ambassador was of the opinion that it was "better not to be involved in trouble."

The issue also played into Japan's domestic politics. The opposition Democratic Party sent its own fact-finding team to China to investigate the incident. The opposition's report revealed additional unflattering facts, most notably a handshake between a consulate official and the head of the police detachment during the incident and a telephone call from the consulate to provincial authorities to thank them for resolving the incident. The Foreign Ministry's report of the incident failed to mention these details. The Democrats got little thanks for their efforts. Deputy Chief Cabinet Secretary Abe Shinzo called them a "Chinese mouthpiece." Koizumi labeled the Democrats' efforts "masochistic."

Within the LDP, the pro-Taiwan, Eto-Kamei faction criticized the Foreign Ministry's handling of the incident and attacked China for breaking into the consulate and abducting the asylum-seekers. Faction leader Eto charged the Foreign Ministry with conducting "a diplomacy of prostrating before China." China, he observed, has "a genius for telling lies." Meanwhile, the Hashimoto faction, originally formed by former Prime Minister Tanaka Kakuei, who had normalized relations with China, urged consideration of the anniversary year.

Also calling for calm, Vice Premier Qian Qichen told a group of visiting Japanese newspaper editors that there have been "larger problems" that the two countries were able to resolve successfully and that the present matter did not require "high-level discussion." Deputy Chief Cabinet Secretary Abe told a television audience that Japan's "top priority" was the human rights of the five asylum-seekers. He went on to say, "That's more important than saving our face."

The denouement came unexpectedly on May 22, when the five North Koreans left Beijing for Seoul via Manila. In Tokyo, Kawaguchi told reporters that the government had been asking that China give priority to "the fulfillment of the humanitarian needs of the five people." The government believed "China has considered the Japanese request

in its decision this time.” Koizumi expressed satisfaction with the humanitarian resolution of the incident, even if it had to end ambiguously without Japan being able to interview the asylum-seekers. Japan’s protests relating violations of the Vienna Convention remained unresolved.

Economic and Commercial Relations

Neither the Yasukuni Shrine nor the Shenyang incident slowed the expansion of Japan’s economic and commercial relations with China during the quarter. From automobiles to computers, Japan’s private sector continued to move toward the mainland, attracted by China’s low-cost labor and market potential. Also, Prime Minister Koizumi’s speech at the Boao Forum and the subsequent agreement with Zhu Rongji to establish the Japan-China Economic Partnership in order to avoid the politicization of trade issues provided encouraging political reinforcement to the rapidly expanding economic relationship.

Indicative of the rate of expansion were preliminary trade figures for 2001, released by the Ministry of Finance in mid-April. In 2001, imports from China increased 13.8 percent over 2000 to a figure of ¥7.15 trillion – the first time imports went over the ¥7 trillion mark, bringing imports from China close to the level of imports from the United States. Meanwhile, exports to China hit ¥3.88 trillion, up 10.8 percent from 2000. The margin of increase in both categories was the largest ever. At the same time, the Cabinet Office released the results of a corporate survey in which 72 percent of respondents listed China (excluding Hong Kong) as a possible destination for investment in the period 2002-2004. The figure represents a 52 percent increase over 1999-2001.

At the same time, both governments were taking steps to protect domestic interests. In Tokyo, the Ministry of Economic, Trade, and Industry (METI) postponed until Oct. 15 a decision to extend WTO safeguard protection to towel imports from China. Meanwhile, China’s Ministry of Foreign Trade and External Economic Cooperation announced a decision to launch an antidumping investigation on polyester and vinyl imported from Japan and Taiwan. METI’s Suzuki Hideo deplored the “unilateral” decision as undercutting efforts to build mutual confidence. Japanese and Chinese officials met in Beijing June 12 to discuss application of the safeguards. While Japanese officials spoke of using the WTO dispute resolution mechanism to resolve the issue, Chinese officials refrained from a detailed discussion of the scope of the safeguards.

Nuclear Options

Nuclear weapons also played a role in the Japan-China dialogue this quarter. On April 6, speaking in Fukuoka, Liberal Party leader Ozawa Ichiro criticized Beijing’s military build-up and warned that China’s “conceited attitude” could make Japan “hysterical” and drive Japan to acquire nuclear weapons. Ozawa said that Japan had enough plutonium in its nuclear power plants to build 3,000 to 4,000 nuclear warheads. The next day, Ozawa, backpedalling quickly, issued a clarification. Ozawa said his remarks referred to a

conversation in which he told a deputy chief of the PLA that “Japan could become a nuclear power with its technology and economic might, but that it would be tragic if such a thing occurs and we must not let it happen.” Ozawa went on to say that he was personally opposed to nuclear armament and that nuclear weapons brought “nothing beneficial to Japan politically.” He simply wanted to let the PLA officer know that “if we get serious, we will never be beaten in terms of military power.” But, believing that Japan and China can peacefully coexist, his real aim was to strengthen relations between the two countries.

In Beijing, Deputy Foreign Ministry spokesperson Zhang Qiyue branded Ozawa’s remarks as “provocative, representing an outdated Cold War mentality,” and “entirely against the desire of the Chinese and Japanese people for friendship.”

The nuclear option resurfaced at the end of May in a *Sunday Mainichi* article, “The Incredible Contents of What the Deputy Chief Cabinet Secretary Said.” The report quoted Deputy Chief Cabinet Secretary Abe Shinzo as telling a Waseda University audience, “Constitutionally, there is no problem about (possessing) atomic bombs if their capability is limited.” Neither did intercontinental ballistic missiles (ICBMs) pose any constitutional problems. Abe also carefully made the point that constitutional legality and public policy are not the same.

Asked about Abe’s comments at a May 31 press conference, Chief Cabinet Secretary Fukuda said that he thought it “theoretically” possible for Japan to possess nuclear weapons but that political arguments would preclude that from happening. Likewise, with regard to ICBMs, Fukuda did not think Japan was “constitutionally and legally” prohibited from possessing such weapons but that Japan would not acquire them as a matter of policy. Later a government official, subsequently identified as Fukuda, told reporters off the record, “The topic of amending the Constitution has often been discussed lately. So if anything happens, if the international situation changes, there may be an opinion from the public insisting Japan should have (nuclear weapons.)”

Beijing responded quickly, finding Fukuda’s words “shocking.” The PRC Foreign Ministry spokesperson Kong Quan stated Fukuda’s comments “obviously violate” Japan’s three antinuclear principles and its commitment to the international community on the nuclear problem. To contain the budding controversy, the Koizumi government quickly sought to limit the resulting damage. In South Korea for the opening of the World Cup, the prime minister told reporters that while he could not predict the future, his government would “uphold the three nonnuclear principles.” Koizumi stressed that he had not considered reviewing the principles “at all.” In Singapore, JDA head Nakatani told reporters that Japan’s possession of nuclear weapons would result in an unstable international environment and “never bring about any benefits in terms ... of the peace and prosperity of our country.” On the evening of May 31, Fukuda also told the press that the Koizumi government had no intention to change the three nonnuclear principles.

Chronology of Japan-China Relations

April - June 2002

April 2-9, 2002: Li Peng, chairman of China's National People's Congress, visits Japan.

April 6, 2002: Liberal Party leader Ozawa Ichiro, speaking in Fukuoka, warns Beijing that China could drive Japan to possess nuclear weapons.

April 11-12, 2002: Japanese Prime Minister Koizumi Junichiro travels to China to address Boao Asia Forum on Hainan Island and meets with Premier Zhu Rongji.

April 14, 2002: Koga Makoto, chairman of the Association of Bereaved Families, meets in Beijing with China's Foreign Minister Tang Jiaxuan to discuss issues related to the Yasukuni Shrine.

April 18-19, 2002: Working-level consultations in Beijing over raising of mystery ship.

April 21, 2002: Koizumi visits Yasukuni Shrine, again raising history-related issues. China cancels April 27-30 visit of JDA head Nakatani Gen and scheduled May port call in Tokyo by PLA Navy.

April 25, 2002: Zeng Qinghong, director of the Chinese Communist Party's Organization Department and confidant of Jiang Zemin, arrives in Oita Prefecture accompanied by Provincial Party Secretaries Li Jiangquo and Meng Jianzhu.

April 29, 2002: President Jiang Zemin tells visiting New Komeito delegation, led by Kanzaki Takenori, that Koizumi's Yasukuni visit is "absolutely unacceptable."

May 1, 2002: Undersea divers begin survey of mystery ship.

May 8-22, 2002: On the afternoon of May 8, North Korean asylum-seekers attempting to enter Japan's consulate in Shenyang, are forcibly taken from consulate grounds by Chinese police setting off a two-week diplomatic stand-off. North Koreans leave China for Manila and ultimately Seoul May 22.

May 13, 2002: Japanese Coast Guard announces intent to begin mystery ship salvage operation in June.

May 22, 2002: China announces increase of tariff on imported steel, setting off protests among Japanese steelmakers.

May 31, 2002: Chief Cabinet Secretary Fukuda Yasuo takes up theoretical possibility of Japan possessing nuclear weapons under the existing constitution. Koizumi, in Seoul for the opening of the World Cup, makes clear that his government has no intention of revising Japan's three nonnuclear principles. That evening Fukuda issues a similar statement.

June 5, 2002: China's Vice Premier Wen Jiabao meets with visiting New Conservative Party leader Noda Takeshi. Wen tells Noda that the mystery ship issue would be resolved from the broader perspective of China-Japan relations.

June 12, 2002: Japanese and Chinese officials meet in Beijing to discuss China's imposition of safeguards on imported steel.

June 18, 2002: Working-level consultations in Beijing reported to reach agreement on terms and conditions of raising mystery ship.

June 18-20, 2002: Foreign Ministers Kawaguchi and Tang meet in Thailand to discuss Shenyang incident and finalize agreement on raising mystery ship.

June 21, 2002: Koizumi government gives final go-ahead for raising mystery ship.

June 25, 2002: Salvage ship *Shinyo Maru* leaves Kagoshima for salvage site.

June 25, 2002: Japanese Embassy officials in Seoul interview Shenyang asylum-seekers.

June 26, 2002: Mystery ship salvage operations begin.

**Japan-Korea Relations:
The World Cup and Sports Diplomacy**

by Victor D. Cha
Director, Project on American Alliances in Asia
School of Foreign Service, Georgetown University

The story of the quarter was Japan's re-engagement with the two Koreas on several levels. For Seoul-Tokyo relations, the World Cup soccer matches overshadowed important, but quiet, efforts at resuming bilateral security dialogue. For Tokyo-Pyongyang relations, baby steps toward resuming long-suspended normalization talks appear to have been made. Finally, the impact of the World Cup and sports diplomacy on Japan-South Korea relations is not to be underestimated.

Though the 2002 Cup did not mark modernity for either already-modern country, the Cup's success was in no small part a function of the fact that it was hosted by two of the more advanced, market-savvy, globalized, Organization for Economic Cooperation and Development, open-society countries in Asia. This not only gave the games a luster not easily tarnished, but it also is a lasting image for Japan-South Korea cooperation. Not bad for a null outcome.

Japan-ROK Relations: Re-engagement, Part I

In case you've been vacationing on the moon (or in North Korea), the big story in Seoul-Tokyo relations this past quarter was the World Cup. The overall impact of Seoul and Tokyo's co-hosting of the event is discussed at length below. What deserves mention here as a tangible positive externality of the matches was the signing of an extradition treaty between the two countries. Long overdue, but directly a function of the increased travel anticipated for the matches, the treaty requires both countries to extradite any nationals involved in serious criminal activity (i.e., carrying a prison sentence of more than one year). As much as some Koreans might hate to admit, this treaty attests to the difference in quality bilateral relations with Japan (and with the United States) have vis-à-vis all other foreign relationships. The treaty with Japan is the only one of its kind that South Korea has with another country (except the U.S.).

The excitement over the upsets and Cinderella stories of the World Cup matches overshadowed quiet, but important steps in Japan-ROK security re-engagement. As readers will recall, much of the interaction between Seoul and Tokyo on political-military issues suffered as a result of the history textbook and Yasukuni Shrine controversies in 2001. Only in the last quarter or two had relations in this aspect been returning to

normal. Meetings between Japan Defense Agency head Nakatani Gen and ROK Prime Minister Lee Han-dong and National Defense Minister Kim Dong-shin on April 20 continued this path to normalcy. Japanese officials explained a set of Japanese bills on military emergencies submitted to the Diet for approval to which Defense Minister Kim responded with understanding and gratitude. The two sides also agreed to continue sharing intelligence to ensure an incident-free World Cup. Most important, there was explicit recognition of a need to restore their fledgling military dialogue suspended last year, and in this vein, the two defense ministers agreed in principle to resume defense exchanges and to hold a second joint navy search and rescue drill (most likely in September).

Seoul-Tokyo relations could have been better this quarter, skeptics might argue given the World Cup, but they could also have been much worse. The relationship appeared to weather a sleight-of-hand by Japanese Prime Minister Koizumi Junichiro who sought to pre-empt controversy over another visit to Yasukuni this August by actually going in April. Criticism from Seoul was measurably muted. The two governments also managed to handle the DPRK asylum-seeker controversy in Shenyang, China well (although the two were not at the core of the dispute). A quiet quarter in Japan-South Korea relations, in this track, is not necessarily a bad thing.

Japan-DPRK Relations: Re-engagement, Part II

Japan's re-engagement with North Korea this past quarter took place on a number of fronts. Although the more publicized event was the dispute over DPRK political asylum-seekers rushing the Japanese consulate in Shenyang, China, perhaps the more important event was the restarting of Japan-North Korea Red Cross talks. Suspended since March, the talks (April 29-30) produced a commitment by the DPRK to resume searches for missing Japanese nationals that Tokyo claims have been abducted. The two sides also agreed to a fourth round of home visits this summer for Japanese spouses living in North Korea.

In the broader scheme of things, why are these relatively unassuming Red Cross talks important? First, the issue of home visits for Japanese spouses is widely perceived as a significant goodwill-building measure in Japan-DPRK relations. In the prelude to normalization talks in 1997, for example, three rounds of visits were held (before they were stopped in September 2000). Second, any serious progress in Japan-DPRK normalization dialogue, effectively suspended since the winter of 2000, is contingent on Pyongyang adequately addressing the abductions issue. Tokyo maintains there are at least 11 confirmed cases of Japanese nationals abducted to North Korea for espionage training in 1977 and 1983 in addition to some 49 other possible cases. The North abruptly curtailed any discussion of the issue at the end of 2001 in reaction to legal actions taken by Japanese police authorities over financial scandals involving the pro-North Korea residents association in Japan. Though hints were made by DPRK officials in the last

quarter about a revisiting of the issue, the Red Cross talks produced the first formal commitment by Pyongyang.

One can only surmise as to why the enigmatic North Korean leadership decided to re-open dialogue with Japan. In part this could be attributed to the very clear message that has been sent by the Koizumi government since taking office. Koizumi held up the abductions issue as a precondition to dialogue. The Diet followed suit with resolutions supporting this position. Whether this is a function of political acumen by Koizumi or the absence of any palpable public support for restarting normalization talks with the DPRK (which gives the government a lot of room to lay out preconditions) is anyone's guess. Perhaps the most important factor explaining DPRK behavior is food. As explained in last quarter's column, the World Food Program estimates show the North running out of food by July given the drop in contributions this year. The biggest non-giver coincidentally has been Japan. Who says the North Koreans aren't pragmatic?

There was talk in the run-up to the Red Cross talks of the North expelling Japanese Red Army terrorists that have had safe haven in North Korea since hijackings in 1970. Though this did not emerge as part of the Red Cross meetings, it is indeed a significant issue as this would have ramifications (at least in a U.S.-DPRK context) for North Korea's classification as a terrorist country.

Tokyo's other major interactions with Pyongyang this past quarter all took place via Beijing. The Japanese Coast Guard undertook investigations of the alleged DPRK ship that sank when it violated Japanese waters at the end of 2001. Divers did not begin the operation until Japan obtained the consent of the Chinese government – in whose waters the ship sat at the bottom of the East China Sea. Beijing granted Tokyo's requests and the investigations took place without incident.

The two governments, however, were not so lucky in May when five North Korean asylum-seekers rushed the Japanese consulate in Shenyang. PRC armed police intervened, entering the consulate grounds and forcibly removing the individuals. The incident was captured on film (thanks to planning by South Korean nongovernmental organization (NGO) groups in Beijing) and made the front page of newspapers globally, raising consciousness about the plight of DPRK refugees in China. Tokyo protested the unauthorized entrance of the Chinese police on sovereign Japanese territory (i.e., the consulate grounds). The Chinese countered by embarrassing the Japanese with information showing no resistance by Japanese diplomats to the police intervention; moreover, Japanese media reports later stated that embassy staff had been instructed to call PRC police in cases of forced entry. In the end, the five DPRK nationals were released from detainment and sent to a third country (the Philippines) for eventual asylum in South Korea. As other columns this quarter show, this event was not isolated to Japan-DPRK relations: a rash of attempted defections by DPRK nationals through consulates and embassies in China took place, undoubtedly orchestrated with the help of individuals and NGOs operating in China.

The World Cup, Sports, and Japan-Korea Relations

With the World Cup now a recent memory, how much did Japan and the ROK's co-hosting of the event affect relations? Did it take the close but distant neighbors to a new level of cooperation? Did it merely provide a temporary reprieve from the traditional animosities harbored on both sides? Or did it just provide another opportunity for Seoul and Tokyo to bicker?

Answering this question requires a larger look at the role that sporting events have played in international relations in Asia. At one level, such events have become symbols of globalization and "glocalization" (local resistance to globalization) forces at play in Asia. Watching any of the World Cup games on the tube (except when the host teams played), one could barely distinguish what part of the world these matches took place given the plethora of English-language global advertising panel boards surrounding the soccer pitches. So the message becomes: "Global Asia." At the same time though, these games serve as intense megaphones for nationalism and even jingoism. You would have thought, for example, that "Korea Team Fighting" was fighting the entire world (which resonates with the anti-foreign strain in Korean conceptions of national identity)! So the message becomes: "Not Global Asia, but Glocal Asia." But then, as Ralph Cossa and Jane Skanderup appropriately noted, the importation of foreign coaches (Hiddink in South Korea; Troussier in Japan; Milutinovic in China) has been pointed to as the key variable in the success of Asian teams, which has in turn fueled parochialism (see "The World Cup: Promoting Globalization?," *PacNet* 22.) Go figure.

In a separate vein, in Asia sports have served as an important validation of development in many Asian countries. All of the major developing countries in East Asia aspired to host a major international sporting event – in particular, the Olympics – as an expression of their "arrival" on the global stage. The 1964 Tokyo Olympic Games was in many ways Japan's "coming out" party as a world player, much the same way the 1988 Seoul Olympiad marked South Korea's place 24 years later. One could imagine similar aspirations when Beijing hosts the games in 2008. For Asia, the sporting event becomes a mark of modernity.

Sporting events have also become the means by which Asian countries grease the wheels of diplomacy and engagement. The visit by the U.S. national table tennis team to Beijing in the early 1970s was a high-profile, low-politics event that gauged American public openness to greater dialogue with China. This "ping-pong diplomacy" was important in the sequence of events that led to Nixon's eventual visit to Beijing and Sino-U.S. *rapprochement* in February 1972. A less well-known but even more effective case of sports engagement was that between South Korea and China in the early 1990s. Participation in athletic competitions hosted by each country provided a useful means by which to express goodwill and an interest in expanding growing economic relations from the 1980s. China's decision to participate in the 1986 Asian Games and the 1988

Olympics in South Korea (despite North Korean protests) was greatly appreciated by Seoul as it made these games among the most well-attended in recent history. Seoul reciprocated by strongly supporting the 1990 Asian Games held in Beijing. (Seoul sent a high-level delegation led by a close relative of President Chun to the Games; provided \$15 million in advertising revenue; and made other substantial donations to facilitate Beijing's successful staging of the event.) This was particularly significant for China as it sought to establish a degree of normality amid the international ostracism in the aftermath of the Tiananmen Square massacre. In total these were significant goodwill- and transparency-building events that enabled the normalization of relations in 1992.

So how does the 2002 World Cup rate given this framework? The Cup matches were not without their fair share of episodic political statements (e.g., the South Korean team's version of the "Ohno" after scoring a goal against the United States). As an instrument of engagement, there were also attempts by the South Koreans and Japanese to offer co-hosting privileges of some matches to the North Koreans, but to no avail. But in terms of Japan-ROK bilateral interaction, the Cup had little major impact: it didn't help relations, but did not hurt them either. A pessimist might find this null outcome to be yet another exasperating example of how Japanese and Koreans made lemons out of lemonade, allowing their historical bickering to get in the way of a golden opportunity to take their relationship to the next level. Instead, the two countries competed so vigorously for the rights to host that they frightened FIFA officials into choosing neither solely; then after that, they virtually ignored each other as co-hosts (see "South Korea and Japan: High Time These Neighbors Put Future Before Past," *PacNet* 22A).

Optimists, on the other hand, find nothing particularly disappointing in the null outcome. After all, to argue that the World Cup should have spurred South Korea and Japan to a new level in relations overestimates the power of sports as a variable in international relations. As described, sports may help facilitate relations between states, but they rarely act as a driver alone in redefining relations (e.g., a war).

It is true that sibling rivalry between the co-hosts was evident as they bid for the Cup, but so what? Seoul and Tokyo competed just as fiercely to host the Olympics in 1988 (don't all bidders?), but in the end, Japanese enjoyed the Seoul Olympic games more than any other Asian country as they vicariously relived their own 1964 "coming out" party through the Koreans. Similarly, after their national team was eliminated, the overwhelming team favorite among Japanese was the Cinderella South Korean team. Polls showed as high as 60 percent of Japanese rooted for Korea's advancing to the Cup final. By contrast, only 37 percent supported the Koizumi government.

Policy wonks will tell you that the Cup did serve an important purpose for bilateral relations by laying down a marker in advance that gave policymakers in both Seoul and Tokyo the incentive to patch up relations after a bad year in 2001 (see "Values After Victory: The Future of U.S.-Japan-Korea Relations," *Comparative Connections* Special Annual Issue, July 2002). However, the longer-term impact remains to be seen. In the

end, I think when South Korea President Kim Dae-jung and Koizumi meet at the July 1 summit, they will look back with satisfaction on the first World Cup ever in Asia as one of the most exciting and competitive in recent history, without terrorist or hooligan incidents. Though the 2002 Cup did not mark modernity for either already modern country, the Cup's success was in no small part a function of the fact that it was hosted by two of the more advanced, market-savvy, globalized, open-society countries in Asia. This not only gave the games a luster not easily tarnished, but it also is a lasting image for Japan-South Korea cooperation. Not bad for a null outcome.

Chronology of Japan-Korea Relations

April-June 2002^a

April 1, 2002: Japanese Prime Minister Junichiro Koizumi announces that he would “persistently and repeatedly” try to establish diplomatic ties between Japan and the DPRK. Koizumi urged Pyongyang to cooperate in cases of Japanese citizens suspected of having been abducted by the DPRK.

April 8, 2002: Japan and the ROK sign a criminal extradition pact to take effect before the 2002 World Cup finals begin May 31.

April 9, 2002: Trilateral Coordination and Oversight Group (TCOG) meeting in Tokyo in the aftermath of ROK special envoy Lim Dong-won's mission to Pyongyang to restart inter-Korean dialogue.

April 10, 2002: ROK Foreign Minister Choi Sung-hong expresses concern over “distorted” Japanese textbooks reportedly approved this week by the Japanese education ministry for use in high schools, which refer to the disputed Tokdo/Takeshima islets as belonging to Japan.

April 10, 2002: The World Food Program announces that North Korea will suffer a severe food crisis by the middle of the year. Japan, the biggest food donor last year with a contribution of 500,000 tons, has withheld food aid due to public opposition.

April 11, 2002: Japan's Parliament passes a resolution urging the government to take a “resolute stance” against the DPRK on the abductions issue.

April 11, 2002: *Tokyo Shimbun* reports that a senior Japanese Foreign Ministry official predicts an imminent restarting of Red Cross talks with the DPRK. The Red Cross talks have been suspended since March 2002.

^a. Compiled with research assistance from Eupil Muhn.

April 12, 2002: PM Koizumi says that he will seek the PRC's help in settling allegations that the DPRK abducted Japanese citizens.

April 17, 2002: Japan's Chief Cabinet Secretary Fukuda Yasuo announces that the Japanese Red Cross is seeking talks with the DPRK later this month on the issue of abducted Japanese nationals.

April 18, 2002: Japan and the DPRK announce Red Cross talks in Beijing scheduled for April 29 and 30. It will be the first meeting between the two countries since the March 2000, the last Red Cross meeting.

April 20, 2002: Japan's Defense Agency head Gen Nakatani meets with ROK Prime Minister Lee Han-dong and National Defense Minister Kim Dong-shin to explain legislation recently submitted to the Diet to prepare Japan for a military emergency.

April 21, 2002: PM Koizumi visits Yasukuni Shrine.

April 22, 2002: Panel for the preparation of a joint history research committee holds inaugural meeting in Seoul.

April 22, 2002: At celebrations marking the 25th anniversary of the ROK-Japan Friendship Association, PM Koizumi pledges concerted efforts to promote relations between the ROK and Japan in light of the upcoming 2002 FIFA World Cup soccer finals.

April 25, 2002: The DPRK Foreign Ministry strongly condemns Koizumi's visit to Yasukuni Shrine.

April 29, 2002: A Chinese Foreign Ministry spokesman Kong Quan states that the PRC will supervise Japan's investigation of the alleged sunken DPRK ship in the East China Sea.

April 30, 2002: Japan-DPRK Red Cross talks end. The DPRK agrees to resume searches for missing Japanese whom Tokyo alleges were kidnapped by the DPRK. The two sides also agreed to a fourth round of home visits by Japanese spouses living in the DPRK this summer.

May 1, 2002: The Japan Coast Guard begins an underwater survey of a suspected DPRK spy ship that sank in the East China Sea.

May 4, 2002: Jon Jong-hyok, secretary general of the (North) Korean Atomic Bomb Victims Association for Anti-Nuclear Peace, says he will ask Japan for help to build a hospital to treat A-bomb survivors now residing in North Korea.

May 8, 2002: PRC police intervene in an attempt by DPRK citizens who rushed the Japanese consulate in Shenyang.

May 9, 2002: The ROK Ministry of Justice announces that from May 15 to July 15, South Koreans traveling to Japan will be able to get a 30-day visa on entry and not have to pre-apply at the Japanese Embassy in Seoul.

May 9, 2002: Japan lodges protests with the PRC over the police's entering the Japanese mission in Shenyang without authorization to remove two North Koreans.

May 13, 2002: ROK announces it is willing to grant refuge to the five DPRK asylum-seekers detained by the PRC police at a Japanese consulate.

May 14, 2002: In a meeting between Masaaki Ono, chief of the Japanese Foreign Ministry's consular and immigration department and his PRC counterpart, the PRC refuses to hand over the five DPRK citizens it detained from the Japanese consulate in Shenyang.

May 14, 2002: Japanese media reports reveal that the staff at the Japanese consulate in Shenyang were under standing orders from the ambassador to seek PRC police help in expelling any unauthorized introducers.

May 22, 2002: The five DPRK asylum-seeker removed from the Japanese consulate in Shenyang leave Beijing via the Philippines for asylum in the ROK.

May 29, 2002: Japanese Prince Takamado, along with his wife, Princess Hisako, arrive in the ROK to attend the May 31 World Cup opening ceremony in Seoul, the first official visit to the ROK by a member of the Japanese Imperial family since World War II.

May 29, 2002: Japanese Diet unanimously approves extradition treaty with the ROK.

May 31, 2002: PM Koizumi attends World Cup opening ceremony in Seoul, meets President Kim Dae-jung.

June 2, 2002: JDA chief Nakatani proposes new forum of Asia-Pacific defense ministers that could meet regularly to discuss regional security issues.

June 2, 2002: ROK civic groups hold protests over controversial remarks Japanese Chief Cabinet Secretary Yasuo Fukuda stating that Japan could in theory reconsider its three nonnuclear principles.

June 7, 2002: North Korean Central News Agency releases statement criticizing controversial remarks by Chief Cabinet Secretary Fukuda on Japan's nonnuclear principles.

June 10, 2002: ROK presidential spokeswoman congratulates Japan on its team's first World Cup soccer victory against Russia.

June 11, 2002: DPRK Agricultural Minister Kim Chang-sik condemns Japan at UN World Food Summit for withholding food aid.

June 17, 2002: TCOG meeting in San Francisco.

June 23, 2002: Japanese private fact-finding delegation with regard to atomic bomb survivors leaves for the DPRK.

June 25, 2002: Japanese Coast Guard ships guard site in the East China Sea as operations begin to raise the sunken alleged DPRK ship.

June 30, 2002: ROK President Kim Dae-jung attends World Cup finals in Yokohama, Japan; they are followed by a two-day summit with Prime Minister Koizumi.

**China-Russia Relations:
Beautiful Relationship in a Dangerous World**

by Yu Bin
Associate Professor, Wittenberg University

The second quarter of 2002 witnessed major changes in world politics as President Vladimir Putin's Russia took gigantic, and perhaps final, steps into the West (joining NATO and going beyond the 1972 Anti-Ballistic Missile Treaty, or ABM). Despite the huge impact of Russia's Westernization, Beijing and Moscow were able to soft-land their cordial, though sensitive, relationship and to institutionalize the Shanghai Cooperation Organization (SCO), a joint venture that has been under severe constraint following the U.S. strategic return to Central Asia after Sept. 11, 2001. While both Moscow and Beijing improved and/or stabilized their relations with Washington, all three faced a post-deterrence world in which nuclear weapons are no longer viewed as weapons of last resort and in which the incentives for nonnuclear states to obtain those weapons were greater than ever.

Is Russia "Lost" Again?

Neither Putin nor President George W. Bush mentioned China during their May 24 Moscow summit. Yet the impact of Russia's Westernization, if proved substantial, would be as strong as that of Gorbachev for China, argues an influential Chinese analyst. The official Chinese position argues that improved U.S.-Russia relations are favorable for maintaining peace and stability in the world and positive for Sino-U.S. ties. Yet, beneath the surface calmness, Chinese analysts are seriously debating the implications of Putin's Westpolitik. At least three opinions are discernible: pessimism, optimism, and pragmatism.

Pessimists, whose views are derived largely from conventional triangular geopolitics, see China as the net loser in this three-player game. Although these pessimists are by no means alarmists, they believe that a change of chemistry in any pair of relations would inevitably affect the third party. This time, Russia's pilgrimage to the West, if not outright betrayal, pleases the U.S. and therefore reduces China's ability to maneuver within the triangle. For pessimists, the short- and medium-term prospects are not bright for China.

The optimist school, on the other hand, tends to see continuities and limitations in Russia's latest move to the West. Russia's Westernization, they argue, would take much longer than the recent "symbolic" summits suggest. For this, they point to Yeltsin's "unrequited love" a decade ago. Besides, as a major power, Russia has to define and defend its own interests in pursuing a diplomacy that may not necessarily overlap with that of the U.S., particularly in dealing with "rogue states" such as Iran and North Korea. Some optimists even argue that a Westernized Russia would perhaps tilt more toward Europe than to the U.S. Finally, the Sino-Russian relationship has developed a life of its own. Beijing and Moscow have gone well beyond the ubiquitous "third-party" syndrome of Cold War times. In this regard, there is no way that Russia's joining the West necessarily means Russia will diminish its affiliation with China and the SCO.

Between pessimists and optimists is a pragmatic assessment of Putin's move to the West. For these analysts, Russia joining the West is not a total surprise. In Europe, both NATO and Russia were "rational" in searching for a way to reconstruct a Pan-European security system beyond the century-long balance of power structure. On one hand, Putin realized that a Europeanized Russia must go through the NATO "gateway." On the other hand, NATO's embrace of Russia is a way to justify and prolong NATO's own existence. For some, Putin's move is not necessarily "smart diplomacy" for short-term gain but a logical step in Russia's pursuit of Westernization dating back to Peter the Great. Although historically the West is both a menace and a model of modernization for Russia, a weak Russia today must find its way into the West since all other alternatives are worse. Putin's move, therefore, was a historical move through a diplomatic choice. For this reason, a Russia that anchors itself in the West may not be a bad thing for China.

Pragmatists do not see any immediate negative impact for Sino-Russian relations from Putin's Westpolitik. Neither do they share the optimists' continuities-more-than-change view regarding Russia. What is uncertain is Russia's long-term policy trend. A more Westernized Russia may inch toward "neutrality" in Sino-Western relations. Indeed, it cannot be ruled out that a newly Westernized country would adopt a more Western way in dealing with China, particularly in terms of China's domestic affairs. It is also possible that Russia would play its newly obtained "Western card" in dealing with China, particularly in economic/trade relations. In security areas, Russia may even allow a certain U.S. role in managing its Far Eastern affairs. For pragmatists, these "wild" possibilities for Russia's future foreign policy behavior remain speculative. At a minimum, Russia's move complicates China's strategic calculation and presents China with more challenges than opportunities for the long-term.

For pragmatists, Russia's long-term challenge is by no means a predetermined path for China. Instead, the future of China's external environment will be shaped by its own ability to adapt with flexibility and creativity. In this regard, pragmatists also argue for a fresh approach to reconstruct China's external relations not only beyond the Cold War mentality, but also beyond the conventional European integration model based on political-economic-social sameness. The SCO, accordingly, should be grounded in what

is defined by pragmatists as “new regionalism.” This new regionalism should aim at comprehensive, rather than narrowly defined, security needs for its member states, be open-ended rather than closely-knit, and be able to coordinate with other multilateral institutions such as Asia Pacific Economic Cooperation (APEC) and ASEAN with inter-regional and even global implications. In this respect, Sino-Russian relations, including their coordination within the context of SCO, should go beyond pure and conventional geopolitik.

Putin’s Balancing Acts

Putin and his foreign and defense policy teams appeared well aware of the impact on China created by Russia’s tilt to the West. A series of actions was taken to sustain important yet sensitive ties with Beijing. While Bush was still in Russia, Putin made public that Defense Minister Sergei Ivanov – a former KGB colleague and his most trusted man – would visit China to brief its leaders about Russia’s policy changes. Immediately after Bush’s departure, Putin told reporters May 26 that Russia had huge interests in the East and China was one of Russia’s “key partners.”

Two days after the signing of the Rome Declaration, Putin conducted a lengthy interview in the Kremlin with the head of China’s official newspaper *Renmin Ribao*. Putin described PRC President Jiang Zemin as “a great friend of Russia,” noting that Jiang could speak Russian and sing Russian songs. To drive home his point, Putin mentioned that his wife and twin daughters were guests of Jiang’s wife at her home during his July 2001 visit to China, months before President Bush opened his Texas ranch to the Russian first family in November 2001. Putin indicated that he would reciprocate in St. Petersburg when Jiang came for the SCO annual summit.

A few days after Putin’s meeting with Chinese reporters, Deputy Foreign Minister Alexander Losyukov, who is in charge of Russia’s relations with Asia, said that Putin would conduct a “full-scale visit to China” toward the end of this year. In a huge press conference with 700 reporters in the Kremlin June 24, Putin again spoke of the mutual trust and cooperation between Russia and China.

Although Defense Minister Ivanov’s Beijing trip was previously scheduled to take part in the Ninth Russian-Chinese Joint Inter-Governmental Commission for Military and Technological Cooperation, his meetings with President Jiang Zemin and Premier Zhu Rongji attracted the most attention. China’s Foreign Ministry spokesman described Ivanov’s first trip as Russian defense minister as “very important.” Both sides indicated that the key issue for Ivanov’s visit was not military cooperation but politico-strategic policy. His mission was to explain to China Putin’s willingness and ability to pursue a balanced diplomacy in both the West and East. Ivanov’s mission apparently succeeded as Chinese leaders responded positively to Russia’s policies toward the U.S. and NATO.

The result of Ivanov's Beijing visit was somewhat unusually praised by both sides. Chinese Defense Minister Chi Haotian described Ivanov's visit as "a grandiose event" in Chinese-Russian relations and Ivanov's meeting with President Jiang showed "the importance that the Chinese administration attaches to [his] visit." Upon returning to Moscow, Ivanov stated that "China is our privileged partner in Asia," that "Russia is pursuing a multifaceted policy aimed at strengthening security and stability, first of all with its neighbors," and that "geographically speaking, Russia is a Western, Eastern, and Northern country."

Stakes in the East

Putin's balancing moves were not just symbolic. In the past decade, Russia and China have indeed developed substantial ties with huge stakes for both sides in sustaining stable and normal relations, regardless of their relations with other countries. Across the areas of bilateral interactions between Moscow and Beijing (military, economic, and diplomatic), there has been a broadening, deepening, and institutionalizing process.

By the time of Ivanov's visit to Beijing, Russia's annual revenue from arms sales to China had reached over \$1 billion, almost one-fifth of the total volume of Russian-Chinese trade. China was the biggest purchaser of Russian weapons, with 40 percent of Russian arms export volume going to China, of which \$5.8 billion was for Su-27 and Su-30 jets, \$2.4 billion for destroyers (project 9563), and \$1.5 billion for air defense systems. In early May 2002, Russia concluded another \$1.5 billion contract to supply the Chinese navy with eight Kilo-class diesel submarines (project 636) armed with long-range Klab missile systems. In recent years, Russian-Chinese military cooperation has also expanded to joint research and development and personnel training, which were believed to have been discussed during Ivanov's meeting with his Chinese counterparts in Beijing.

In the economic area, Russia and China are gradually moving toward a deeper and more substantiated level. Bilateral trade increased in January-May 2002 by 20 percent over the same period last year, totaling \$5 billion. In 2001, two-way trade increased by 33.3 percent to \$10.67 billion, the highest in history.

During the second quarter, officials of the two countries sped up deliberations on a series of major economic projects. One was the 2,400-km long "Russia-China" oil pipeline, scheduled to be operational in 2005. Once completed, the \$2 billion pipeline will supply China with 700 million tons of Russian oil over 25 years. Currently, Russia delivers only 1.4 million tons of oil to China annually by rail.

Meanwhile, several firsts were made in bilateral economic relations. April 3, Russian experts installed the first reactor at the Tianwan nuclear power plant that is under construction in China. During the late-April ministerial meeting between Deputy Prime Minister Viktor Khristenko and State Councillor Wu Yi in Beijing, China offered Russia a \$1.5 billion credit to boost China's exports, the biggest credit China ever offered.

Meanwhile, 100 Russian business executives were invited by Premier Zhu Rongji for a 10-day tour of China in the midst of a Russian high-tech exhibition in China with 200 Russian companies participating.

More economic transactions also meant more friction. To anticipate transactions and minimize problems, Khristenko and Wu agreed to set up an expert group for the settlement of trade disputes. The group would be in charge of “preventive work” to ascertain “any complexities and difficulties” that may occur in the two countries’ trade and economic relations. Finally, China made it clear that it would use all its influence in the World Trade Organization to help Russia get into the global trading forum.

In foreign policy, Russia and China were described as “actively coordinating” their foreign policy activities, especially in areas of strategic stability. In early April and in anticipation of the U.S. final move to abandon the ABM Treaty, Russian and Chinese arms control officials (Georgii Mamedov and Wang Guangya) stressed “the necessity for taking active measures to prevent the proliferation of arms in space” and that the two countries “will work together to bring into existence a multilateral agreement against the deployment of arms in space.” Toward the quarter’s end, Moscow and Beijing submitted a joint proposal to the Conference on Disarmament for a new international treaty to ban weapons in outer space.

At various multilateral fora, Moscow and Beijing coordinated policies for resolving the India-Pakistan nuclear crisis, despite their traditional affiliations with the two South Asian countries. This was true during the Conference on Interaction and Confidence Building Measures in Asia (CICA) in the Kazakh capital of Alma-Ata in early June. At the SCO St. Petersburg summit, Putin and Jiang again pushed to lower the nuclear heat in South Asia.

SCO: To and from St. Petersburg with “Love”

The Russian-Chinese “recovery” effort seemed to have culminated during the June SCO summit in St. Petersburg, which happened to link the two most Westernized cities in Russia and China. A year before, President Jiang suggested the SCO summit be held in “the Russian window to the West.” While playing geopolitics in St. Petersburg in June, Jiang indulged in the splendor and richness of Russian culture. Jiang’s sentimentality with the 19th-century Russian poet Alexander Pushkin was real and alive as he emotionally read one of Pushkin’s poems in Russian during his visit to the Lycee museum. As the SCO summit may well be Jiang’s last trip to the Russian city as China’s head of state, Jiang had every reason to make it look and taste good.

To prepare for the St. Petersburg summit, SCO members held a series of ministerial-level meetings, including border security ministers (Alma-Ata, April 24), foreign ministers (Moscow, April 26), emergency situation ministers (St. Petersburg, April 29), defense ministers (Moscow, May 15), and trade ministers (Shanghai, May 29–29). In St.

Petersburg, SCO leaders signed the SCO Charter, the political declaration of the heads of state, and an agreement for setting up a counterterrorist center. Upon its conclusion, Putin referred to the summit as “a qualitative change in cooperation.”

The SCO summit reinforced the “one China” position. Its political declaration states that “the Chinese government is the only legitimate government, which represents entire China, while Taiwan is an inseparable part of the Chinese territory.” This was particularly needed when the Taiwan government became eager to develop relations with Russia.

Perhaps a more important achievement in St. Petersburg was the Putin-Jiang mini-summit that turned out to be a “thorough, benevolent, and substantive” presidential talk. Putin informed Jiang in detail of the U.S. president’s visit in May, the Russia-NATO summit in Rome, and the Russia-European Union summit in Moscow.

As a sign of China’s positive assessment of Russia’s Westpolitik and its confidence in managing the SCO, China for the first time publicly stated that it was “not concerned about the presence of NATO forces in Central Asia in connection with the antiterrorist campaign in Afghanistan.”

Hu’s Dance with “Wolf”

In assessing China’s understanding and acceptance of Russia’s new-found love with the West, particularly with the U.S., Russian Foreign Minister Igor Ivanov noticed, “The Chinese side also intends to make smooth, practical, and constructive progress in its relations with the USA ...”

Ivanov’s statement seemed to reflect a long-held policy intention of Russia and China that their strategic relations seek to minimize its impact on any third party while maximizing their separate freedom of action. Such generosity is easier said than done. Events during the second quarter suggested that their reciprocity did work toward that non-zero-sum game.

While working hard to sustain and push forward relations with Putin, Jiang and his colleagues also tried to restore normalcy in relations with Washington. In late April and early May, Jiang sent his purported successor Hu Jintao for a five-day visit to the U.S., despite strong warnings in both the U.S. and China about a possible backlash against Hu. Vice President Hu was able to meet almost all top leaders of the Bush administration and also became the highest-ranking Chinese official to visit the Pentagon. Exactly what was exchanged between Hu and the U.S. officials remains to be revealed. At least two major positive developments in China-U.S. relations were discernible. One is the resumption of U.S.-China military discussions when Peter Rodman, assistant secretary of defense for international security affairs, visited Beijing in late June. This was the first step toward a normal relationship after the damaging effect of the EP-3 plane crisis in 2001.

Perhaps the most important change, or adjustment, in Bush's China policy is over the Taiwan issue. In his May 15, 2002 answers to questions at the Brookings-Harvard Forum, Deputy Defense Secretary Paul Wolfowitz signaled, for the first time, a rather significant turn away from a pro-Taiwan posture of the Bush administration. He stated, "We support a 'one China' policy. We do not support independence for Taiwan, but we also do not support an attempt to impose a solution on Taiwan by force ... There is no intention, no desire to separate Taiwan from the mainland or have an independent Taiwan. But ... attempts to solve this problem by force would be a disaster for everybody." Wolfowitz reiterated his position in a press briefing in Washington before departing for Singapore for a conference on East Asian security on May 29, 2002.

Hu's U.S. visit and Wolfowitz's posturing have by no means resolved all the outstanding issues between the world's lone superpower and the fast rising Chinese state. Their efforts, however, were significant in managing, at least for the time being, the world's most important, and fragile, bilateral relations in the post-deterrence world. Stability in Beijing-Washington relations, which has been rare since the 1999 accidental bombing of the Chinese Embassy in Belgrade, may help to alleviate China's sensitivity to Russia's sudden shift to the West.

Miss Universe and Loose Nukes: A Beautiful and Dangerous World

In a less conspicuous manner, Russia and China, too, demonstrated their potential to excel in areas other than geopoliticking. In late May 2002, Ms. Oxana Fedorova of St. Petersburg's Police Academy won the crown at the 2002 Miss Universe, while Ms. Zhuo Ling of China's Zhejiang Province came in third place.

Meanwhile, all three military-political states of the Cold War worked hard to defuse the nuclear crisis in South Asia. In a brave new world in which all civilizations are now nuclearized and the incentives for some nonnuclear states to obtain the bomb are greater than ever, there are plenty of reasons for the three former Cold Warriors to work together to prevent the worst from happening.

Chronology of China-Russia Relations April - June 2002

April 9, 2002: Russian Deputy Foreign Minister Georgii Mamedov and Chinese counterpart Wang Guangya meet in Moscow to discuss the issue of strategic stability, international security, and the upcoming Shanghai Cooperative Organization (SCO) summit.

April 17, 2002: Russian President Vladimir Putin informs Chinese President Jiang Zemin about progress in Russia-NATO relations toward the summit in Italy on May 28. Putin and Jiang also stressed the fundamental importance of Russian-Chinese collaboration at both bilateral and multilateral levels, including the SCO and other international organizations.

April 19-22, 2002: Russian Deputy Prime Minister Viktor Khristenko and State Councillor Wu Yi meet in Beijing to prepare the regular prime ministerial meeting (between Mikhail Kasyanov and Zhu Rongji) in the fall. China offered Russia a \$1.5 billion credit to boost exports from China.

April 24, 2002: SCO chiefs of border departments hold first meeting in the Kazakh capital of Alma-Ata. They discuss confidence building measures, possible reduction of visa formalities for business, trade, and free traffic of people, commodities, capitals, and services.

April 22-25, 2002: Russian Technologies 2002 Exhibition opens in Shenyang city of China's Liaoning Province. Chinese enterprises conclude deals worth \$100 million and sign 24 contracts and 175 protocols of intent with Russian partners.

April 25, 2002: Russian Foreign Minister Igor Ivanov holds talks with Chinese counterpart Tang Jiaxuan. The focus of the meeting was international terrorism.

April 26, 2002: The SCO second foreign ministers' meeting occurs in Moscow.

April 27-May 2, 2002: Taiwan's Board of Foreign Trade Director General Wu Wen-yea meets president of Russia's International Private Enterprise Center in Russia.

April 29, 2002: SCO emergency situation ministers meet, with the exception of Uzbekistan, in St. Petersburg.

May 3, 2002: Russian Rosoboronexport company concludes contract to supply the Chinese navy with eight kilo diesel submarines, armed with Klab missile systems; the \$1.5 billion contract will be filled within five years.

May 15, 2002: The SCO defense ministers meet in Moscow to discuss issues of Central Asian security and nuclear free zone. A joint communiqué issued at the end of the meeting calls for creating a commission of senior defense officials for coordinating joint military planning and action. The Uzbek defense minister does not take part in the meeting due to "objective reasons."

May 16, 2002: Russian Defense Minister Sergei Ivanov and his Chinese counterpart Chi Haotian meet in Moscow after the SCO defense ministers' meeting,

May 20, 2002: Russian Deputy Foreign Minister Alexander Losyukov reveals that Russia had proposed the idea of a regional antiballistic missile defense system encompassing Russia, China, the U.S., and Japan, with chances for other countries to join, at a Russian-Japanese conference in St. Petersburg.

May 22, 2002: Chinese Deputy Culture Minister Meng Xiaosi participates in the second meeting of the Sino-Russian subcommission on cultural ties at the Russian Culture Ministry in Moscow.

May 22, 2002: PRC and Russian trade ministers Shi Guangsheng and German Gref participate in a session of the Russian-Chinese Subcommission on Economic Cooperation in Moscow.

May 28-29, 2002: Heads of economic agencies of SCO states hold first ministerial meeting in Shanghai to discuss economic cooperation. China's Vice Premier Qian Qichen meets the group on May 29.

May 29, 2002: Chinese Public Security Minister Jia Chunwang holds talks in Moscow with Russian Interior Minister Boris Gryzlov. They work on several documents on strengthening cooperation in the fight against terrorism, transborder crime, drug smuggling, and illegal migration.

May 30-June 2, 2002: Ivanov holds talks with President Jiang Zemin, Premier Zhu Rongji, and DM Chi in China. He also participates in the ninth meeting of the Russian-Chinese intergovernmental commission on military cooperation.

June 1, 2002: Russian Minister for Transport Sergei Frank and Chinese Minister of Railways Fu Zhihuan sign protocol for cooperation in water and ground transport services in St. Petersburg.

June 2-4, 2002: Putin and Jiang Zemin meet at the summit of the Conference on Interaction and Confidence building measures in Asia, which includes Azerbaijan, Afghanistan, China, Egypt, India, Iran, Israel, Kazakhstan, Kyrgyzstan, Mongolia, Palestine, Pakistan, Russia, Tajikistan, Turkey and Uzbekistan in the Kazakh capital of Alma-Ata. In their effort to mediate the India-Pakistani conflict, Putin and Jiang meet separately with Pakistani President Pervez Musharraf and Indian Prime Minister Atal Behari Vajpayee.

June 4-7, 2002: Chinese military delegation visits Russian Maritime Territory and holds talks on cooperation with the Pacific Regional Department of the Russian Federal Border Service.

June 4-8, 2002: SCO summit is held in St. Petersburg.

June 5, 2002: Russian Deputy Foreign Minister Georgii Mamedov and director of the Chinese Foreign Ministry's department of arms control Liu Jie hold talks in Moscow.

June 14, 2002: Officers of the Russian Far East Border Agencies and the Chinese Heilongjiang Province meet in Blagoveschensk.

June 14-15, 2002: Chinese State Council member Wu Yi and head of the China National Petroleum and Natural Gas Corporation Ma Fucai meet Russian Deputy Prime Minister Viktor Khristenko in Harbin to discuss major cooperation projects in the fuel and energy sector.

June 18, 2002: Russian State Duma Speaker Gennady Seleznyov meets in Moscow with President of Chinese Academy of Social Sciences Li Tieying.

June 24-26 2002: Zhou Guangzhao, deputy chairman of the Standing Committee of the National People's Congress and president of the All-China Federation for Science, leads a group of Chinese scientists to Moscow to boost scientific cooperation.

June 24-25 2002: Li Changchun, member of the CCP Politburo and Guangdong party secretary, visits Moscow and meets with Mayor Yuri Luzhkov and Chairman of the State Duma Seleznyov.

June 17, 2002: Russia's FSB intelligence agency (formerly KGB) arrests a 39 year-old Russian citizen suspected of spying for China in the country's Far Eastern region. It is reported that several other residents and servicemen in Russia's Maritime territory also provided secret information to China.

June 25-27, 2002: Interior Minister Gryzlov holds talks with Chinese State Council Lo Gan and Chinese Public Security Minister Jia Chunwang in Beijing. Two documents were signed: cooperation in border districts and a protocol on interaction between the two ministries in 2002-2003.

June 28, 2002: Russia and China submit a joint proposal to the Conference on Disarmament for a new international treaty to ban weapons in outer space.

About The Contributors

Lyall Breckon is Senior Analyst at the Center for Naval Analyses. Prior to joining CNA, he was a member of the U.S. Senior Foreign Service with assignments in East Asian and European affairs, international security, and arms control negotiations. He served as Deputy U.S. Representative to the Conference on Disarmament in Geneva during the final negotiation of the Chemical Weapons Convention, 1990-93; and as Deputy U.S. Representative to the negotiation on Conventional Armed Forces in Europe, 1986-89. Mr. Breckon has held posts in Saigon, Bangkok, Madras, and Kuala Lumpur, Malaysia, where he was Charge/Deputy Chief of Mission of the U.S. Embassy from 1979-1983. He was Director of Vietnam, Laos, and Cambodia Affairs in the State Department 1983-86, and worked on East Asian matters on the Policy Planning Staff of the Department 1978-79. Mr. Breckon is a graduate of Harvard College, and was a fellow at the Woodrow Wilson School of Public and International Service, Princeton University, 1975-76.

David G. Brown is Associate Director of the Asian Studies Department at The Johns Hopkins School of Advanced International Studies. His thirty-year diplomatic career focused on Asia and included assignments in Tokyo, Beijing, Taipei, Hong Kong, and Saigon as well as tours in Vienna and Oslo. After leaving government, Mr. Brown served as Senior Associate at the Asia Pacific Policy Center, a non-profit institution in Washington, where he was a writer, speaker and consultant on a wide variety of Asian issues. Mr. Brown serves concurrently as the Chair of the East Asian Area Studies course at the State Department's Foreign Service Institute. He has a degree in East Asian Studies from Princeton University.

Victor D. Cha is Associate Professor in the Department of Government and School of Foreign Service, Georgetown University, Washington, D.C. and Director of a new project at Georgetown on the Future of America's Alliances in Asia. He is the author of the book, *Alignment Despite Antagonism: The United States-Korea-Japan Triangle*, winner of 2000 Masayoshi Ohira prize for best book on East Asia. Dr. Cha is a two-time recipient of the Fulbright (Korea) and MacArthur Foundation Fellowships. He is formerly a John M. Olin National Security Fellow at Harvard University's Center for International Affairs and postdoctoral fellow at the Center for International Security and Arms Control, Stanford University. In 1999 he was the Edward Teller National Fellow for Security, Hoover Institution on War, Revolution and Peace at Stanford University and a recipient of the Fulbright Senior Scholar Award for Korea. Professor Cha is an independent consultant to various branches of the U.S. government. His current research projects include a book on strategic culture and military modernization (Korea) and models of engagement in U.S. policy toward Asia.

Eun Jung Cahill Che is an adjunct fellow at Pacific Forum CSIS in Honolulu, Hawaii. She holds a B.A. in Ethnic Studies from the University of Minnesota and an M.A. in American Studies from The George Washington University. She also studied at the Fundaciòn Ortega y Gassèt in Toledo, Spain.

Ralph A. Cossa is President of Pacific Forum CSIS in Honolulu. He manages Pacific Forum's programs on security, political, economic, and environmental issues. He sits on the steering committee of the Multinational Council for Security Cooperation in the Asia Pacific and serves as executive director of the U.S. Committee of CSCAP. He is also a board member of the Council on U.S.-Korean Security Studies. Cossa is a political-military affairs and national security strategy specialist with over 25 years of experience in formulating, articulating, and implementing U.S. security policy in the Asia-Pacific and Near East-South Asia regions. He is a retired USAF Colonel and a former National Security Affairs Fellow at the Hoover Institution. He holds a B.A. in international relations from Syracuse University, an M.B.A. in management from Pepperdine University, and an M.S. in strategic studies from the Defense Intelligence College.

Joseph Ferguson is a fellow at the Johns Hopkins University Nitze School of Advanced International Studies in Washington, D.C. Previously, he was a visiting Fulbright Fellow at the Russian Academy of Sciences' Institute of World Economy and International Relations. He has also received a *Monbusho* Fellowship from the Japanese government to research Japanese-Russian relations in Tokyo. From 1995-99, Mr. Ferguson worked as an analyst with the Strategic Assessment Center of Science Applications International Corporation (SAIC) in McLean, VA. He holds an M.A. in Asian Studies and International Economics from SAIS, and a B.A. in European Studies from Pomona College.

Aidan Foster-Carter is an honorary senior research fellow in sociology and modern Korea at Leeds. He is also a freelance analyst and consultant: covering the politics and economics of both South and North Korea for, amongst others, the Economist Intelligence Unit, Oxford Analytica, and BBC World Service. Between 1971 and 1997 he lectured in sociology at the universities of Hull, Dar es Salaam (Tanzania), and Leeds. A prolific writer on and frequent visitor to the Peninsula, he has lectured on Korean and kindred topics to varied audiences in twenty countries on every continent. He studied classics at Eton, Philosophy, politics, and economics at Balliol College Oxford, and sociology at Hull.

Vivian Brailey Fritschi is research associate at Pacific Forum CSIS. She holds an M.A. in Foreign Affairs from the University of Virginia and received a B.A. in International Relations and a B.A. in French Literature, both from Tufts University in Medford, Massachusetts. She was also a graduate research fellow at the Graduate Institute of International Studies in Geneva, Switzerland and studied at the University of Paris (IV)-La Sorbonne in Paris, France.

Bonnie S. Glaser has been a consultant to the U.S. government on Asian affairs since 1982 and is currently a consultant to the Office of the Secretary of Defense, Sandia National Laboratories and other agencies of the U.S. government. Ms. Glaser also served as a member of the Defense Policy Board China Panel in 1997. Her recent publications include “China’s Pragmatic Posture toward the Korean Peninsula” in *The Korean Journal of Defense Analysis*, “Chinese Apprehensions About Revitalization of the U.S.-Japan Alliance,” in *Asian Survey* and “Chinese Perspectives on Nuclear Arms Control” in *International Security*. Bonnie Glaser received her B.A. from Boston University in political science and her M.A. from The Johns Hopkins School of Advanced International Studies with a concentration in international economics and Chinese studies.

Brad Glosserman is the Director of Research for the Pacific Forum CSIS in Honolulu and a contributing editor to *The Japan Times*, writing extensively on policy issues and international affairs. Previously, Mr. Glosserman was on the Editorial Board and the Assistant to the Chairman for *The Japan Times* concurrently. For the past two years, he has lectured at the Institute for the International Education of Students in Tokyo. Mr. Glosserman holds a J.D. from The George Washington University and an M.A. from the School of Advanced International Studies of the Johns Hopkins University, both in Washington, D.C.

Donald G. Gross serves as Adjunct Professor in the Graduate School of International Studies at Yonsei University and is an international lawyer currently practicing in Seoul. From 1997 until June 2000, Mr. Gross was Senior Adviser in the Office of the Under Secretary for Arms Control and International Security Affairs in the Department of State. Mr. Gross previously served as Counselor of the U.S. Arms Control and Disarmament Agency (ACDA). Mr. Gross was Director of Legislative Affairs at the National Security Council in the White House. He served as Counsel to a congressional subcommittee and was an Adjunct Professor of Law at American University in Washington, D.C. Mr. Gross is a 1997 graduate of the Program for Senior Executives in National and International Security at Harvard University’s Kennedy School of Government. Mr. Gross graduated from Cornell University and holds a law degree from the University of Chicago, where he also did graduate studies in Political Science.

Marvin C. Ott is Professor of National Security Policy at the National War College of the National Defense University. He received a B.A. from the University of Redlands, his M.A. and Ph.D. in international affairs are from Johns Hopkins University SAIS. He served as a civilian in Vietnam (Banmethout, Darlac Province) in 1965. He was Associate Professor, Mount Holyoke College; senior researcher at the Office of Technology Assessment (U.S. Congress); Senior Analyst, Central Intelligence Agency; Senior Associate, Carnegie Endowment for International Peace; consultant, National Academy of Sciences; Southeast Asia Chairperson, Foreign Service Institute; and Deputy Staff Director, Senate Select Committee on Intelligence. He is author of numerous articles and book chapters and over 100 op-eds, principally on East Asian and Intelligence topics. He appears as a regular commentator on CNN’s Business Asia.

James J. Przystup is a Senior Fellow and Research Professor in the Institute of National Strategic Studies at the National Defense University. Previously, he was Director of the Asian Studies Center at The Heritage Foundation, a staff member on the U.S. House of Representatives' Subcommittee on Asian and Pacific Affairs, and Director for Regional Security Strategies on the policy Planning Staff in the Office of the Secretary of Defense. He also worked in the private sector at Itochu and IBM World Trade Americas/Far East Corporation. Dr. Przystup graduated from the University of Detroit and holds an M.A. in International Relations and a Ph.D. in Diplomatic History from the University of Chicago.

Scott Snyder is the Asia Foundation's representative in Korea. Previously he served as an Asia specialist in the Research and Studies Program of the U.S. Institute of Peace and an Abe Fellow, a program administered by the Social Sciences Research Council. While at USIP he completed a study as part of the Institute's project on cross-cultural negotiation entitled *Negotiating on the Edge: North Korean Negotiating Behavior*. Snyder has written extensively on Korean affairs and has also conducted research on the political/security implications of the Asian financial crisis and on the conflicting maritime claims in the South China Sea. Snyder received his B.A. from Rice University and an M.A. from the Regional Studies-East Asia Program at Harvard University. He was the recipient of a Thomas G. Watson Fellowship in 1987-88 and attended Yonsei University in South Korea.

Yu Bin is Assistant Professor of Political Science at Wittenberg University and concurrently a faculty associate of the Mershon Center of the Ohio State University. Previously, he was a fellow at the East-West Center in Honolulu and president of Chinese Scholars of Political Science and International Studies. He was a MacArthur fellow at the Center of International Security and Arms Control at Stanford University and a research fellow at the Center of International Studies of the State Council in Beijing. Dr. Yu earned a B.A. degree from the Beijing Institute of Foreign Studies, M.A. at the Chinese Academy of Social Sciences, and Ph.D. at Stanford University.