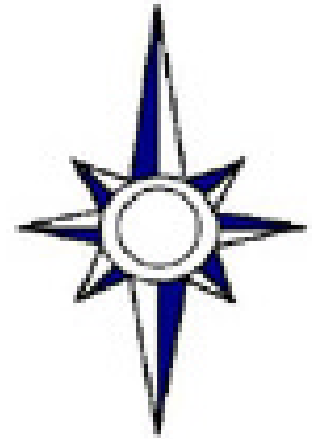




P a c i f i c F o r u m
C S I S

Comparative Connections



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

edited by

Ralph A. Cossa
Rebecca Goodgame Ebinger

October 1999 – 3rd Quarter
Vol. 1, No. 2

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Pacific Forum CSIS

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

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

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A Quarterly Electronic Journal on East Asian Bilateral Relations

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

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

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

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Regional Overview: Storm Clouds on the Horizon?

by Ralph A. Cossa

The region's two premier annual multilateral events took place during the last quarter--on the security side, there was the ministerial-level ASEAN Regional Forum and, in the economic arena, the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting. Each served to underscore the central importance of the region's key bilateral relationships, even as they demonstrated some modest, limited progress in developing broader-based cooperation.

The 5th annual ASEAN Regional Forum (ARF) took place on July 27 in Singapore and brought together the foreign ministers from 21 Asia-Pacific nations, along with representatives from the European Union. The ministers had generally constructive discussions on some of the key security issues of the day, to include the potentially volatile South China Sea region, where the ASEAN states continue to explore a regional Code of Conduct. The Ministers also expressed concern over North Korean missile-related activities that could have "serious consequences for stability in the Korean Peninsula and the region."

Nonetheless, the lion's share of international attention in Singapore was focused on the side meeting between U.S. Secretary of State Madeleine Albright and Chinese Foreign Minister Tang Jiaxuan. The signals were mixed: China appeared in no rush to forgive and forget the accidental American bombing of their Embassy in Belgrade but did loosen some (but not all) of the restrictions on Sino-U.S. contacts imposed after the bombing. Most importantly, the two ministers announced that their respective bosses would hold a face-to-face meeting when both traveled to Auckland, New Zealand for the late September APEC Leaders' Meeting.

The Clinton-Jiang Summit was clearly the lead story coming out of Auckland, overshadowing what limited progress was made during the actual APEC "gathering of economies." The APEC Leaders' Meeting involves the heads of state of 19 of APEC's 21 member economies (although there were several no-shows--most understandably including Indonesian Prime Minister B.J. Habibie), plus the chief executive of Hong Kong and a senior representative from Taiwan (whose chief executive is excluded from participation).

The APEC "Leaders' Declaration" provided the usual assurances to work toward "open, transparent, and well-governed financial markets" and a commitment to support success for the new WTO round (to commence in November in Seattle). Reading between the lines, the statement provided advanced warning of the kinds of coalitions and divisions that will be played out in Seattle when WTO members decide what is to be negotiated and how. For example, the Declaration endorsed the abolition of agricultural export subsidies (at the behest of the U.S. and others), which South Korea and Japan (teaming with Europe) will actively work against in November. It also endorsed negotiating a broad-based "full package" within three years, an approach favored by Tokyo--Washington wants to conclude "sector by sector" negotiations on mainly agriculture and services. Given this rather bland if not confusing potpourri, APEC once

again came under criticism as too meek to produce practical results that have a weight in the global system.

While security issues are, by design, not part of the official APEC agenda, security issues dominated the side discussions and the talk in the corridors. Not the least of these was growing (and well-founded) concern over the deteriorating security situation in East Timor. The Auckland meeting was fortuitous in that it provided an opportunity for regional leaders, including President Clinton and Australian Prime Minister Howard, to work out arrangements for the Australian-led multinational peacekeeping mission that was subsequently sent to East Timor.

However, no APEC-associated event was more anxiously awaited and more thoroughly reported upon and analyzed than the meeting between Clinton and Jiang. All seemingly cheered the decision by Clinton and Jiang to get this key bilateral relationship “back on track” although it was clear that, while the steady downward slide in relations appears to have been halted, much work still needs to be done to get the relationship back to where it was in the heady days following the exchange summits in Washington and Beijing in 1997 and 1998. Jiang gave the green light for WTO deliberations to proceed in earnest and, at quarter’s end, there was still hope that the U.S. and China would come to terms on China’s entry this year. However, Jiang is still waiting for a comprehensive explanation of the Belgrade bombing (preferably including identification of the “guilty parties”), even as the Clinton Administration is trying to pretend the problem has been settled. I would argue that an eventual public acceptance by Jiang of Clinton’s assurances that the bombing was inadvertent is a prerequisite to a genuine improvement in Sino-U.S. relations; a failure of China to make such a statement (or a failure of the Clinton Administration to insist that it do so), will have long-lasting ramifications.

Another bilateral meeting that stole the show during the APEC Leaders’ Meeting was the first face-to-face meeting between President Clinton and Russia’s latest Prime Minister du jour, Vladimir Putin. Clinton’s lecture about American concerns over Russian money laundering and the misuse of IMF dollars provided new strains in the U.S.-Russian relationship, even as Russia continues to lick its wounds over NATO expansion and the Kosovo War and its aftermath. Such tensions continue to fuel the Sino-Russian strategic partnership, witness Russian President Boris Yeltsin’s reference to his readiness to do battle with “Westernizers” just prior to his personal summit with Jiang Zemin in late August (during a meeting with other Central Asian heads of state in Bishkek, Kyrgystan). Jiang and Yeltsin once again joined together in warning against a unipolar world and especially against the “destabilizing” nature of theater missile defense.

While the Sino-Russian relationship has experienced its own setbacks, especially in light of Moscow cutting its own deal with the West to bring the Kosovo war to a halt without much input from Beijing, their common irritation with American actions and arrogance, combined with suspicions over American intentions, continue to keep this marriage of convenience intact. Jiang and Putin reaffirmed the strength of their relationship during their own bilateral meeting in Auckland.

On the positive side (from a U.S. perspective), the three sets of bilateral relationships that make up the U.S.-Japan-Korea triangle all saw steady progress in the past quarter, as evidenced by the three-way summit in Auckland involving President Clinton, Japan’s Prime Minister Obuchi, and South Korean President Kim Dae-jung. Thanks to the efforts of former

U.S. Defense Secretary William Perry and the Trilateral Coordination and Oversight Group (TCOG) that he helped to establish, the three countries have successfully managed their respective, somewhat differing views on the potentially contentious issue of how best to deal with North Korea. In Auckland, the three leaders continued to wave olive branches (and the promise of economic incentives) toward Pyongyang if, as the then just-concluded bilateral U.S.-DPRK talks in Berlin seemed to indicate, North Korea chooses to cooperate.

This firm, unified carrot-and-stick approach contributed greatly to North Korea's willingness to agree to refrain from destabilizing actions (i.e., no missile tests) in return for a long overdue partial lifting of U.S. economic sanctions. North Korea had previously argued, not without some justification, that the American refusal to lift sanctions put the U.S. in violation of the bilateral U.S.-DPRK Agreed Framework. Its agreement not to conduct new missile tests has, at least for the time being, saved the Agreed Framework, since the U.S. Congress had tied future funding for the Agreed Framework's implementing mechanism--the multinational Korean Peninsula Energy Development Organization or KEDO--to progress in the missile deliberations. Japan, whose financial support to KEDO is critical, had also stated it would cut off such funding in the event of another missile launch. Whatever Pyongyang's motivation, its decision to cooperate on the missile front makes further progress in its bilateral relations with both Washington and Tokyo possible. It also removes a potential irritant in U.S.-ROK and U.S.-Japan relations, while keeping South Korea's "Sunshine Policy" of increased engagement with the North alive.

Another bilateral relationship that has greatly affected regional stability during the past quarter has been cross-Strait relations between Beijing and Taipei. Taiwan President Lee Teng-hui's dramatic announcement on July 9 that future cross-Strait interaction should be based on the premise of "special state-to-state" relations drew a predictably negative reaction from Beijing, which has accused Taiwan of pursuing a "splitist" course and demanded a full explanation or retraction. Lee back-stepped slightly by assuring Beijing (and Washington) that "special state-to-state" does not equal a "two states" policy and, more importantly, has chosen not to cross the red line clearly drawn in the sand by Beijing over this incident--namely, no change in Taiwan's Constitution to embody this new interpretation. While this has not satisfied Beijing, it appears highly unlikely that Taipei will back down further. This is sure to keep cross-Strait tensions high between now and Taiwan's March 2000 Presidential elections, if not longer.

Ironically, Lee's statement had the unintended consequence of helping to move Sino-U.S. relations in a positive direction. While President Jiang was hesitant to accept President Clinton's phone call in May to explain the Belgrade bombing, he eagerly accepted Clinton's July call to re-endorse America's "one China" policy and was no doubt thrilled by Clinton's admission in Auckland that Lee's remarks "had made things more difficult." While Beijing would like to see the U.S. put greater pressure on Lee to retract his "special state-to-state" pronouncement--somehow such U.S. pressure does not constitute "interference in one's internal affairs"--the quick, unequivocal response by Washington (and others) supporting the "one China" principle has clearly pleased Beijing and reminded it of the larger stakes involved in maintaining cordial bilateral relations with the U.S.

One (perhaps intended) consequence of Lee's remarks has been to put future high-level cross-Strait dialogue at risk. The planned fall visit to Taiwan of Wang Daohan, the head of the PRC's Association for Relations Across the Taiwan Strait, will almost certainly not occur.

(Even without Lee's remarks, the prospects for a meaningful meeting had been slim and the timing, as Taiwan's presidential election campaign is heating up, was terrible.) Beijing's preconditions--retraction of the "state-to-state" comment and a Wang meeting with Lee only in the latter's capacity as head of the KMT--are unacceptable to Taipei. One option that Beijing should consider would be to call for another meeting between Wang and his Taiwan counterpart, Strait's Exchange Foundation chief Koo Chen-fu, in neutral territory (i.e., Hong Kong, Singapore) to discuss the meaning of Lee's comments and their implications for cross-Strait relations. This would demonstrate Beijing's commitment to keep the dialogue process alive without accepting Lee's position.

No discussion of regional security developments over the past quarter would be complete without mention of the situation in East Timor and its impact on key bilateral relationships and regional security in general. Australia's long-standing, deep concern for East Timor has manifested itself in Canberra's willingness to lead the international peacekeeping effort to bring stability back to this strife-ridden territory (which officially remains a part of Indonesia until such time as the Indonesian legislature officially validates the outcome of the August 30 UN referendum, under which over 78 percent of East Timor's voters opted for independence). But Australia's leadership role in this effort threatens to undermine years of bilateral cooperation in building closer ties with neighboring Indonesia (which has since canceled the 1995 security pact between Canberra and Jakarta). Anti-Australian (and anti-Western) sentiment is reportedly growing throughout Indonesia and will likely worsen as clashes continue between Aussie-led INTERFET forces and Indonesia-backed militias and even Indonesian regular army and police forces --hence the addition of a guest commentary on Australia-Indonesia relations to our regular list of commentaries in this issue of *Comparative Connections*.

As the world remains fixated over the plight of East Timor's 800,000 inhabitants, a much less heralded but considerably more important political process is playing itself out in Jakarta. The ability of Indonesia's current and emerging leadership to successfully manage the embryonic (and fragile) democratic process in the world's fourth largest nation will not only affect the lives of Indonesia's 180 million residents but also profoundly impact security and stability throughout Southeast Asia and beyond. Without stable leadership in and from Jakarta, ASEAN unity will continue to suffer and this important grouping of Southeast Asian nations, which lies at the core of the broader regional security effort underway through the ARF, will not be able to live up to its full potential.

All things considered, this quarter has seen some improvement over the last as far as U.S. national interests and policy in Asia are concerned. Relations with America's key regional allies--Japan and South Korea in Northeast Asia and Australia to the south--remained solid despite the potential for trouble caused by North Korea's unpredictability and the troubles in Timor. The Kosovo-inspired significant downturn in American relations with both China and Russia evident last quarter ameliorated somewhat although tensions remain in both fronts. Meanwhile, U.S.-DPRK relations can actually be said to have improved, although it is too soon to call North Korea's willingness to cooperate on the missile issue a break-through or turning point. The U.S. has also seen both a modest improvement in Sino-Japanese relations (which helps to further promote regional stability), and some (albeit limited) semblance of ASEAN unity at the ARF meeting. And, while improved Sino-ROK ties could prove problematic for the U.S.

in the future, they are seen today as furthering regional stability, especially as they help temper North Korean behavior.

Storm clouds remain on the horizon however, including how well both Washington and Canberra handle relations with Jakarta and the rest of ASEAN as all observe and try to influence the emerging democratic processes in Jakarta and Dili. Meanwhile, election politics in Taiwan keep alive the possibility of another political surprise from Taipei or more serious saber-rattling from Beijing. Even if the U.S. and China successfully come to terms over WTO accession for China and fully resolve the Embassy bombing incident to both parties' satisfaction, many other issues remain and will become more difficult to address, much less resolve, as the U.S. presidential campaign swings into higher gear.

Regional Chronology

July-September 1999

July 5, 1999: ROK President Kim Dae-jung begins a three-day state visit to the U.S.

July 8-11, 1999: Japanese Prime Minister Obuchi visits Beijing and Mongolia. While in China, Obuchi agrees to support China's WTO membership.

July 9, 1999: President Lee Teng-hui of Taiwan states that Taiwan would treat contacts with China as "special state-to-state" relations.

July 19-21, 1999: DPRK delegation visits New Zealand to discuss normalizing diplomatic relations.

July 20, 1999: The U.S. Senate votes to reject a motion to open debate on President Clinton's June extension of China's "Normal Trade Relations."

July 22, 1999: WTO members agree on Director-General succession: Mike Moore of New Zealand to serve for three years, followed by Supachai Panitchpakdi of Thailand for three years.

July 25, 1999: U.S. Secretary of State Albright meets with Chinese Foreign Minister Tang on the sidelines of the ASEAN Regional Forum meeting in Singapore.

July 27, 1999: ASEAN Regional Forum meets in Singapore.

July 27, 1999: Secretary Albright, ROK Foreign Minister Hong, and Japanese Foreign Minister Kouchi meet in Singapore to coordinate policies on the DPRK.

July 27, 1999: U.S. Vice President Gore and Russian Prime Minister Stepashin convene the U.S.-Russian Joint Commission on Economic and Technological Cooperation in Washington.

July 27, 1999: U.S.-PRC trade talks resume.

July 29, 1999: U.S. Secretary of Defense Cohen meets with South Korean Defense Minister Cho and President Kim and announces that any North Korean missile launch will be met with greater U.S. military presence on the Peninsula.

Aug 2, 1999: China tests new long-range missile, the DF-31.

Aug 2, 1999: Indonesian President B. J. Habibie announces the validation of the election results in which he received 22 percent of the vote and rival Megawati Sukarnoputri garnered 34 percent.

Aug 4, 1999: Senate hearings on the Taiwan Security Enhancement Act open in Washington.

Aug 5, 1999: Japan and the ROK conduct their first ever joint naval exercise, a joint search and rescue 'mission.'

Aug 5, 1999: The Four Party Talks, involving the North and South Korea, the U.S., and China, occur in Geneva.

Aug 6, 1999: Japanese and Russian diplomats open talks regarding the four Kuril islands claimed by both nations.

Aug 6, 1999: Two ROK destroyers make first goodwill visit to Japan by ROK combat ships.

Aug 9, 1999: Russian President Yeltsin fires Prime Minister Stepashin and quickly names as his replacement Vladimir Putin, a former intelligence officer.

Aug 16, 1999: For the first time since the bombing of the Chinese Embassy in Belgrade, the PRC grants permission for a U.S. Navy vessel to visit Hong Kong: The USNS Tippecanoe in September.

Aug 17, 1999: U.S. and Russia begin preliminary talks on a possible START III treaty to cut each country's nuclear arsenal to 2,000-2,500 warheads each.

Aug 18, 1999: Japan and the U.S. sign a commitment to joint research on a seaborne Theater Missile Defense system.

Aug 19, 1999: Russia and Japan agree to establish a military hotline.

Aug 22-24, 1999: ROK Foreign Affairs and Trade Minister Hong visits Japan to discuss joint strategies to counter missile threats from the DPRK.

Aug 23-29, 1999: ROK Defense Minister Cho visits the PRC, marking the first high-level military defense meeting since normalization of relations in 1992.

Aug 24, 1999: Russian President Yeltsin meets with PRC President Jiang in Kyrgyzstan prior to the "Shanghai Five" meeting including Kazakhstan, Kyrgyzstan, and Tajikistan.

Aug 30, 1999: After two postponements, East Timor referendum is held, monitored by UN Assistance Mission for East Timor (UNAMET).

Aug 31-Sept 5: ROK Prime Minister Kim Jong-pil pays official visit to Japan, meeting with Prime Minister Obuchi and Emperor Akihito.

Sept 2, 1999: Russian Defense Minister Sergeyev visits his ROK counterpart, Cho Sung-tae, and agrees to hold a joint naval drill next year.

Sept 2, 1999: Japan and Russia agree to free visits to the Northern Territory by former residents of the territory and their spouses.

Sept 4, 1999: UN announces the result of the East Timor referendum – 78.5 percent for independence; pro-Indonesian militias begin rampage of violence.

Sept 6, 1999: USNS Tippecanoe docks in Hong Kong.

Sept 6-8, 1999: Inaugural Pacific Armies Chiefs Conference meets in Singapore, drawing together army chiefs from 23 Pacific countries.

Sept 7-12, 1999: U.S. and North Korea meet in Berlin to discuss the possible North Korean missile launch and other topics.

Sept 9, 1999: Russian Prime Minister Putin and Chinese President Jiang hold talks in New Zealand during the APEC meeting.

Sept 10-13, 1999: Leaders of 21 Pacific Rim nations gather at the APEC summit in Auckland, New Zealand.

Sept 11, 1999: Korean President Kim and Chinese President Jiang hold a summit on the sidelines of the APEC meeting.

Sept 11, 1999: Presidents Clinton and Jiang meet for the first time since the bombing of the Chinese Embassy in Belgrade.

Sept 12, 1999: President Clinton, ROK President Kim, and Japanese Prime Minister Obuchi meet in Auckland.

Sept. 12, 1999: President Clinton meets with Russia Prime Minister Putin.

Sept 13, 1999: U.S. Secretary of Defense Cohen and Russian Defense Minister Sergeyev discuss military relations.

Sept 13, 1999: DPRK officials commit to at least a temporary freeze on long-range ballistic missile testing.

Sept 14, 1999: ROK President Kim meets with New Zealand Prime Minister Shipley.

Sept 15, 1999: The U.S., UK, and France tell a UN committee they do not support putting UN membership for Taiwan on the General Assembly's agenda.

Sept 15, 1999: UN Security Council authorizes the establishment of an interim multinational force in East Timor, preparatory to a formal UN peacekeeping mission and UN transitional administration.

Sept 15, 1999: The Perry review on DPRK policy is presented to President Clinton.

Sept. 16, 1999: ROK President Kim meets with Australian Prime Minister Howard.

Sept. 17, 1999: President Clinton announces the easing of some sanctions against North Korea in response to the DPRK's commitment to refrain from further missile testing.

Sept 21, 1999: A powerful earthquake, registering richter scale 7.6, hits Taiwan. China's Red Cross donates \$100,000 to victims. UN and World Bank say it is difficult to help Taiwan because they do not recognize Taipei.

Sept. 26, 1999: Pyongyang formally announces a hold in missile tests at least during the duration of its talks with the U.S.



U.S.-Japan Relations: Still in the Eye of the Hurricane?

Michael Jonathan Green

U.S.-Japan relations this quarter were remarkably calm on the trade front, while important progress was made in bilateral security cooperation. Japan and the U.S. stood more-or-less in lock step on North Korea policy and reached important agreements on intelligence satellites and Theater Missile Defense (TMD). All three of these could have been irritants in the alliance, but turned-out on the positive side of the ledger. Some incremental progress was also made on the Okinawa base problem. Meanwhile, trade disputes on steel and macroeconomic policy fell to a low simmer while none of the leading U.S. presidential campaigns have focused on Japan as a trade problem. The Obuchi government's new three-way coalition with the Komeito and Liberal Party provides a much more stable political basis for addressing bilateral issues in the months ahead. The only frightening problem looming in the U.S.-Japan alliance is how to handle the July 2000 G-8 Summit in Okinawa. If there is no progress over the next quarter to resolve the Futenma base relocation problem, Obuchi and Clinton could face a disastrous reception when they meet in Nago, Okinawa in July. But Obuchi might even get lucky on that one too.

Dealing with North Korea

The problem of North Korean missiles drove a wedge in U.S.-Japan relations through much of last year because of Washington's tepid responses after the Taepodong II flew over Japanese airspace in August 1998. The review of North Korea policy by former Secretary of Defense William Perry began to narrow that gap last spring and summer, and with the Clinton Administration's announcement in mid-September that it will lift certain economic sanctions on Pyongyang in exchange for a North Korean missile testing moratorium, the U.S. and Japan finally seemed like real allies on the Korean front.

Tokyo was prepared to impose new sanctions on Pyongyang if there had been a test, and the solidarity of the U.S., Japan, and South Korea --demonstrated in trilateral summits on the wings of the APEC meeting in September-- was a powerful disincentive to launch for Pyongyang. The trilateral process also built deeper confidence in Tokyo that the United States was not forgetting about Japanese security when dealing with North Korea. When the administration announced its plans to lift sanctions, therefore, the Obuchi Government clapped loudly in Tokyo. But Japan will not move quite as quickly itself. The Japanese Diet still wants to be certain that Pyongyang's missile test moratorium will last before agreeing to a resumption of food aid and commercial charter flights to the North. Washington would like Tokyo to follow its engagement strategy, but Japan's "bad cop" act is not proving contentious in U.S.-Japan

relations. If anything, it strengthens Washington's hand in demanding a firmer North Korean commitment on the missile test moratorium.

The Intelligence Satellite and TMD

Another potential irritant that became a positive element in U.S.-Japan security relations this quarter was Japan's controversial intelligence satellite program. Japanese industry cannot build an intelligence satellite system within the budget and timeline mandated by the Government without technical help from the United States. Secretary of Defense Cohen promised last year to "cooperate" with Japan on the program, but MITI, the Prime Ministers Office, industry, and many in the Foreign Ministry were reluctant to become overly dependent on U.S. technology. In July, key officials in Tokyo and Washington were still pushing for a joint-development approach in which Japan would buy one satellite from the United States and produce the next three jointly (in a four satellite program). In the abstract, "joint development" sounds cooperative, but as the FSX case demonstrated in the late 1980s, joint development can also cause many more areas for bilateral friction: U.S. government agencies might resist technology transfer to Japan and Japanese industry might resist technology "flow back" to the United States. The whole project could have become highly explosive.

By September, however, U.S. and Japanese officials were pursuing a new approach, this time based on the commercial sale of certain components to Japan, conditioned on Japanese adherence to Presidential directives authorizing U.S. access to the satellite data and placing some restrictions on the satellites' use. This formula led to an exchange of notes between the U.S. and Japan at the end of September, to the visible relief of all concerned. What could have been a contentious combination of "technonationalism" and "intel-nationalism" was resolved in an agreement that pleased all parties. Japan's program will stay on schedule. Explosive issues of technology flow-back and black-boxing have been largely (though not completely) bypassed. And the United States and Japan will cooperate in the use of any data the program produces. Phew!

Meanwhile, the other major defense technology program between Japan and the United States moved forward as the two governments formally launched joint research cooperation on the Navy theater-wide system for missile defense on August 23. Plenty of budgetary, technical, and political hurdles remain, but the cooperative effort is well on track.

Okinawa and Bases

Things were generally quiet on the Okinawa front last quarter, as Governor Inamine focused on the prefecture's economic recovery. But that was not exactly good news, since Tokyo needed the Governor to begin the "nemawashi" (consensus-building) process for relocating the U.S. Marine Corps Air Station Futenma to a new heliport somewhere else on the island before President Clinton, Prime Minister Obuchi, and the rest of the G-8 delegates arrive for the July 21-23 summit. In fact, the Japanese Government's calculation has been that a basic decision had to be made by November on the new site so that the details could be put in place (and opposition overcome) well before July. So no news on Okinawa was hardly good news.

The Clinton Administration got into the act this quarter when Secretary of Defense Cohen told reporters and Japanese counterparts while in Japan at the end of July that he wanted solid progress on the heliport decision in the “near future.” The Japan Defense Agency and Foreign Ministry did not appreciate the U.S. pressure, but MOFA’s own frustration with Okinawa was already palpable by this point. Governor Inamine irritated the Japanese Government further with his insistence in late August that Tokyo provide substantial economic aid before he made a decision on the new site for the heliport. But Tokyo turned up the heat, and with unemployment at 8.7 percent on the island and no help from anywhere but the mainland, Inamine finally announced on September 1 that he had narrowed the choice of locations for the heliport down to two sites, Nago (near the Marine Corps’ Camp Schwab) or Tsukenjima island, just off the Southeast Coast.

Tsukenjima island itself is positive on receiving the Marine Corps facility and its dual-use capacity, but the local government with authority over the island is strongly opposed. Nago’s business community is also fairly positive on receiving the boost a major construction project would bring, but the Nago city government has been tied in knots and unable to indicate that it would accept the base. So there was some modest progress this quarter -- barely keeping up with the Japanese Government’s timetable for settling the Futenma relocation by the G-8 summit -- but hardly enough movement for the Obuchi Government to feel safe. The next stage will be to settle on one of the two proposed locations (the author’s guess is Nago), but if that step cannot be reported by the time of the next quarterly edition of “Comparative Connections,” then the Obuchi Government will have a difficult scenario to contend with.

Politics and the Defense Relationship

This quarter the Liberal Democratic Party and the opposition Democratic Party of Japan held elections for party leader. The results have some interesting long-term implications for U.S.-Japan security relations. On the LDP side Obuchi handily won. Interestingly, one challenger, Taku Yamazaki, ran on a platform that included a call for more “equal” security relations with the United States. Obuchi himself promised to relax restrictions on peacekeeping and to introduce new legislation strengthening Japan’s crisis management and national security structure (the so-called “yuji hosei”).

In the Democratic Party, Yukio Hatoyama won the party presidency away from Naoto Kan on September 26 on a platform that included reference to Constitutional revision and the eventual reduction of U.S. bases in Japan. Hatoyama had championed the DPJ’s internal policy paper on a “no base alliance” with the United States in 1997. That idea was squelched by old-time LDP bosses now in the party --men like former Prime Minister Tsutomu Hata. The DPJ’s new security policy, released on June 25, has a more “realistic” assessment of the need for close security ties to the United States and forward presence for the U.S. military in Asia. But Hatoyama’s election may gradually reintroduce the theme of base reduction, particularly if the Futenma relocation issue stalls before the G-8 summit. On the whole, both the DPJ and LDP remain pro- U.S.-Japan alliance, a nice contrast to the Cold War division in which the Socialists usually stood in opposition to the alliance. Still, the movement in the DPJ could make management of bilateral security relations a bit more complicated.

Economic Relations

The real trouble spot in the U.S.-Japan alliance is always trade. The outgoing Japanese ambassador to the United States, Kunio Saito, and the incoming ambassador, Shunji Yanai, both warned the press during their changing of the guard that there is a danger of new trade disputes with Washington. But so far almost all is quiet on the Western Front. Secretary of the Treasury Lawrence Summers rapped Japan on the knuckles during his confirmation process for not doing more to restructure the financial sector and for playing too much with the value of the yen, but there was no threat behind his criticism. U.S. officials continue pressing for deregulation in telecommunications as well, though no concrete threat emerged. Steel threatened for a while to become a political problem, but the initiation of Section 201 cases on steel dumping has taken that problem into the litigation process, and Japanese exports of steel (already down 5.6 percent in June) will continue to fall as companies hedge against an unfavorable outcome in court. The two governments issued a joint press release on the ongoing “Steel Dialogue” on September 24, which signaled that both governments are hard at work solving the problem – but the markets and the courts have already begun to do that, at least enough to keep the issue off the agenda of Congressional legislation and presidential campaign politics for the foreseeable future.

Finally, it is striking how little Japan is becoming a focus of U.S. presidential politics, now that they are heating up. Pat Buchanan’s “America First” aside, none of the candidates have attacked trade problems with Japan. In fact, senior advisors to George W. Bush (Richard Armitage, for example) have told the Japanese press that his Administration would place a higher emphasis on Japan than China. Meanwhile, Democratic contender Bill Bradley has a long Japan portfolio based on his annual retreats with Diet member Motoo Shiina and other parliamentarians in the late 1980s to discuss minute details of the U.S.-Japan relationship and plan joint legislative strategies. A Gore Administration also looks somewhat reassuring, particularly after the Vice President’s rumored candidate for Secretary of State, current UN Ambassador Richard Holbrooke, announced in New York that he strongly supports Japan’s permanent membership in the Security Council. The presidential campaign process seems eerily positive for U.S.-Japan relations.

But then again, stay tuned.

Chronology of U.S.-Japan Relations **July - September 1999**

July 6, 1999: Japanese Ambassador to the U.S. Kunihiko Saito says that a North Korean missile launch would have dire consequences for Japanese engagement efforts.

Aug, 1999: Japan’s overall trade deficit falls (revealed in September statistics).

Aug 23, 1999: ITC rules against seamless steel pipes; Japan looks at starting “Steel Dialogue” with U.S.

Aug 23, 1999: U.S. and Japan formally initiate joint research on TMD Navy Theater-Wide system technologies.

Sept 1, 1999: Governor Inamine chooses Nago and Tsukenjima as candidate sites for USMC offshore heliport.

Sept 8-9, 1999: U.S. and Japan clash at APEC over approach to next WTO round, but no great fireworks.

Sept 15, 1999: Tokyo responds positively to U.S. decision to ease sanctions on North Korea in exchange for a missile test moratorium.

Sept 20, 1999: Prime Minister Obuchi announces he will support legislation relaxing constraints on future Japanese peacekeeping operations.

Sept 21, 1999: Keizo Obuchi re-elected President of Liberal Democratic Party.

Sept 24, 1999: U.S.-Japan issue joint press statement on progress of "Steel Dialogue."

Sept 26, 1999: Yukio Hatoyama wins Democratic Party of Japan presidency.

Sept 29, 1999: U.S. and Japan exchange notes to establish cooperation on intelligence satellite.



U.S.-China Relations: Beginning to Thaw

Bonnie S. Glaser

After a freeze of several months following the accidental bombing of the Chinese embassy in Belgrade, Sino-American relations have begun to thaw. The mid-September meeting between Presidents Bill Clinton and Jiang Zemin signaled Beijing's readiness to resume high-level contacts with the United States, but it remained uncertain whether the Chinese are prepared to restore normalcy to other facets of the bilateral relationship. Still absent are indications that China is willing to resume military exchanges with the United States or reinstate the official dialogues on human rights, arms control, and non-proliferation that Beijing suspended in the wake of the embassy bombing. At the direction of their presidents, Chinese and American negotiators have proceeded with discussions aimed at reaching an agreement on China's entry into the World Trade Organization. Completing a deal this year remains possible, but may prove politically difficult in both countries.

High-level Contacts Resume

In the weeks leading up to the presidents' meeting at the APEC summit in Auckland, New Zealand there were some hopeful signs that the Chinese leadership was preparing to re-engage with the United States following months of refusal to conduct normal relations in the wake of the embassy bombing. Chinese officials continued to voice their refusal to accept the U.S. contention that the bombing was unintentional, and periodically called for a more thorough investigation and punishment of those responsible for the blunder. These demands became less strident and were not expressed as explicit preconditions to the resumption of normal Sino-American relations as they had been in mid-June, when Undersecretary of State Thomas Pickering presented the official U.S. explanation of the series of mishaps leading to the bombing.

Helping to soothe China's anger about the embassy bombing was the agreement between Washington and Beijing at the end of July to a \$4.5 million settlement to compensate the 27 people injured and the families of the three reporters who were killed. The Chinese were gratified by the resolution of the issue of compensation to the victims, although privately Chinese officials noted that the government was peeved by the U.S. insistence that its provision of compensation was voluntary and did not represent an admission of liability on the part of the United States. The two sides subsequently began talks to settle the Chinese and American claims for damage inflicted on their respective embassy buildings and diplomatic compounds last May. By contrast, these talks are progressing slowly, however, and an accord is not yet in sight.

The votes taken in both houses of Congress in the second half of July, overwhelmingly repudiating efforts to revoke Normal Trade Relations (NTR) status for China, likely also softened China's position and aided Chinese leaders seeking an exit from the diplomatic corner

in which they had placed themselves following the attack on the Chinese embassy in Belgrade. The vote in the House was 260-170, a change of only four votes from the previous year. In a vote of 87-12, the Senate even more resoundingly rejected a measure to compel reconsideration of China's NTR status.

The outcome of the July 25 meeting between Secretary of State Madeline Albright and Chinese Foreign Minister Tang Jiaxuan on the margins of the ASEAN Regional Forum meeting in Singapore was mixed. There were some indications that Beijing realized the dangers of keeping Sino-American relations in a deep freeze, but these were coupled with reluctance to return to the *status quo ante*. The central accomplishment of the meeting was the agreement and formal announcement that the Chinese and American presidents would in fact meet at the APEC summit in mid-September. In addition, the Chinese agreed to resume low-level dialogues on selective issues and promised to host visits by some U.S. under secretaries and assistant secretaries and by State Department Director of Policy Planning Morton Halperin.

At the same time, however, China's foreign minister denied Albright's request to resume the earlier practice of regularly granting permission for U.S. warships to make port calls in Hong Kong. Tang also rejected the U.S. proposal to proceed with established bilateral dialogues on arms control and weapons proliferation and on human rights. Moreover, Tang indicated that the atmosphere was not conducive to reviving the talks on hammering out a bilateral accord for China's accession to the World Trade Organization. In a press conference following the Tang-Albright luncheon meeting, the U.S. Secretary of State attempted to put a positive spin on their discussions: "I would characterize this as an easing of tensions," she stated, adding that she was "quite satisfied with the restoration of communication." But Albright admitted, "there are still subjects upon which we disagree and have to work out the arrangements."

Lee Teng-hui Poses New Challenge for Sino-U.S. Relations

The July 9 statement by Taiwan President Lee Teng-hui describing Taiwan and the Mainland as having "at least a special state-to-state relationship" created both crisis and opportunity in Sino-American relations. The new formulation used by Lee Teng-hui suggesting that the People's Republic of China and the Republic of China are at least at present two separate, sovereign states that should treat each other and be treated by the rest of the world on an equal basis, evoked a harsh response from Beijing. China reminded Taiwan that while it sought reunification by peaceful means, it would use force if necessary to prevent Taiwan from becoming independent. With the 1995-96 precedent of Chinese ballistic missiles launched into the waters off Taiwan still fresh in the minds of Clinton Administration officials, concern in Washington intensified about the possibility of a military flare-up in the Taiwan Strait.

Some American analysts worried that Jiang Zemin, who appeared weakened domestically after the NATO military operation in Kosovo and the U.S. attack on the Chinese embassy in Belgrade, would heed PLA advice to use military force to punish Lee Teng-hui and pressure the Taiwan president to retract his statements. Chinese experts on the United States held a different perspective. They hoped that a swift U.S. condemnation of Lee's statement would not only prevent an escalation of the crisis, but also help American and Chinese officials to focus on their shared strategic interests and accelerate the restoration of bilateral ties.

Senior Chinese leaders meeting at their annual Beidaihe seaside retreat in mid-July apparently decided to refrain from taking immediate military action against Taiwan, opting instead to rely at least temporarily on diplomatic means to achieve their objectives. The official Chinese media launched a campaign of visceral denunciation of Lee Teng-hui, while the Hong Kong press carried scores of articles on PLA efforts to increase China's military preparedness. At the same time, Beijing looked to Washington to pressure Taipei to recant Lee's characterization of Mainland-Taiwan relations as that between two equal sovereign states and return to a "one China" position.

The U.S. government moved quickly to defuse the crisis in the Taiwan Strait by distancing itself from Lee Teng-hui's formulation and warning China to act with restraint. President Clinton telephoned Jiang Zemin to reiterate the strong U.S. commitment to a "one China" policy and dispel Chinese suspicions that there was a hidden American hand behind Lee's statements. According to Chinese press accounts of the phone call, Clinton said, "I want to assure you that U.S. policy will not change; you should have full confidence in the statements I have made to you in our previous meetings." At the same time, Clinton signaled Jiang that the U.S. would not countenance the use of force against Taiwan. He also endorsed the continuation of cross-Strait dialogue and urged the Chinese leader to send the Chairman of China's unofficial Association for Relations Across the Taiwan Strait, Wang Daohan, to visit Taiwan in October as planned.

Publicly, President Clinton enunciated three pillars on which U.S. policy toward relations between Taiwan and the Mainland is based: "one China;" cross-Strait dialogue; and peaceful resolution. He also dispatched Assistant Secretary of State Stanley Roth and National Security Council Senior Director for Asian Affairs Kenneth Lieberthal to Beijing to provide additional reassurances to China of the steadfastness of U.S. policy. Richard Bush, the Chairman of the American Institute in Taiwan, was simultaneously sent to Taipei to convey U.S. concern about the potentially destabilizing impact on stability in the Taiwan Strait of Lee Teng-hui's remarks. To further signal its displeasure to Taipei, Washington delayed a Pentagon mission to Taiwan that had planned to assess the island's air defense needs.

The Taiwan Security Enhancement Act

The timing of Lee Teng-hui's statement coincided with new pressures from congressional conservatives to take steps to strengthen the U.S. defense relationship with Taiwan. Proposed legislation by Senate Foreign Affairs Committee Chairman Jesse Helms (R-N.C.) and Robert Torricelli (D-N.J.), titled the Taiwan Security Enhancement Act, would permit expanded military sales to Taiwan, including air-to-air missiles, advanced radar, and an advanced missile defense system. It would also allow direct communications between the U.S. and Taiwanese military forces.

Testifying before hearings held by both the House and Senate, Administration officials voiced strong opposition to the legislation and urged Congress to avoid inflaming the already precarious situation in the Taiwan Strait. Assistant Secretary of State Stanley Roth told the Helms panel that passing the legislation "could risk a dangerous response from the other side." Kurt Campbell, Deputy Assistant Secretary of Defense for Asian and Pacific Affairs, told the House International Relations Committee Asia and Pacific Subcommittee that the new legislation

was unnecessary because, “the Taiwan Relations Act has succeeded in contributing to an extended period of peace and prosperity across the Taiwan Strait and has promoted American interests in the western Pacific for twenty years.” In their testimonies to Congress, Administration officials also indicated concern about increased military flights over the Taiwan Strait by both Taiwan and PRC fighter jets that could lead to an inadvertent clash. “In light of the on-going activity in the Taiwan Strait, we urge both sides to exercise caution and restraint as a means to minimize accidents and miscalculations,” maintained Dr. Campbell.

U.S. and Chinese Leaders Meet at APEC

In the first face-to-face meeting between the two presidents in 15 months, the increased tensions across the Taiwan Strait and China’s entry into the WTO topped the agenda. President Clinton reiterated the U.S. “one China” policy and told President Jiang that Lee Teng-hui’s statement had “made things more difficult for both China and the United States.” But Clinton also warned Jiang that “there would be grave consequences in the United States” if Beijing used force to secure sovereignty over Taiwan. Jiang restated China’s position that while it prefers a peaceful settlement with Taipei, the PRC will not renounce the use of force if Taiwan declares independence unilaterally. The Chinese president also urged Clinton to halt arms sales to Taiwan, emphasizing China’s objections to consideration of new missile defense systems for the island.

On WTO, the two leaders ordered their negotiators to resume talks aimed at reaching agreement on the terms of China’s entry. They did not set a timetable for reaching an accord, however. Clinton also raised human rights concerns, in particular Beijing’s crackdown on Falun Gong, a sect that was banned by the Chinese government in July. Jiang termed Falun Gong a cult and gave Clinton several books about the organization.

Bilateral Dialogues and Military Contacts Remain Suspended

Following the meeting, senior officials on both sides characterized their talks in positive terms, but they diverged on the road map for proceeding with development of bilateral relations. NSC Adviser Sandy Berger described Sino-U.S. relations as “back on track,” and asserted that the presidents’ discussion had provided a strong indication that the Chinese were prepared to resume discussions on a range of other issues, from human rights to arms control and non-proliferation. By contrast, Chinese Foreign Minister Tang Jiaxuan told a news conference at the APEC forum that “the relationship has been improved,” but he stressed that the bombing remained unresolved and would continue to hamper the progress of relations. “There is a need for the U.S. side to do more concrete deeds to heal the scars the bombing incident has left on the hearts of the Chinese people,” he said. A Chinese diplomat in Washington privately indicated that Beijing hoped for “greater efforts by the U.S. government to improve relations,” especially on Taiwan.

In the weeks following the APEC summit meeting, the Chinese continued to signal that they were not yet ready to restart the bilateral dialogue with the U.S. on proliferation of weapons of mass destruction. Privately, Chinese officials hinted that they were dissatisfied with the Clinton Administration’s refusal to publicly rebuke Lee Teng-hui for aggravating cross-Strait tension. By withholding cooperation with the U.S. on proliferation—a priority issue for the

Clinton Administration—Beijing hoped to pressure Washington to assume a tougher stance against Lee and force a return by Taipei to a “one China” position. Signs of willingness to resume ties between the U.S. and Chinese militaries were also absent, although American officials remained hopeful that these contacts would be restored shortly after the October 1 celebration of the 50th anniversary of the People’s Republic.

Prospects for WTO Accord Uncertain

The Clinton Administration continued to work toward concluding an accord on China’s WTO entry before late November when the Geneva-based organization that determines the rules for world trade is set to launch a new round of global trade talks in Seattle. At the end of the quarter, however, it remained unclear when or if Beijing would be ready to conclude a bilateral agreement on its accession to the WTO. In long awaited talks, Chinese Trade Minister Shi Guangsheng met with U.S. Trade Representative Charlene Barshefsky in late September in Washington, but their sessions ended without the announcement of any major breakthroughs. Beijing’s earnestness toward the talks was called into question by the absence from the delegation of Long Yongtu, China’s chief WTO negotiator. Also putting in doubt the priority China is now attaching to finalizing an agreement was Shi Guangsheng’s decision to shorten his visit to one day instead of two. The two sides agreed to meet again, but did not set a date for resumption of their negotiations.

Completing a WTO deal remains possible, but is likely to prove politically difficult in both countries. Although Beijing has not categorically taken off the table any of the terms that were offered by Premier Zhu Rongji during his visit to Washington last April, it will be politically difficult to stick to at least some of them. At a time of growing economic difficulties in China, Jiang and Zhu are vulnerable to charges that they are making too many concessions to the “number one hegemonist superpower.” President Clinton has to keep in mind the implications of the terms of a WTO deal for the Democratic Party and for Vice President Al Gore’s candidacy for next year’s presidential race. Labor unions have been vocal critics of any trade deal with China and some have withheld endorsements of Gore.

Policy Implications

More than four months after the accidental bombing of the Chinese embassy in Belgrade, Sino-American relations have yet to return to normal. The reasons for this are not clear. Continued Chinese calls for a satisfactory explanation of the bombing and full compensation in the wake of the presidents’ meeting in Auckland suggest that Jiang Zemin may still be vulnerable to charges of being soft on the United States. Beijing’s possible linkage of the resumption of the bilateral dialogue on non-proliferation with U.S. handling of Lee Teng-hui’s announcement of his “state-to-state” formulation for cross-Strait relations is an ominous sign that the Taiwan issue has increasingly taken center stage as the litmus test of the U.S. commitment to improve ties with China.

The slow and fitful resumption of Sino-American relations has unnerved U.S. friends and allies in the Asia-Pacific. At the APEC summit, persisting tension between Washington and Beijing and the new China-Taiwan crisis (as well as the unfolding crisis in East Timor) all but

overshadowed economic concerns, as regional leaders considered the uncertainty in their security environment. American officials are making concerted efforts to reassure regional states that the U.S. is attaching high priority to safeguarding regional security. Until cooperative ties between China and the U.S. are restored, however, the region is likely to remain nervous.

Chronology of U.S.-China Relations

July - September 1999

July 18, 1999: President Bill Clinton calls President Jiang Zemin on the “hot line” to reiterate U.S. commitment to a “one China policy,” following Taiwan President Lee Teng-hui’s statement that Taipei’s relations with Beijing should be “special state-to-state relations.”

July 20, 1999: The U.S. Senate votes to reject a motion to open debate on President Clinton’s June extension of China’s “Normal Trade Relations” with the U.S.

July 21, 1999: President Clinton discusses U.S. policy toward China and Taiwan at a press conference. Envoys travel to Beijing and Taipei to manage the fallout from Taiwan President Lee Teng-hui’s call for cross-Strait relations to be put on a “special state-to-state” basis.

July 25, 1999: Secretary of State Madeline Albright meets with Chinese Foreign Minister Tang Jiaxuan at the ASEAN Regional Forum meeting in Singapore.

July 27, 1999: The House of Representatives renew trading privileges with China for another year. The vote was 260 to 170 to reject a measure that would have ended the trade benefits.

July 30, 1999: The United States agrees to pay \$4.5 million in damages to the 27 people injured and the families of three reporters killed in the accidental bombing of the Chinese Embassy in Yugoslavia.

Aug 1, 1999: China tests new long range missile, the DF-31.

Aug 2, 1999: The Chinese issue a “strong protest” to the U.S. for its announced plans to sell E-2T early warning aircraft and F-16 fighter jet parts to Taiwan.

Aug 4, 1999: The Senate Foreign Relations Committee holds hearings on S. 693, the Taiwan Security Enhancement Act.

Aug 30, 1999: Director of Policy Planning Morton Halperin holds discussions in Beijing on international security issues with Assistant Chinese Foreign Minister Wang Yi.

Sept 6, 1999: USNS Tippecanoe docks in Hong Kong, the first U.S. naval vessel to do so since the bombing of the Chinese Embassy in Belgrade.

Sept 7, 1999: China approves Washington's nomination of former Pacific commander Admiral Joseph Prueher as the new U.S. ambassador to Beijing.

Sept 11, 1999: Presidents Bill Clinton and Jiang Zemin hold a summit meeting in Auckland, New Zealand on the sidelines of the annual Asia Pacific Economic Cooperation (APEC) leaders' meeting.

Sept 15, 1999: The House International Relations Committee Asia and Pacific Subcommittee holds hearings on HR 1838, The Taiwan Security Enhancement Act.

Sept 27, 1999: Chinese trade minister Shi Guangsheng met with U.S. Trade Representative Charlene Barshefsky to discuss China's entry into the World Trade Organization.

Sept 30, 1999: State Department Director for Policy Planning Morton Halperin travels to Beijing.



U.S.- ROK Relations

Is There Light at the End of the Missile Tunnel?

By David Brown

The past three months have seen Washington and Seoul pursuing a full court press to persuade North Korea to back away from apparent plans for a test of the Taepodong II missile, which would increase tensions in Korea and destabilize the region. Fears of an imminent test in July gave way to optimism that the September U.S.-DPRK talks in Berlin had produced agreement on a “de facto moratorium” on testing. The coming weeks will show whether that moratorium can be developed into something more concrete and lasting. Meanwhile, South Korea’s desire to develop its own 500 km range missile remains a possible sore point, as do potentially differing views on resolving the naval boundary dispute between the North and South.

Focusing on the Missile Issue

On July 3, the North-South Vice Ministerial talks in Beijing, which had been seen as a hopeful sign for North-South dialogue, broke down with Pyongyang demanding that Seoul apologize for the losses inflicted during the naval clash south of the Northern Limit Line (NLL) in June. With hopes of North-South dialogue squelched, the missile issue moved back to center stage.

In late June and July, there was palpable concern in Washington that Pyongyang was on the verge of testing a Taepodong II missile capable of reaching Alaska and possibly Hawaii. The concern was reflected in leaks to the media in Tokyo, Seoul, and Washington. It was fanned by repeated assertions from Pyongyang of its “sovereign right” to conduct missile tests and satellite launches. A CIA report to Congress in September belatedly made public the intelligence community’s conclusion that Pyongyang was capable of testing a Taepodong II missile at any time.

These concerns lead to a determined diplomatic effort to head off a test and to encourage Pyongyang to respond positively to the offer of a more constructive relationship that former Secretary Perry had presented to Pyongyang in May. This diplomatic effort involved both coordination of North Korea policy with Seoul and Tokyo, as well as further contacts with Pyongyang on the Perry proposals.

ROK President Kim Dae-jung’s visit to Washington and Secretary Cohen’s trip to Seoul, both in July, were used to convey public unity while wrestling privately with how the allies should respond if Pyongyang conducted another test. In addition to the bilateral consultations,

the U.S.-Korea-Japan Trilateral Coordination and Oversight Group (TCOG) met twice. Foreign Ministers Albright, Hong, and Komura met at the ASEAN Regional Forum (ARF) in Singapore, and President Clinton, President Kim, and Prime Minister Obuchi held a trilateral on the margins of the Asia Pacific Economic Cooperation (APEC) meeting in Auckland. The basic message was clear. The allies offered Pyongyang more constructive relations and warned North Korea not to conduct another Taepodong missile test. However, the signals from Seoul, Washington, and Tokyo about the consequences of a further test contained nuances of difference, and it was not clear how the leadership in Pyongyang might interpret the somewhat different signals.

The first public hint of some flexibility in Pyongyang's position came in an interview that Party Secretary Kim Yong Sun gave CNN in mid-August indicating that the missile issue might be resolved through talks. However, the meaning of his remarks was clouded by a DPRK Foreign Ministry statement that drew a distinction between missile tests, which could be discussed, and North Korea's sovereign right to launch satellites.

A crucial round of talks was held in Berlin in September between U.S. negotiator Ambassador Charles Kartman and DPRK Vice Foreign Minister Kim Gye Gwan. When the talks concluded on September 12, the two sides released a short statement saying they had agreed to "preserve a positive atmosphere" in anticipation of further talks on missiles and the easing of U.S. economic sanctions. Subsequently, President Clinton's National Security Advisor Samuel Berger announced that North Korea had agreed to "freeze" its long-range missile program during an extended period while talks continue. This produced a mood of relief and even euphoria for some in Seoul and Washington who referred to the negotiating outcome as an "agreement" and a "break through."

On the understanding that Pyongyang was prepared to freeze its missile tests, President Clinton moved rapidly and announced on September 17 a very broad easing of economic sanctions on North Korea--a move that had long been requested by Kim Dae-jung as part of his "Sunshine Policy" of enhanced engagement with the North. A few days later, Pyongyang made its first public reference to the Berlin talks when it issued a statement welcoming the easing of sanctions but calling on the U.S. to do more. Subsequently, former U.S. Defense Secretary William Perry, who returned to Asia for more consultations with allies, said in Seoul that he anticipated that within a few weeks Pyongyang would announce unilaterally a moratorium on missile testing. On September 24, the Foreign Ministry spokesman in Pyongyang stated that North Korea would not test missiles while talks with Washington continued. Administration officials expected that negotiations will continue in the coming weeks with Vice Foreign Minister Kim Gye Gwan and a more senior North Korean official who is expected to visit Washington.

The public reaction in Seoul and Washington to these signs of possible progress on the missile issue has been mixed. In Washington, conservative critics of administration policy have again charged that Pyongyang is being rewarded for threatening behavior. However, many moderate voices in the Congress are willing to give the Administration some time to demonstrate that its easing of sanctions will produce a halt of North Korea's missile program. Seoul has officially welcomed the Berlin understanding and at times claimed that Kim's Sunshine Policy produced this progress. Outside government circles, the reaction in Seoul has been mixed and concern has been expressed that once again the U.S. is monopolizing talks with Pyongyang while Seoul is sidelined.

As if anticipating this criticism, the Kim Administration had been engaged in a very active diplomacy this quarter. In addition to President Kim's visit to Washington, ROK-Japan security bilaterals took place in Tokyo in July and the first joint exercises between the ROK and Japanese navies were held in August. ROK Defense Minister Cho Sung-tae made the first ever visit to China in August, and Russian Defense Minister Surgeyev visited Seoul in September. This diplomacy was intended in part to preempt potential charges that Seoul was again consigned to the sidelines.

A Testing Moratorium, Why?

Administration officials in Washington anticipate that negotiations with visiting North Korean officials over the coming weeks will convert a "de facto" testing moratorium into a formal North Korean commitment. To be acceptable in Washington, Tokyo, and Seoul, the commitment will have to cover all long-range missiles and satellite launches and address their testing, development, and deployment. Whether and how that can be accomplished remains to be seen. If it is, what will account for Pyongyang's forgoing its "sovereign right" to test and accepting limits on its missile programs? Given the lack of access to Kim Jong Il and his immediate advisors, the answer can only be guessed.

One school of thought is that North Korea has become addicted to the foreign exchange and material benefits it is receiving through KEDO, food aid, the Kumgang mountain tourism project, and other sources. Despite mixed signals from the allies on how much of these resources would be lost, Pyongyang may have concluded that the financial costs of further testing would be substantial. With its economy still in dire straits, Pyongyang may not be willing to risk losing these resources. Hence it is exploring what more it can obtain from agreeing to defer or forgo further testing. Such thinking lies behind claims in Seoul that Kim's Sunshine Policy can take some credit for the progress in Berlin.

Another view focuses on Pyongyang's security calculations. It posits that Kim Jong Il has decided to explore whether more can be gained for North Korea's security through negotiations with Washington than through further missile tests. This would be consistent with Kim's assumed strategy that normalizing relations with the U.S. is the key to improving North Korea's bargaining position vis-a-vis South Korea. It seems likely that Pyongyang values the lifting of sanctions primarily because they have been seen as a symbol of U.S. "hostility" towards North Korea, rather than because Pyongyang wishes to expand economic relations with the U.S. In this view, Pyongyang prizes the lifting of sanctions because it is a step toward improved relations with Washington.

The degree of unity the allies displayed and Washington's consistent advocacy of Perry's proposals were probably factors in Pyongyang's calculations. Clinton Administration officials say that Pyongyang was surprised by the speed with which the decision to ease sanctions was made and announced. As North Korea's missile test last year accelerated U.S. and Japanese planning for theater missile defense, Beijing has a strong interest in North Korea's postponing further missile tests. What influence Beijing may have exerted is unclear. Beijing's decision to go forward with ROK Defense Minister Cho's visit to China in the midst of intense international concern over the missile issue probably raised questions in Pyongyang about

whether Beijing could be counted on to support North Korea in a confrontation provoked by a further missile test.

A moratorium is a significant but reversible step. A commitment to forego further testing and deployment would be a much more serious decision involving major constraints and costs for Pyongyang. The North Korean military has devoted considerable effort and scarce financial resources to developing these new capabilities to deter what they perceive as Japanese and American hostility. The erstwhile satellite launch last year was trumpeted domestically as the most significant achievement under Kim Jong Il's leadership. Whether even a costly package of economic benefits will be sufficient to justify abandoning these major national priorities remains to be seen.

Consequently, it is probable that the coming negotiations will see Pyongyang seeking ways to preserve future testing options, such as exceptions for satellite launches, testing systems abroad (as they did with the Nodong), prolonging the moratorium without formal agreement, or even a supervised testing regime. While these would not satisfy Washington, pursuing them would be consistent with the North's past negotiating behavior and with the difficult decision which a commitment not to test would involve.

Managing Other Bilateral Issues

Despite differing priorities, Seoul and Washington have been remarkably successful in pursuing mutually consistent strategies toward North Korea. Several other issues have also required careful alliance management.

Foremost among these is South Korea's desire to develop a 500 km range missile as a deterrent against the intermediate range North Korean missile threat. President Kim raised this issue, which had been simmering for several months at the bureaucratic level, when he met President Clinton in Washington. While restrained in public, the U.S. government is troubled by the regional security and non-proliferation implications of a close ally developing weapons that exceed the limits established for missile exports under the Missile Technology Control Regime (MTCR). However, when Secretary Cohen visited Seoul in July, he committed the U.S. to work with Korea toward a mutually satisfactory solution. One round of talks was held in July and another is expected in the near future. It appears that both sides are seeking ways to accommodate the other's concerns. However, no agreement has been reached.

Another source of strain has come from continuing North Korean pressure on the Northern Limit Line (NLL) in the sea area west of the DMZ. After having been bested in a naval battle in June, Pyongyang tried to use the General Officers Talks in Panmunjom to demand that the U.S. agree to discussions on revising the NLL. Seoul and Washington countered by saying the issue should be discussed between the North and South by reconstituting the Military Commission called for in the North-South Basic Agreement of 1991. Pyongyang refused that. Unable to get its way in Panmunjom, on September 2 Pyongyang declared the NLL to be invalid, proclaimed its own version of a sea boundary in that area and threatened that it would enforce its claims in ways of its own choosing.

Seoul and Washington have been united in warning the North not to violate the NLL and in their procedural suggestions, but beneath the surface some differences exist. Washington views the NLL, which was defined unilaterally by the UN side, as a practical, rather than legally binding, arrangement and believes Pyongyang's demand to discuss it is reasonable. Consequently, rather than fully supporting the ROK position on the NLL, the U.S. has stated publicly that jurisdiction over this sea area is subject to dispute. Also, while warning the North not to use force to challenge the NLL, some U.S. officials have said privately that there are arguments under international law for, as well as against, the alternative sea boundary proposed by Pyongyang. These differences have not become significant issues in part because the procedural wrangling has blocked serious discussion of the issue.

As would be expected during a period of intense concern over the possibility of another missile test, little progress has been made on the Korean Peninsula Energy Development Organization's (KEDO) Light Water Reactor (LWR) project. The Korean National Assembly finally completed authorization for the Korean financial contributions to the LWR project in August. The negotiations of the prime contract between KEDO and the Korea Electric Power Corporation (KEPCO), which have been under way for two years, have not been concluded. Consequently, KEDO had to make a further extension of the preliminary work contract so that preparatory work could continue. KEDO has expressed the hope that the prime contract can be concluded in time for construction to begin by the end of the year.

On the economic front, a much hoped for bilateral investment treaty (BIT) proved too difficult for the Clinton and Kim Administrations to conclude. When Kim met with Clinton in July 1998, he stated this would be a priority for his Administration, and U.S. officials saw the treaty negotiations as a test of Kim's new open door policies. After all, the U.S. has wanted this for years but always encountered deep resistance from ROK economic officials to meet the stringent U.S. standards for a BIT. A deal was expected to be announced during the July 1999 summit, but even though officials broke through many logjams during the year of negotiations, it was the motion picture industries in both countries that scuttled the deal. The issue? South Korea's screen quota requiring theaters to show a minimum number of Korean films. The American Motion Picture Association lobbied heartily against the pact, and the concerted efforts of trade officials to phase out the quota system met with such a fanfare of criticism that he had to back off. Although the two countries may try again, it is safe to say that this was indeed not a test of Kim's new policies but a demonstration of how powerful interest groups can successfully push narrow agendas in any democratic market economy.

Policy Implications

The Berlin talks and subsequent developments have eased tensions in Korea, at least temporarily. Whether and how the current pause in North Korean missile tests can be transformed into a mutually agreed moratorium will depend on developments over the coming months. The expected negotiations will not be trouble free, even if they are ultimately successful.

The missile testing issue is, however, only one element in the comprehensive package that former Secretary Perry presented to North Korea. Other elements include adherence to the Agreed Framework on the nuclear issue, reaching agreement on North Korea missile exports,

the reduction of tensions along the DMZ, and North-South dialogue. Perry's proposals and Kim Dae-jung's engagement policy will continue to present North Korea with a basic choice between fearful isolation and reform and opening.

The decision to postpone missile testing does not imply that North Korea is prepared to open up. Nor has there been any other significant indication that Kim Jong Il is pursuing reform. Hence, there is still little prospect that North Korea is yet ready for reconciliation with the South and integration with the rest of Asia.

Seoul and Washington's ability to pursue mutually consistent policies and to coordinate closely with Tokyo have been impressive. This intensified pattern of consultations bodes well for the difficult negotiations and other challenges that lie ahead.

Chronology of U.S.-Korea Relations July - September 1999

July 2, 1999: Clinton-Kim summit meeting in Washington; President Kim seeks support for ROK development of a 500km missile.

July 3, 1999: North-South Vice Ministerial Talks in Beijing end in recriminations.

July 26, 1999: DPRK Foreign Ministry statement appears to implicitly reject Perry's proposals.

July 27, 1999: U.S., Korean and Japanese Foreign Ministers' joint statement on North Korea.

July 28-29, 1999: Secretary Cohen in Seoul for consultations; U.S.-ROK missile talks.

Aug 5-9, 1999: 6th Four Party Peace Talks; session ends without progress.

Aug 11, 1999: Daewoo creditors demand major corporate restructuring.

Aug 12, 1999: Korean National Assembly authorizes funding for KEDO LWR project.

Aug 16-27, 1999: Ulchi Focus Lens U.S.-ROK military exercise.

Aug 18, 1999: DPRK Foreign Ministry statement indicates willingness to discuss missile development, but reserves sovereign right to launch satellites.

Aug 23-25, 1999: ROK Defense Minister Cho visits China.

Sept 2, 1999: KPA statement declares NLL to be invalid, asserts new sea boundary.

Sept 7-12, 1999: U.S.-DPRK talks in Berlin; agreement to maintain "positive atmosphere."

Sept 12, 1999: Clinton-Kim-Obuchi meeting reaffirms cooperation on North Korean issues.

Sept 17, 1999: Washington announces easing of economic sanctions.

Sept 22-23, 1999: Secretary Perry in Seoul for consultations.

Sept 24, 1999: North Korea announces it will not test missiles while talks continue.



U.S.-Russia Relations: Thaw after Kosovo Marred by Money-Laundering Allegations

Keith Bush

From the nadir in U.S.-Russian relations since the Cold War occasioned by the NATO air campaign against Serbia, a slow improvement in ties could be detected during this period, even if Russia played the aggrieved party for all it was worth. Then the money-laundering scandal broke. The alleged involvement of Russia in the transfer of billions of dollars through U.S. banks, and claims of kickbacks to members of the Yeltsin family cast further shadows over Russia's image in the U.S. and in the West. The quarter ended amid signs of partial disengagement, further prompted by continued disagreement over a variety of arms control issues.

Stepashin in the U.S.

Buoyed by the anti-Western sentiment engendered by the NATO air campaign against Serbia and the popularity of the June 12 dash for Pristina airport, a hard-line and vocal element of the Russian defense establishment maintained a harsh critique of the U.S. for weeks after the Kosovo conflict ended. The rhetoric was toned down as preparations went ahead for the brief visit of the new prime minister, Sergei Stepashin, to the U.S. at the end of July. Stepashin took part in a session of the Russian-American Commission for Economic and Technological Cooperation, formerly known as the Gore-Chernomyrdin Commission and renamed the Gore-Stepashin Commission. Reconciliation was a major theme of Stepashin's speeches. The new prime minister made a favorable impression on his American hosts and generous praise was lavished on him by interlocutors who did not know that he had less than two weeks left in office. How could they, when Stepashin himself had no inkling of his brief tenure?

Thunder from the Military Lobby

Anti-U.S. and anti-NATO diatribes continued to emanate from military spokesmen even after the Stepashin visit to the U.S., and President Yeltsin felt obliged on more than one occasion to remind his armed forces that Russia's main security threat lay not in a large-scale attack from the West, but from smaller conflagrations along the country's borders. Meanwhile, friction surfaced between the Russian contingent on the ground in Kosovo and the troops of the other peacekeeping powers.

Russian-Chinese Summit

Towards the end of August, Boris Yeltsin made a rare trip abroad to Bishkek, the capital of Kyrgyzstan, where a Central Asian summit provided the venue for a Russian-Chinese summit. On his arrival, Yeltsin blurted out one of his unhelpful and almost incoherent remarks to the effect that he was fit and ready for a fight, and especially with the “Westernizers.” Foreign Minister Igor Ivanov interpreted this to mean that the president meant to criticize certain states (just whom could he have had in mind?) for their efforts to dominate world politics. Both Yeltsin and Chinese leader Jiang restated their joint opposition to U.S. plans to deploy a national missile defense system, and both attacked parallel efforts by Washington and Tokyo to develop theater missile defense systems.

Money-Laundering Scandal: “A Certain Invented Financial Scandal”

The money-laundering scandal burst upon an otherwise fairly quiet month of August. This appeared to involve the transfer of many billions of dollars from Russian sources through the venerable Bank of New York. New and more pungent revelations surfaced, it seemed, almost every day, and aspersions were cast not only on Russian mobsters but also on principal Russian banks, the Russian Central Bank, and on prominent personalities up to and including members of Yeltsin’s natural family as well as on “the Family.” It was further suggested that money from IMF loans had been laundered through the same channels. This led to congressional hearings and to impassioned reviews of the sorry state of Yeltsin’s Russia plus the reopening of the long-playing debate on “Who lost Russia?”

The initial response from the authorities in Moscow and from most of the Russian media was to denounce the money-laundering charges as a) an attempt to besmirch the fair name of Russia, b) a Republican trick to undermine Al Gore’s campaign for the presidency, or c) both of the above. The head of the presidential administration, Aleksandr Voloshin, dismissed the charges as “a certain invented financial scandal.” Towards the end of September, more specific allegations aimed at Yeltsin’s son-in-law, Leonid Dyachenko, surfaced that were taken more seriously by the Russian media.

Other Bilateral Issues

Russian Public Perception of America. A reputable public opinion research center found that, whereas in March 49 percent of Russian citizens polled thought “badly” of the U.S., by August 49 percent had a positive view against 32 percent with a negative view.

No Movement in Arms Control. Arms control negotiations in Moscow on September 7-8 focussed on proposed U.S. changes to the 1972 ABM Treaty and on moving forward START-3. Little progress was reported. Most Russian observers felt that the current Duma would not ratify START-2, despite their government’s urging.

Y2K Looms. Earlier in the year, the U.S. and Russian governments had agreed to set up a joint team at NORAD in Colorado Springs to monitor possible false alarms of missile attacks during Y2K. The Russian side suspended this, along with most other forms of cooperation, to show their anger over Kosovo. The Y2K agreement was reinstated on September 13. The U.S. authorities have been reluctant to help their Russian counterparts on

other possible computer malfunctions. The reasoning goes that computer malfunctions in Russia on January 1, 2000, are virtually inevitable and, with conspiracy theories abounding, many in Russia could attribute these mishaps to U.S. assistance.

Dagestan and Chechnya. As armed incursions from Chechnya into Dagestan grew in scope and intensity, and as federal security forces built up their strength along the border with Chechnya, the Russian government line was that the struggle was not aimed at Chechnya or the Chechens but against international Moslem terrorists. This played well in the U.S. and the EU, and Western criticism of the Russian military buildup was muted. Pious hopes were aired that excessive force would not be applied. In contrast to the vocal public disapproval of the War with Chechnya in the early nineties, the Russian people largely support the current military action due to a number of deadly apartment building bombings the government claims were perpetrated by Chechen militants.

Partial Disengagement?

By the end of September, relations between Moscow and Washington had improved appreciably from the low point reached over Kosovo. The allegations over money-laundering, however, provoked investigative reporters on both sides, but particularly in the U.S., into digging up many related cases of skullduggery in the new Russia. The congressional hearings, which started in September and were carried through to October, brought new revelations and evidence purportedly implicating members of the Yeltsin family. The charges might not stick, but could further sour U.S.-Russian ties.

With elections approaching in both countries, an element of disengagement has set in. No Gore-Putin Commission is apparently scheduled. The U.S. administration is defensive about its record in Russia, and waiting for Yeltsin to go. There is no talk of any further U.S.-Russian summit before the parliamentary and presidential elections in Russia (scheduled for December 19, 1999, and, probably, June 4, 2000, respectively). And the next Russian head of state (the current favorite is Yevgeni Primakov) may not wish to invest much political capital in meeting with a lame-duck U.S. president.

Chronology of U.S.-Russia Relations

July - September 1999

July 17, 1999: Prime Minister Sergei Stepashin, on a visit to Sevastopol, orders the Black Sea Fleet “to practice all measures to counteract...aggressive actions [similar to those] undertaken by NATO forces against Yugoslavia.”

July 25-28, 1999: Stepashin makes a generally favorable impression during his brief visit to the U.S., which includes a session of the Russian-American Commission for Economic and Technological Cooperation. The government newspaper *Rossiiskaya gazeta* opines “the almost four month-long cold spell has been replaced by a thaw, a thaw so necessary for the world climate as a whole.”

July 27, 1999: Referring to the U.S., Stepashin says: “We are entering the 21st Century. We must enter it as friends.”

July 27, 1999: Stepashin warns of a looming “humanitarian catastrophe in the heart of Europe,” if the U.S. and others maintain their opposition to aid for the Serbs while Slobodan Milosevic remains in power.

July 27, 1999: Foreign Minister Igor Ivanov dusts off Moscow’s call for the creation of an international order based “on the principles of a multipolar world.”

Aug 1, 1999: Roskhlebrodakt President Leonid Cheshinski recommends that Russia petition the West for more food aid, as imports of 14-15 million tons of grain will be needed.

Aug 2, 1999: Duma Foreign Affairs Committee Chairman Vladimir Lukin reckons that there is little chance of the Duma ratifying START-2 before January 2000.

Aug 3, 1999: Stepashin meets in Moscow with Milo Djukanovic, the pro-Western president of Montenegro, in another indication of Moscow’s shift away from unconditional support for President Milosevic.

Aug 5, 1999: The Russian Defense Ministry announces that Russia will not take part in the Partnership for Peace (PfP) *Peace Shield-99* exercises.

Aug 9, 1999: Russian President Boris Yeltsin fires Prime Minister Sergei Stepashin after less than three months in office and quickly names as his replacement Vladimir Putin, a former intelligence officer. Yeltsin endorses Putin as his candidate for president in next year’s election.

Aug 12, 1999: A network of international activists opens a drive to persuade Presidents Clinton and Yeltsin to “stand down” 2,500 ICBMs on both sides during Y2K.

Aug 25, 1999: On the eve of the Central Asian summit in Bishkek, Yeltsin speaks to reporters of his fitness and his readiness to do battle with “Westernizers.” In his helpful “clarification,” Ivanov says that the comment should be interpreted as criticism of certain states (read the U.S. and NATO) for their efforts to dominate world politics.

Aug 25, 1999: At the Yeltsin-Jiang summit within the Central Asian summit, both sides restate their joint opposition to U.S. plans to deploy a national missile defense system and to parallel efforts by Washington and Tokyo to develop a theater missile defense system in Asia.

Aug 27, 1999: Kremlin administration chief Aleksandr Voloshin warns the *New York Times*, the *Wall Street Journal*, *U.S.A Today*, and *Newsweek* to put an end to the “anti-Russian campaign of slander” in connection with a “certain invented financial scandal.”

Sept 2, 1999: Ivanov promises that the government will press the Duma to ratify START-2 when it reconvenes.

Sept 7-8, 1999: Two days of arms control negotiations in Moscow fail to break a deadlock over changes that the U.S. wishes to make in the 1972 ABM treaty. The Russian side also

reportedly proposes lowering ceilings for strategic warheads under START-3 to 1,000-1,500 and banning the deployment of sea-launched cruise missiles-both unacceptable to the U.S. side.

Sept 8, 1999: In a telephone conversation with President Clinton, President Yeltsin denies that he or his family had received kickbacks from the Mabetex firm.

Sept 12, 1999: Talks between President Clinton and Prime Minister Putin in New Zealand focus on the alleged Russian money-laundering scandal and on arms control.

Sept 13, 1999: The U.S. and Russia finalize an agreement establishing a joint center in Colorado Springs to monitor possible false alarms of missile attacks caused by Y2K.

Sept 16, 1999: U.S. Secretary of State Madeleine Albright warns the Russian government that it risks losing U.S. support for multilateral aid efforts-such as IMF loans-if it does not ensure that funding will be properly used. She also warns it against considering the postponement or cancellation of upcoming parliamentary and presidential elections.

Sept 18, 1999: Two Tu-95 MS “Bear-H” bombers show up on radar screens 200 miles from the Alaska coast. U.S. F-15s scramble to intercept, but the bombers turn away. It is the first such incident since 1993. The Russian Air Force expresses “surprise and regret” over the attempted intercept.

Sept 23, 1999: Ivanov states that commencing consultations on START-3 will help the ratification of START-2.



U.S.-ASEAN Relations: Relations with Vietnam and the East Timor Tragedy

Sheldon Simon

The major event this quarter has been the carnage attendant upon East Timor's referendum on independence from Indonesia. Attempting to tread a thin line between supporting Indonesia during its own political transition while deploring the depredations of pro-integration Indonesian army-backed militias in East Timor, Washington finally joined a unanimous UN Security Council resolution for international peacekeepers. Mixed relations with Vietnam also featured prominently this quarter, with a new trade accord on the positive side despite the persistence of frictions over human rights.

U.S.-Vietnam Relations

On July 25, Vietnam and the United States initialed a preliminary draft of their first trade agreement since Saigon's collapse in 1975. Along with a June decision to publish a state budget for the first time and set up a stock exchange, it appears that Hanoi has decided to become engaged in the world economy. Nevertheless, these changes will be very gradual. The draft trade agreement gives Hanoi up to eight years to phase in market-opening measures such as tariff cuts. The deal seems more important for its symbolism than any dramatic effect on Vietnam-U.S. trade. Vietnamese officials remain nervous about whether they can control their economy once Western investment and free trade penetrate it.

Another sign of warmer relations was the early September inauguration of a new U.S. Consulate in Ho Chi Minh City built on the site of the old U.S. Embassy. It is anticipated that the Consulate will issue 25,000 immigrant and 150,000 visitors' visas annually, making it one of the busiest U.S. posts in the world.

Recently, in a reciprocal gesture, the Pentagon agreed to open its archives for Vietnamese officials to examine records and maps for their search to find Vietnam Peoples Army soldiers missing in action (MIAs) from the Vietnam war era. However, Hanoi has yet to fulfill a previously issued invitation to U.S. Secretary of Defense Cohen for a visit, now twice postponed. This reluctance highlights fundamental policy dilemmas besetting Hanoi over the desire to get America to help strengthen Vietnam's security without antagonizing China, the country's powerful neighbor.

Finally, Vietnam continues to rail against U.S. complaints about Hanoi's human rights practices, particularly the incarceration of people for their political and religious beliefs. Hanoi

views these U.S. complaints as an effort “to impose its laws abroad...a violation of fundamental principles of international rights and the equality between nations.”

The East Timor Tragedy and America’s Response

Indonesia is a country of some 18,000 islands, containing people of disparate ethnicities and languages, with religions ranging from animism to Hinduism, Christianity, and Islam--the last making Indonesia the largest Muslim country in the world. East Timor, the eastern half of an island close to Australia’s north, was the last component to become part of Indonesia. It was forcibly occupied by Indonesian forces after the Portuguese colonial rulers abandoned their colony of 400 years in 1975. The predominantly Roman Catholic East Timorese have resisted Indonesian rule since the invasion. With the exception of Australia and fellow ASEAN members, few countries have recognized Indonesian sovereignty over East Timor. Since 1976, annual resolutions have been introduced in the UN General Assembly insisting that Indonesia evacuate the territory.

Because of active anti-Indonesia guerilla activities, East Timor has been controlled by the Indonesian armed forces ever since the 1975 invasion, particularly elements of the Special Forces (Kopassus) and Military Intelligence. While Jakarta has invested around \$2 billion in the island’s development, the occupying military forged close links with those East Timorese who wanted to be a part of Indonesia. These latter became the base for the pro-integration militias that so ruthlessly killed, looted, and burned both prior to the August 30 referendum on independence and in its aftermath.

Psychologically and economically, the Indonesian military has been deeply committed to sustaining its control over East Timor. Over the years, thousands of their fellow soldiers have been killed in battles with East Timorese pro-independence guerrillas. Moreover, many army officers have put down roots on the island and grown wealthy. They fear for their future in an independent East Timor. Additionally, both military and civilian strategists believe that losing East Timor would encourage other separatist rebellions in Aceh, West Irian, Sulawesi, and Ambon.

Although the United States never formally recognized Indonesia’s sovereignty over East Timor, Washington did not actively oppose it either. At the time of the 1975 invasion, then Secretary of State Kissinger told Indonesian leaders that the United States would not object.

Indonesian President Habibie’s sudden offer of an independence referendum in January 1999 was made without consulting the military, which responded by mobilizing and arming irregular militias on East Timor to intimidate the population through terror. When that failed, these same militias, backed by regular Indonesian army forces, set out to leave behind a blasted and barren land.

The U.S. Dilemma: Indonesia's Strategic Importance versus Political and Human Rights

For the United States, the East Timor tragedy presents a difficult diplomatic challenge. On the one hand, Washington is committed to helping the Habibie government through economic recovery and political transition to the democracy promised by the June election. However, a new government will not be formed until the new legislature (MPR) convenes in November, and the outcome of the legislative election for a President is unknown. Still, the United States does not want to see the national political situation unravel for that could lead to a military coup, the invalidation of the June election, and new riots throughout the country.

On the other hand, Washington has been appalled by the depredations undertaken by the military-backed militias in East Timor, as well as President Habibie's and General Wiranto's either unwillingness or inability to halt them. During September, the Clinton Administration moved gradually but inexorably toward international intervention.

Prior to the August 30 referendum, Assistant Secretary of State Stanley Roth condemned the militia violence, noting that Indonesia had an obligation under the UN agreement to prevent violence both before and after the election. President Clinton sent a similar letter to President Habibie. Another senior U.S. official implied that nearly \$50 billion in economic recovery loans from the IMF could be jeopardized if the killing did not stop. The situation was particularly embarrassing for President Habibie, for he had invited unarmed UN observers into East Timor and subsequently proved unable to protect them.

By the end of the first week in September, pressure was building for a full-fledged international intervention. However, it was generally understood that this would not occur without Indonesian acceptance and UN Security Council approval. While the United States was prepared to support an armed international intervention, it was equally clear that the Clinton Administration did not want the U.S. to play a substantial role. U.S. forces were already deeply committed in Bosnia and Kosovo, and East Timor--on a far away island--had little resonance with the American public. Moreover, Washington did not want to jeopardize its relations with Jakarta since Indonesia's stability as a whole was seen as more important than a breakaway province. Therefore, the United States was pleased to leave the planning, military leadership, and primary troop commitment to Australia, adjacent to East Timor and concerned with the disposition of its neighbor.

Indonesia's open defiance of international opinion is particularly striking at a time when it is dependent on billions of dollars of international aid to rescue its devastated economy. Indeed, that consideration may have finally led President Habibie and General Wiranto to agree to the international force even though that force would undoubtedly find evidence of Indonesian military atrocities. On September 7, State Department spokesman James P. Rubin stated that productive relations with the IMF now depended on Indonesia adopting a "constructive approach towards ending the humanitarian disaster in East Timor." Operationally, that meant an invitation to an international force.

Taking advantage of long-standing ties between the U.S. and Indonesian militaries, Joint Chiefs of Staff Chairman General Shelton spoke with General Wiranto daily in the second week of September to discuss plans for the removal of those Indonesia military (TNI) forces from

East Timor allied with the militias. At the same time, U.S. National Security Adviser Sandy Berger reemphasized Indonesia's strategic importance to the United States. However, the U.S. had little direct leverage on the Indonesian military after earlier Congressional aid cuts. The total military aid package to Indonesia for 1999 was less than a half million dollars.

Just as Indonesia finally admitted it had lost control of the situation in East Timor and grudgingly agreed to an international force, President Clinton stated that America's most important concern was Indonesia's democratic transition which, if successful, could "lift an entire region" or "swamp its neighbors in a sea of disorder if it fails."

As Australia seized the initiative to form a UN-approved international force in mid-September, the United States slipped into a supporting role, offering air transport for logistics and other countries' forces, satellite and airborne intelligence, and communications. While U.S. pressure on General Wiranto may have been crucial in convincing him that the international community would not accept anything less than full independence for East Timor, Australia would lead the effort on the ground to restore order and coordinate the contributions of a dozen countries to the peacekeeping force.

Meanwhile, in the halls of Congress an old debate has been revived over whether the United States should continue to provide advanced military educational opportunities for Indonesian officers. Led by Senator Jesse Helms, chair of the Senate Foreign Relations Committee, opponents of the program argue that it implicates the United States in Indonesia's military repression. Proponents of the program counter, however, that educational opportunities for Indonesian armed forces officers in U.S. war colleges introduce them to the principles of democracy and human rights as well as the concept of military subordination to civilian leadership. Moreover, the crucial personal relations established between General Shelton and General Wiranto years ago at Fort Bragg may have been instrumental in Indonesia's final agreement to accept the peacekeepers.

Chronology of U.S.-ASEAN Relations

July - September 1999

July 3, 1999: Prince Norodom Ranariddh, president of the Cambodian National Assembly, asks the United States to resume direct aid to the Government because "the democratic process has positively developed in the country."

July 14, 1999: After the seventh round of U.S.-Vietnam human rights talks, Vietnam's Foreign Ministry complains that the United States is trying to impose its laws concerning political and religious freedoms on others. The statement came after the U.S. side presents Vietnam with a list of prisoners it said are being held for their religious or political beliefs.

July 15, 1999: The U.S. Senate earmarks \$5 million in foreign military funds for the Philippines, a gesture demonstrating improved bilateral military relations after the Philippine ratification of the Visiting Forces Agreement.

July 20, 1999: The World Trade Organization approves a compromise arrangement for the selection of its next Director, giving Mike Moore of New Zealand the first three years and Supachai Panichpakdi of Thailand the last three years of a six year term. Many developing countries were angry with the United States for allegedly trying to block Mr. Supachai's candidacy.

July 25, 1999: Hanoi and Washington sign a preliminary version of a trade agreement which gives Vietnam eight years to phase in market-opening measures such as tariff cuts.

July 27, 1999: The United States urges members of the ASEAN Regional Forum (ARF) to work for the relaxation of tensions in the South China Sea. Secretary of State Albright asks the ARF to focus on diplomatic approaches to resolution because the recurrence of naval confrontations portends "graver consequences." Secretary Albright reiterates U.S. condemnation of Burma's ruling military regime.

Aug 11, 1999: Thailand urges the United States to engage Burma in anti-drug cooperation rather than isolating the ruling State Development and Restoration Council.

Aug 12, 1999: A United Nations plan for a joint war crimes tribunal in Cambodia to try former Khmer Rouge leaders has Secretary General Kofi Annan selecting an independent prosecutor and international judges, while the Cambodian government selects Cambodia's judges. The Clinton administration finds the UN plan promising but Cambodia balks at the plan's provision permitting more international than Cambodian jurists.

Aug 16, 1999: The first U.S.-funded humanitarian de-mining training center is inaugurated in Thailand. Training sessions last for ten weeks. The focus will be on removing mines from the war-ravaged Cambodian border.

Aug 17, 1999: The United States opens a new consulate in Ho Chi Minh City--formerly Saigon--nearly a quarter century after the American exit from the city at the end of the Vietnam war.

Aug 26, 1999: Assistant Secretary of State Stanley Roth warns Indonesia about the consequences of violence in East Timor in the aftermath of the Aug 30 referendum. He reminds the Government of its obligation under the UN agreement and rejects the idea of further splitting East Timor into two zones.

Aug 27, 1999: Former Thai Prime Minister Anand Panyarachun says that Thailand should encourage China to play a greater role in Asia to balance U.S. influence. Domination by one power, according to Anand, would distort regional politics.

Sept 2, 1999: Assistant Secretary of State Stanley Roth calls Indonesia's failure to control the East Timor anti-independence militias "unacceptable" and states that international peacekeepers may be the only way to stem the killing, looting, and burning.

Sept 7, 1999: Secretary of State Madeleine Albright states that fully normalized relations with Vietnam await improvements in Hanoi's human rights record.

Sept 7, 1999: The State Department issues a statement on East Timor calling on the Indonesian Government to end the violence or invite the international community to assist. The Clinton Administration and the IMF also threaten to suspend the aid that has kept the country economically afloat if the violence in East Timor does not abate.

Sept 8, 1999: Chairman of the U.S. Joint Chiefs of Staff, General Henry Shelton, speaks with Indonesian commander General Wiranto about the latter's plan to replace East Timor troops aligned with the pro-integration militias.

Sept 9, 1999: President Clinton demands that Indonesia accept an international peacekeeping force for East Timor and offers to assist Australia in organizing it.

Sept 10, 1999: The White House freezes commercial arms sales to Indonesia expected to total \$10 million. President Clinton now specifically blames the Indonesian military for abetting the militia violence.

Sept 13, 1999: President Clinton criticizes the Malaysian government for jailing Murray Hiebert, a *Far Eastern Economic Review* correspondent who wrote a 1997 article that challenged the objectivity of Malaysia's tort system.

Sept 20, 1999: America's limited role in the East Timor international force draws criticism from Japanese and Korean media as well as the president of the Philippine Senate who says that the United States is not as concerned with Asia as with Europe.

Sept 28, 1999: Secretary of Defense William Cohen begins a visit to Australia and Indonesia to emphasize that continued financial aid for Jakarta depends on peace in East Timor.

Sept 29, 1999: Secretaries of Defense and State Cohen and Albright respectively warn the Indonesian military not to support raids from West Timor into East Timor or risk the loss of IMF and World Bank aid.



China-ASEAN Relations: Beijing Plans for a Long-Term Partnership and Benefits from Anti-Western Sentiment

Carlyle A. Thayer*

During the third quarter of 1999, Chinese diplomacy toward ASEAN and selected Southeast Asian states took a decidedly new turn. Beijing is now demonstrating with words and deeds that it can be a positive and constructive player in regional security. China moved to diffuse tensions in its relations with the Philippines over disputed territory in the South China Sea. China also dispatched police to serve in East Timor with the UN Security Council-sanctioned INTERFET (International Force East Timor). Finally, China has continued to give priority to four regional states with which it earlier signed long-term agreements: Brunei, Malaysia, Thailand, and Vietnam.

Diffusing Tensions in the South China Sea

During the second quarter of the year, relations between Beijing and Manila were strained due to an assertive and vocal campaign by the Philippines to draw world attention to the Chinese occupation of Mischief Reef and continued construction activities there. Manila claimed that the Chinese presence was like “daggers pointing at the heart of the Philippines’ national security.” Manila also lamented the lack of support it received from its fellow ASEAN members.

In July, China’s Minister of Agriculture, Chen Yao-Bao, visited Manila for discussions on possible joint projects with his Filipino counterpart, Edgardo Angara. During the course of the visit Minister Chen conveyed privately a Chinese proposal for bilateral cooperation in disputed areas of the South China Sea aimed at countering piracy and drug smuggling. This message was interpreted publicly by Philippine officials as a proposal for joint naval patrols. They expressed their support for the idea only to see China back off. Obviously the message had been garbled.

Shortly after the minister’s visit, it was announced on 19 July that a Philippine naval vessel, after firing warning shots, had chased, collided with, and sunk a Chinese fishing boat. This was the second such incident in two months. Fortunately this event came on the eve of ASEAN’s 32nd annual meeting and 6th ASEAN Regional Forum. The Foreign Ministers of China and the Philippines used this occasion to discuss the incident and prevent a deterioration in bilateral relations. By the end of the quarter Filipino spokespersons were decidedly upbeat about diffusing tensions.

ASEAN's Dialogue with China

During ASEAN's 32nd Ministerial Meeting in Singapore (23-24 July), ASEAN reaffirmed support for its "one China policy." This endorsement was a gesture of reassurance to China which had reacted angrily to remarks by Taiwan's President Lee Teng-hui in an interview with Deutsche Welle that China-Taiwan relations should be considered "special state-to-state" relations.

During the ASEAN-China dialogue meeting in late July, Chinese Foreign Minister Tang Jiaxuan pleased ASEAN officials by pledging that China would be the first nuclear power to sign the protocol to the Southeast East Asia Nuclear Weapons-Free Zone Treaty (as long as it did not cover Exclusive Economic Zones and continental shelves). In addition, Foreign Minister Tang offered to seriously consider a draft code of conduct for claimant states in the South China Sea. The code of conduct, drafted by the Philippines and Vietnam, faced strong objections from Malaysia when it was considered by ASEAN senior officials prior to the ASEAN Ministerial Meeting. The code of conduct was viewed as too legalistic and too much like a treaty. The senior officials then referred the draft to a working group headed by Thailand for later consideration.

Enhancing Long-Term Relations

During the first half of 1999, China signed a series of long-term agreements governing bilateral relations into the twentieth-first century with Brunei, Malaysia, Thailand, and Vietnam. During the third quarter these agreements were given concrete expression. In July, the Supreme Commander of the Thai Armed Forces visited Beijing. In August, China received the Prime Minister of Malaysia and the Sultan of Brunei. China also dispatched a senior delegation to attend the fifth national congress of the Vietnam Fatherland Front in Hanoi. The following month President Jiang Zemin paid a state visit to Thailand.

Malaysia. Prime Minister Mahathir paid a three-day working visit to China from August 18-20 to celebrate the 25th anniversary of the establishment of diplomatic relations and to promote the development of bilateral relations. Premier Zhu Rongji honored his guest by referring to him as "a good friend of China." Prime Minister Mahathir, for his part, thanked his host for not devaluing China's currency during the regional financial crisis and for China's support of the Southeast Asian Nuclear Weapons Free Zone Treaty. In discussions on maritime disputes, the two leaders agreed "that the South China Sea issue can only be resolved by relevant countries involved, opposing any involvement and interference by any outside force." This was a reference to statements by U.S. officials, such as Secretary of State Madeleine Albright, that the United States "cannot sit on the sidelines and watch."

During the visit a number of agreements were concluded. The Academy of Sciences in Malaysia, for example, signed cooperation agreements with the Chinese Academy of Sciences and the Chinese Academy of Engineering. Other accords included agreements on Chinese rice and Malaysian palm oil counter trade, a joint venture for forest plantation and a pulp mill in East Malaysia, and a new Malaysian consulate in Shanghai. Three items were left on the table: a Bank of China request for a license to open a branch in Malaysia, and Malaysian requests to open a new consulate in Kunming and a Proton car assembly plant.

Brunei. The Sultan of Brunei visited Beijing immediately after Mahathir's visit and held talks with President Jiang Zemin. During the visit a memorandum of understanding on cultural cooperation was signed. According to a joint communiqué, both leaders "expressed interest in exploring possible bilateral cooperation in science, technology and defense." The Sultan reiterated his support for a "one China policy."

Thailand. There were two notable developments in Sino-Thai relations. In July, General Mongkhol Amphonphisit, Supreme Commander of the Thai Armed Forces, visited Beijing for discussions with Fu Quanyou, PLA Chief of the General Staff; Zhang Wannian, Vice Chairman of the party's Central Military Commission; and Li Peng, Chairman of the Standing Committee of the National People's Congress.

Of greater importance was the September visit of President Jiang Zemin. His stop over on his way to the APEC meeting in New Zealand was prompted by an invitation from the King of Thailand. While in Bangkok, Jiang delivered a major speech on China's foreign policy and, specifically, relations with ASEAN. In the course of his speech Jiang appealed to common bonds uniting Asians, a shared experience of exploitation during the colonial era and a shared desire to overcome poverty and backwardness.

However, the thrust of Jiang's speech was to play on regional concerns over national sovereignty in light of NATO intervention in Kosovo, which was not sanctioned by the United Nations. Jiang argued, "Hegemonism and power politics still exist and have even developed in the international political, economic, and security fields. The new 'Gunboat Policy' and the economic neo-colonialism pursued by some big powers have severely undermined the sovereign independence and the development interests of many small- and medium-sized countries, and have threatened world peace and international security." Asia, Jiang argued, should base its relations on the Five Principles of the Peaceful Coexistence and the UN Charter.

In addressing China's relations with ASEAN, Jiang reminded his audience of China's monetary support to the IMF and its decision not to devalue its currency. He then went on to stress, "China is ready to have in-depth discussions with relevant ASEAN countries on the principles and ways of safeguarding peace and stability in this region as well as in the South China Sea. China respects and supports the Protocol to the Treaty on Southeast Asia Nuclear Weapons-Free Zone."

Vietnam. Bilateral relations between China and Vietnam continued to improve steadily during this quarter. The China-Vietnam joint working group on the land border held its 15th meeting in Hanoi over a period of four weeks. Both sides worked hard to reach agreement by the end of the year in accordance with a deadline set by their party leaders earlier. Discussions with officials in Hanoi in August reveal that resolving the technical details involving 76 disputed areas may result in this deadline being put off until next year.

Meanwhile, cross border relations continue to develop positively. China has now completed its de-mining efforts. Postal services have been restored between Lang Son province and Guangxi. A border trade fair was successfully held in Guangxi in September, while construction on a bridge across the Nam Thi river between Lao Cai and Kehou has commenced. During this quarter Vietnam sent delegations to China representing the National Assembly, Ho Chi Minh Communist Youth Union, Vietnam Union of Friendship Organizations,

and the Vietnam Journalists Association. China, for its part, sent to Vietnam delegations representing the Chinese Communist Party Central Commission for Document Edition and Research and the Chinese People's Political Consultative Conference, which attended the fifth congress of the Vietnam Fatherland Front. During September, Vietnam sponsored a number of public ceremonies to mark the 50th anniversary of the founding of the People's Republic of China.

This demonstrates that relations between China and Vietnam have grown particularly close during the past three months. Increasingly Vietnamese leaders are acknowledging that Chinese reform efforts may provide some useful lessons for Vietnam. This development bears close scrutiny as there are conflicting signals. In July, Vietnam made major concessions in its negotiations with the United States on a preliminary draft of a bilateral trade agreement, and a final agreement was expected at the APEC summit in September. Yet in September the Politburo balked and no agreement was reached. Reports indicated that small scale Chinese military incursions on Vietnamese territory may have been responsible for this turnaround. Subsequent reports indicate that Chinese leaders may have persuaded their Vietnamese counterparts to wait until China reached an agreement on trade issues with the U.S. before proceeding. Both China and Vietnam need to reach agreements on trade issues with America before they can join the World Trade Organization.

Policy Considerations

China's recent diplomatic initiatives aimed at becoming a good regional citizen are to be welcomed and encouraged. For example, China's decision to provide a police contingent to INTERFET is a positive contribution to regional security. Other Chinese actions, however, if not responded to, could undermine U.S. engagement in Southeast Asia. ASEAN's re-drafted code of conduct must be kept open for accession by non-claimant states that have a direct interest in ensuring the safety of navigation in the South China Sea. Similarly, the United States must give some urgency to finding a compromise solution regarding the protocol to the Southeast Asian Nuclear Weapons-Free Zone Treaty. China should not be allowed to take the 'high moral road' on this issue. Finally, the United States must move decisively to dispel the notion that Kosovo represents some sort of model for western intervention in the Asia Pacific.

In Indonesia, Malaysia, and to a lesser extent Vietnam, there is a growing anti-western sentiment arising from the impact of the Asian financial crisis and NATO intervention in Kosovo. It is fueled by reactions against the Australian-led intervention in East Timor. American reluctance to make a major contribution to peace-building in East Timor runs counter to the official assertion that the U.S. will remain engaged in the region. The United States needs to counter Chinese appeals to outdated notions of state sovereignty and non-interference by backing ASEAN as it tries to overcome recent problems (enlargement and the financial crisis). The U.S. needs to fashion a policy of support for a more proactive role by ASEAN in addressing the region's security concerns in Indonesia and East Timor. This means support for ASEAN as it works out the principles of preventive diplomacy. The core of this renewed commitment to ASEAN must stress good governance, accountability, democratic practices, and human rights.

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

Chronology of China-ASEAN Relations

July - September 1999

June 22 - July 22, 1999: The Vietnamese-Chinese joint working group on the land border holds its 15th meeting in Hanoi.

July 1, 1999: Hor Nam Hong, Cambodia's Senior Minister and Minister of Foreign Affairs and International Cooperation, visits Beijing for discussions with Premier Zhu Rongji.

July 6-7, 1999: General Mongkhon Amphonphisit, Supreme Commander of the Thai Armed Forces, visits Beijing for discussions with military and political figures.

July 10-14, 1999: China's Minister of Agriculture, Chen Yao-Bao visits Manila to discuss possible joint projects with his counterpart, Edgardo Angara.

July 15, 1999: Singapore Foreign Ministry issues a statement reaffirming its support for a "one China policy."

July 19, 1999: A Chinese fishing boats sinks in a disputed area after a collision with a Philippine Navy ship.

July 20, 1999: ASEAN Senior Officials Meeting in Singapore decides to refer a joint Philippines-Vietnam proposal on a code of conduct for the South China Sea to a working group headed by Thailand for further deliberation.

July 23-24, 1999: 32nd ASEAN Ministerial Meeting in Singapore.

July 25, 1999: Chinese Foreign Minister Tang Jiaxuan and Philippine Foreign Secretary Domingo Siazon meet in Singapore to discuss the sinking of a Chinese fishing boat.

July 26- 28, 1999: Chinese Foreign Minister Tang Jiaxuan attends 6th ASEAN Regional Forum, ASEAN Post-Ministerial Conference and ASEAN-China Dialogue (10 + 1) in Singapore.

Aug 3, 1999: Postal services between Lang Son province and Guangxi Autonomous Region are restored.

Aug 9-13, 1999: Cambodian Health Minister, Hong Sunhuot, visits Beijing for discussions with his Chinese counterparts.

Aug 18-20, 1999: Prime Minister Datuk Seri Mahathir Mohamad visits Beijing and holds talks with Premier Zhu Rongji.

Aug 24, 1999: The Sultan of Brunei visits Beijing and holds bilateral talks with President Jiang Zemin.

Aug 27-28, 1999: Delegation of the Chinese People's Political Consultative Conference, led by its Vice Chairman Luo Hao Tsai, attends the 5th National Congress of the Vietnam Fatherland Front in Hanoi.

Sept 2-6, 1999: President Jiang Zemin pays state visit to Thailand. He also visits Australia and New Zealand.

Sept 3, 1999: President Jiang Zemin delivers a major address at the National Cultural Center of Thailand on China's relations with ASEAN, "Enhance Good Neighborliness and Friendship and Build a Better Future Together."

Sept 12-13, 1999: APEC Summit, Wellington, New Zealand.

Sept 12-16, 1999: The 1999 Sino-Vietnamese Border Trade Fair is held in Fangchenggang, Guangxi Zhuang Autonomous Region.

Sept 25-26, 1999: UN Commission on Human Rights, special meeting in Geneva votes to set up an inquiry to establish responsibility for atrocities in East Timor. China challenges validity of the special meeting.



China-Taiwan Relations: Washington Caught in the Middle...Again

Gerrit W. Gong

Taiwan President Lee Tung-hui's July 9 announcement that cross-Strait relations should be handled on a "special state-to-state" basis has strained already shaky relations between Beijing and Taipei and has the U.S. once again caught in the middle. This is especially true since Chinese President Jiang Zemin continues to identify "peaceful reunification under the 'one country, two systems' model with Taiwan" as one of the Mainland's "cardinal principles." Meanwhile, Beijing's insistence on a full retraction makes it extremely unlikely that the planned fall 1999 visit by the head of the PRC's Association for Relations Across the Taiwan Strait (ARATS), Wang Daohan, will take place. One positive if unintended consequence of the Taiwan-generated crisis was the incentive it provided to Chinese President Jiang Zemin and President Clinton to put Sino-U.S. relations back on a positive track following the latter's unequivocal re-endorsement of America's "one China" policy.

Is Cross-Strait Dialogue Still Possible?

Preserving and broadening possible cross-Strait direct contact includes widening, not narrowing, Beijing's willingness to deal with President Lee Teng-hui and any of his possible successors. Some in Beijing believe President Lee cannot be trusted and is therefore not worth dealing with. But to simply wait until next March, May, or some other point after Taiwan's next president is elected and inaugurated may place too heavy a burden on a new cross-Strait beginning.

Clearly, a new cross-Strait start is needed. But any new initiative must recognize that President Lee will likely continue to play a role as KMT chairman and that his personal, political, and institutional relationship with whomever succeeds him as Taiwan's president will continue to be a factor in Taiwan's domestic approach to cross-Strait relations.

Taipei's Mainland Affairs Council Chairman Su Chi announced that Taiwan would not amend its constitution, would not change its laws regarding its cross-Strait status, and would not retract President Lee's "special state-to-state" statement. Beijing's two conditions that President Lee Teng-hui retract his "special state-to-state relations" formulation and that any meeting he has with Wang Daohan be only in a party capacity effectively postpones Wang's Taiwan visit at least until after the March 2000 elections.

Yet, a very slight crack in the door remains for an earlier visit. Following Taiwan's devastating earthquake, Wang Daohan made a relief donation in his own name. This fuels the

speculative possibility that Wang could visit Taiwan in a personal, humanitarian capacity, giving the two sides of the Taiwan Strait an important contact point before Taiwan's elections. The earthquake forces Taipei to re-build domestic infrastructure, and challenges (but in a way Taipei can likely meet) Taiwan's short-term economic growth. Thus, for example, initial fears that Taiwan might be unable to supply contracted computer chips have been calmed.

President Lee knows a successful Wang Daohan visit is essential if the former truly seeks to undertake the historic journey of peace alluded to in his inaugural address. (And that journey could occur after Mr. Lee's presidency, during his tenure as KMT chairman.) For this and other reasons, Taipei must think carefully and hard about how to assure that any Taiwan visit by Wang Daohan would be successful and that neither he, nor by extension President Jiang Zemin, would be embarrassed during or after such a visit. Given the exigencies of current domestic politics in Taipei and Beijing, the provision of such assurances is no simple task.

Where Washington, Beijing, and Taipei would seem to share a common interest is in Taiwan Strait peace, prosperity, and stability. This requires preserving the dynamic framework in which both sides of the Strait consider themselves in some way part of a single China (the definition of which remains under discussion) and agree that their dynamic relationship will not be changed by force, by unilateral timetables for unification, or by unilateral declarations of independence.

WTO: Still Time for a Deal?

If neither Beijing nor Washington overplays its hand, negotiations for the PRC to accede to the World Trade Organization (WTO) on commercially viable terms are still possible this year. Despite dour press reports, Sino-U.S. negotiations continue to pursue PRC WTO accession, with the expectation that any final agreement will approximate that negotiated during Zhu Rongji's April 1999 Washington visit. While ratification schedules continue to be tight, it remains possible for China to join the November 1999 Seattle Ministerial.

At the same time, although Taipei has yet to finalize its WTO accession package, the final details can be completed relatively quickly. This means together Beijing and Taipei can apply for WTO accession. The PRC will apply first, with Taiwan seeking to follow in short order. (It should be recalled that Taiwan seeks WTO entry as a customs union, not as a state.)

Paradoxically, the entry of both Beijing and Taipei into the WTO would facilitate the formation of political coalitions necessary for Congress to amend the Jackson-Vanik legislation, a critical step in the granting of permanent Normal Trade Relations (NTR) status (formerly known as Most Favored Nation or MFN) to China. Taipei will also need to protect its economic and political interests without exercising its exclusion option for this scenario to work.

U.S. Objectives

Washington currently has three objectives with respect to ongoing Taiwan Strait developments. First, Washington seeks to minimize any possibility that an accident or

miscalculation across the Taiwan Strait becomes a flashpoint for confrontation, or escalates out of control.

For example, such escalation could result from jet fighter games of “chicken” across the demarcation line, or from challenges to supply ships, or from exercises near or around offshore islands. Should blood be shed on either side of the Strait, it would be difficult to deter escalating responses. Happily, engagement patterns currently seem to reflect efforts to build margins of safety, not simply limits to tension.

Second, Washington seeks to preserve and create maximum opportunity, including flexibility and constructive *modus vivendi*, for principled but pragmatic frameworks to be built across the Strait and within Sino-U.S.-Taiwan relations.

Recognizing a common interest in Taiwan Strait stability and in reducing possible miscalculation over Taiwan, Beijing and Washington have reestablished constructive contact. In their phone conversation and in their APEC meeting, President Clinton and President Jiang reaffirmed established positions. They have turned Sino-U.S. relations in a more positive direction and are doing so according to a more realistic (and thereby potentially more stable) basis. This process clearly indicates that the U.S. is not behind, nor does it support, any direct or indirect challenge to the basic assumptions of the cross-Strait status quo by either side.

Washington’s third objective with respect to the Taiwan Strait situation is to be sufficiently engaged with both sides so as to preserve and advance U.S. interests, including cross-Strait stability and prosperity, but to do so in a way which reduces the risk of well intentioned U.S. efforts contributing to a *de facto* cross-Strait moral hazard.

Cross-Strait moral hazard defines the potential tendency for those on either or both sides to take more forward-leaning positions on the assumption that the United States can and would re-establish stability if Beijing or Taipei miscalculate in their relations with the other. Beijing or Taipei might also assert its political agenda with extra vigor and will to offset the efforts of the other, or to resist perceived U.S. restraints. Such U.S. restraints might include the U.S. commitment to a status quo with which neither Beijing or Taipei fully agrees, but each would like to change on its own terms.

Beyond U.S. efforts to limit military miscalculation, Washington continues to discuss whether or not U.S. efforts to explore even the concept of some form of interim agreement could contribute to a *de facto* moral hazard. The U.S. commitment is to a process, not to a particular outcome. The process is to be peacefully determined without coercion. The outcome is thus assumed to emerge as some form of dynamic status quo, without ruling out creative possibilities for unification, confederation, or commonwealth mutually acceptable to the two sides.

In this regard, Track II diplomacy, confidence building measures, and interim agreements that reduce the influence of the most volatile elements in the cross-Strait relationship are worth exploring. Each of these options is potentially both an approach and a possible intermediate conclusion. Thus, for example, some proposals would seek to limit any Taiwan declarations of independence and any PRC use of force. To be credibly enforced, such

proposals may require international guarantees and monitoring, in conjunction with military forces on both sides of the Taiwan Strait.

Some Track II diplomacy, confidence building, or interim proposals suggest finding a *modus vivendi* for Taiwan's greater international participation, including in economic, financial, and humanitarian organizations that do not challenge Beijing-Taipei agreements about the political limits to such participation. Yet, in each case, the question arises of whether or how unintentional moral hazard is created by the very process of seeking to restrict miscalculation or to expand negotiating room for maneuver.

In summary, the U.S. seeks to avoid conflict, particularly through mishap or miscalculation, in the Taiwan Strait. The United States desires the presentation of the dynamic framework that has fostered peace, stability, and prosperity in the Taiwan Strait, even while recognizing that democratization in Taiwan, rising nationalism in China, and other factors make the maintenance of such delicate balances extremely difficult. And, finally, the United States seeks to be engaged in a necessary and constructive way, according to U.S. anchor interests in the cross-Strait situation, which include avoiding the creation of any cross-Strait moral hazard.

Chronology of China-Taiwan Relations

July - September 1999

July 9, 1999: During interview with Voice of Germany, President Lee describes cross-Strait ties as "special state-to-state."

July 10, 1999: Taiwan's Straits Exchange Foundation chairman, Koo Chenfu, states "A political entity is a state, therefore, cross-Strait dialogue is a state-to-state dialogue."

July 12, 1999: U.S. State Department reiterates "one China" policy.

July 13, 1999: Japan's foreign ministry says there is no change in Japanese government's position towards Taiwan.

July 15, 1999: Lee Teng-hui tells American Institute in Taiwan Director Darryl Johnson that Taiwan's policy towards China has not changed.

July 18, 1999: President Clinton calls President Jiang Zemin to reiterate the "one China" policy.

July 23, 1999: ASEAN affirms "one China" policy.

July 25, 1999: Koo Chen-fu tells American Institute in Taiwan Chairman Richard Bush that Taiwan is still committed to a democratic union with China.

July 29, 1999: Taipei's Mainland Affairs Council Chairman Su Chi explains to CNN that the "special state-to-state" relations statement is to clarify the reality of cross-Strait situation.

July 30, 1999: Beijing's Association for Relations Across the Taiwan Strait (ARATS) rejects Koo's explanation statement.

July 31, 1999: Chinese marine police confiscates Taiwanese boat.

Aug 2, 1999: China tests new inter-continental ballistic missile, DF-31.

Aug 11, 1999: Lee Teng-hui states, "It is good for state-to-state issues to make noise so that the international community will understand Taiwan's situation."

Aug 17, 1999: Su Chi states, "The state-to-state issue is not the basis for the Koo-Wang talks. If China will accept it, Taiwan can negotiate the 3-links (postal, air, and shipping) issue."

Sept 2, 1999: China promises not to use nuclear weapons against their Taiwanese compatriots.

Sept 9, 1999: Jiang Zemin sets two conditions for Wang Daohan's visit to Taiwan: Lee must withdraw his call for state-to-state relations, and he must meet Mr. Wang only in his capacity as the head of the ruling KMT.

Sept 11, 1999: Clinton and Jiang Zemin meet in Auckland and reiterate their positions on Taiwan.

Sept 14, 1999: Taiwan's Chief of Staff, Tang Yao-ming, announces concerns over the growing threat of a PLA computer, or information warfare, attack.

Sept 15, 1999: The U.S., UK, and France tell a UN committee they do not support putting UN membership for Taiwan on the General Assembly's agenda.

Sept 16, 1999: The Clinton Administration states its opposition to the Taiwan Security Enhancement Act, arguing that the legislation may weaken Taiwan's security and impinge on America's security.

Sept 21, 1999: A powerful earthquake, registering richter scale 7.6, hits Taiwan. Jiang Zemin expresses his condolences to Taiwan's people. China's Red Cross donates \$100,000 to earthquake victims. UN and World Bank officials say it is difficult to help Taiwan because they do not recognize Taipei.

Sept 22, 1999: UN coordinating officials and humanitarian groups from 25 countries arrive in Taiwan. China Red Cross requests that all aid efforts and organizations should get permission from Beijing in advance.

Sept 23, 1999: Taipei accepts Beijing's \$100,000 but declines other aid. USAID donates \$25,000 directly to Taiwan Red Cross.

Sept 27, 1999: His Holiness the Pope asks the international society to help Taiwan reconstruction. Jiang Zemin expresses condolences again. Wang Daohan donates 10,000 Renminbi to Taiwan victims in his name.



China-ROK Relations: Focus on Stability Despite New Challenges

Scott Snyder

China and South Korea marked significant advances in official economic, political, and security cooperation in the third quarter of 1999; however, the effects of increased people-to-people exchange between China and South Korea have created a mixed bag of emerging challenges which may signal future difficulties in the relationship. Most significantly, China and South Korea established security consultations between Defense Ministers and President Kim Dae-jung gave credit to counterpart Jiang Zemin for playing a significant role in convincing North Korea to defer plans to pursue further long-range missile testing. However, problems with illegal immigration to South Korea by ethnic Koreans from Northeastern China and with illegal activities in China by South Koreans who have sought to respond to needs of North Korean refugees both emerged as flash points for controversy.

South Korea's Active Lobbying of Beijing to Deter A North Korean Missile Test

With the early summer heat wave that swept through Beijing, Pyongyang, and Seoul came accompanying rumors and expectations that North Korea was preparing a follow-up to its Taepodong rocket launch of August 31, 1998. The event had caught North Korea's neighbors off guard and catalyzed U.S. and Japanese joint development of the Theater Missile Defense (TMD) program, a development which China has publicly opposed. The prospect of additional launches by Pyongyang induced active policy consultations among the United States, Japan, and South Korea as well as renewed diplomatic coordination efforts focused on convincing Beijing to encourage Pyongyang not to move forward with another launch.

Seoul took the lead in gaining Chinese support for preventing additional North Korean missile tests through its bilateral contacts with Beijing, including bilateral meetings between the foreign ministers at the ASEAN Regional Forum in July, an unprecedented visit to Beijing by South Korean Defense Minister Cho Song-tae in August, and finally the Jiang-Kim summit meeting held on the sidelines of the APEC meeting in Auckland in September. In each case, China provided circumspect assurances that China's influence would be used to urge North Korea not to take actions that would undermine regional stability. PRC Assistant Foreign Minister Wang Yi in July urged both Koreas "not to do anything that would threaten peace and stability." Following North Korea's verbal pledge in Berlin not to pursue additional missile testing, President Kim Dae-jung gave credit to China for playing a critical role in convincing North Korea not to conduct additional tests because of concerns that such actions might induce Japan's rearmament.

The August meeting in Beijing between South Korean Defense Minister Cho Song-tae and his counterpart PRC Defense Minister Chi Haotian may have been a particularly salient signal to Pyongyang of the potential costs of causing additional instability or otherwise taking actions that would drive China closer to Seoul. Although Cho's visit, coinciding with the seventh anniversary of the normalization of ties between Seoul and Beijing, marked an unprecedented symbolic step for South Korea toward the establishment of regular defense dialogues with each of its larger neighbors, Beijing remained unwilling to engage in joint exercises even in basic areas such as search and rescue or humanitarian operations, perhaps out of deference to longstanding military ties between Beijing and Pyongyang.

Seoul's eagerness to cultivate a more active defense relationship with China, however, was on full display, most notably in the form of some provocative public comments by Minister Cho in a lecture at the PRC's National Defense College. Cho stated that the disposition of U.S. forces following Korean unification "shall be decided by unanimous agreement among Northeastern Asian countries." This controversial statement stimulated the opposition in South Korea's National Assembly to call for Cho's resignation, and represents a remarkable departure from past assurances by President Kim Dae-jung that the presence of U.S. forces in Korea would be a force for regional stability even after Korean unification. Although Cho's remarks were publicly contested by critics who are strongly supportive of a continued long-term U.S.-ROK security relationship, the fact that Cho has not resigned combined with South Korean reticence to join the U.S.-Japan TMD project suggests that the parameters of debate among South Korean security analysts have broadened in recent years beyond the past near-exclusive focus on the United States in careful consideration of Chinese interests and potential influence on the Korean peninsula. This development must give Beijing some encouragement concerning the prospects for a deepened long-term relationship with South Korea.

Beijing also urged both Koreas not to take destabilizing actions as chair of the latest round of Four-Party Talks in Geneva on August 7-11. Once again, there was little apparent progress in breaking the deadlock over North Korean demands for U.S. troop withdrawal as a prerequisite for discussions on confidence building and tension reduction measures or over how to replace the Armistice Agreement with a permanent peace on the Korean peninsula. However, the meetings provided a pretext for continued urging of Pyongyang to desist from further missile tests and to pursue negotiations to improve its relationship with the United States. A previous round of U.S.-DPRK discussions had already occurred in early July in Beijing, affording Chinese officials the opportunity to encourage moderation and continued dialogue in consultations with both American and North Korean officials. In addition, Beijing was the venue in early July for a series of failed negotiations between North and South Korean officials over the issues of fertilizer and divided families, issues that were overshadowed by the negative atmosphere resulting from a North-South naval clash in mid-June in the West Sea. In early July, Seoul was finally able to achieve the long-held objective of opening a consulate in the Northeastern Chinese city of Shenyang, Liaoning province, where North Korea is also represented. The Chinese quid pro quo to North Korea was permission to open a new consulate in Hong Kong.

Sino-ROK Economic Relations Continue To Advance

A steadily expanding economic relationship has been the driver for continuing improvement in Sino-ROK relations since the establishment of official relations in August of 1992. Bilateral trade has continued to grow almost 20 percent annually to about \$24 billion in 1998. The Korean chaebols, once a model for China's economic development, now appear to be a stark warning sign for the Chinese economic challenges of managing reform of state-owned enterprises, particularly in light of Daewoo's failure in recent months. Low-cost competition from Chinese exported goods had abated during the height of Korea's financial crisis in 1998, with Korean dumping causing headaches in some Chinese industrial sectors such as the steel industry.

However, the rapid continued improvement of the Korean economy and the strengthening of the won have renewed China's export competitiveness against some Korean products both internationally and in domestic markets. For instance, Korean-made TVs have been virtually shut out of the Chinese market due to the expansion of low-cost competitors; a major exception has been the Kumho Company, which has captured a large share of the Chinese tire market. The Korean petrochemical sector was the short-term beneficiary of increased orders from Chinese companies whose supplies had been affected by the Taiwan earthquake. Korean economic researchers continue to pay close attention to the possibilities of Chinese currency devaluation and its possible short-term implications for Korean economic competitiveness.

Perhaps most dramatically, Korea has become a tourist destination for Chinese travelers following the Chinese government's lifting of restrictions on travel to Korea last May. There were 30,786 Chinese travelers to Korea in the month of August, up 60 percent from the previous year. This figure does not include a projected 999 Chinese couples induced by bargain travel packages and the search for good fortune through numerology to take their marriage vows on Cheju Island together on September 9, 1999. Korean tourism to China also rebounded from the financial crisis to almost 100,000 in August, an 80 percent jump from 1998.

The Dark Side of Sino-ROK Exchanges: Illegal Immigration

Problems with illegal immigration in Seoul that had abated with the loss of economic opportunity and increase in unemployment that accompanied Korea's financial crisis in 1998 are renewing themselves again this year, led by a significant influx of ethnic Koreans from China who have sought economic opportunities unavailable in the Yanbian Ethnic Korean Autonomous Region or other areas of China. More than half of the over 120,000 illegal immigrants in the first eight months of this year are ethnic Koreans from China. However, these immigrants have found themselves swindled or cheated by Korean employers, unable to return to China, and fearful of stiff fines and deportation by Korean immigration authorities. Many have found themselves seeking shelter in Korean churches, making ends meet while avoiding Korean immigration authorities.

The plight of ethnic Koreans from overseas who have overstayed their visas has been dramatized by the recent passage of a law in the South Korean National Assembly extending significant rights to ethnic Koreans from abroad to stay in Korea for up to two years or longer without a visa. However, the law defines ethnic Koreans from overseas as individuals who have

previously held citizenship in the Republic of Korea, founded in 1948, thereby excluding from consideration ethnic Koreans abroad who may have been forced to leave Korea during the Japanese colonial period. The law, originally designed to attract investment from abroad at the height of last year's Korean financial crisis, has been criticized for unfairly discriminating in favor of Korean-Americans and against ethnic Koreans from China who might only exacerbate the unemployment difficulties in the Korean labor market. In addition, early drafts of the law that defined rights of citizenship based solely on ethnicity had met with criticism from the Chinese and Russian governments, which may fear that such logic may in the future lead to attempts by a unified Korea to annex ethnic Korean autonomous territories located in other countries.

South Korean Response to North Korean Refugees in Northeastern China

The flip side of ROK government difficulties with immigration of ethnic Koreans from the Yanbian Korean Autonomous Region of China is the PRC government challenge in dealing with a wide range of unofficial or illicit activities by South Korean citizens in China who have responded to the needs of North Korean refugees on a humanitarian basis. It is widely known that scores of South Korean humanitarian and missionary groups have been operating to assist in the care and feeding of North Korean refugees near the China-North Korea border. These refugees are considered by the PRC government to be illegal immigrants and must be repatriated to North Korea according to China's treaty relationship with the North. However, the Chinese government has turned a blind eye to many of the activities in the region in recognition of long-standing family relationships among Koreans that extend across borders and in humanitarian consideration of the enormous difficulties North Koreans have faced in meeting their own food needs in recent years. Other considerations may be avoidance of unnecessary measures that might alienate relations between the local and central governments in China and the fact that such activities by South Koreans in China constitute an additional form of foreign direct investment in China, usually in the form of direct cash transfers.

Two events in August and early September highlighted the sensitivities of unofficial South Korean activities in the border region near North Korea. First, three South Korean citizens--two pastors and a businessman--were detained for several weeks by PRC officials for extensive questioning in connection with illicit activities including provision of shelter for North Korean refugees in the region. The PRC government waited several weeks before officially informing the South Korean government that these three South Korean citizens were in custody. There were criticisms in the South Korean media that the ROK government had not adequately responded to reports of the detention of these South Korean citizens for fear of irritating the PRC government.

Second, a petition drive in South Korea led by nongovernmental and religious groups associated with the National Council of Churches sought 10 million signatures requesting that the United Nations grant North Korean refugees in China with official refugee status. PRC Ambassador to South Korea Wu Dawei, at a session with academics and journalists, argued that "South Korean media dub these people as defectors but I do not view them as refugees. They suffer no political restraints in their own country. The United Nations also reached a conclusion that these people cannot belong to the category of refugee. . . The issue is about what happens between China and North Korea. Beijing and Pyongyang have the capacity to

handle it. If you adopt a method which further complicates it, it would do no good to any of the parties involved. . . This is a new interventionism. We have to guard against such a trend.”

Ambassador Wu’s comments incited demonstrations by South Koreans, editorial comments, and coincided with the issuance of new reports by a South Korean Buddhist relief group known as Good Friends documenting the lack of legal protection available to North Korean refugees who would face political retribution if they were to return to North Korea.

The South Korean government faces the dilemma of how to manage effective cooperation with the PRC government while also responding to increasing domestic pressure for a more activist government role in responding to human rights issues connected to North Korea that may contradict Chinese interests. In response to the public outcry and expectation that the South Korean government would take a more active stand on this matter, it has been reported that the government is examining ways to more actively respond to needs of North Korean refugees in the region. The controversy underscores the growing extent of involvement and interest of South Korean nongovernmental groups in the border region and the sensitivities of the PRC government to any activities undertaken that may be perceived as a challenge to issues of national sovereignty.

Broadening Multilateral Cooperation Including China

The South Korean government under President Kim Dae-jung has continuously emphasized the need for multilateral cooperation in addressing regional security and economic issues. It is likely that such efforts will continue to gain attention and that South Korea will make efforts to convince China to relax its cautionary stance toward multilateral cooperation dialogues. Indeed, Prime Minister Kim Jong-pil has actively supported the principle of six-party dialogue on regional issues in both Tokyo and Beijing, and President Kim Dae-jung has also indicated that a regional security dialogue would be desirable but should not be designed to replace or to address the issues that are the subject of the ongoing Four-Party Talks, involving the United States, China, and the two Koreas.

In the context of the ASEAN Regional Forum, then-South Korean Foreign Minister Han Sungjoo took the initiative of proposing a Northeast Asian Regional Security Dialogue as early as 1994, and President Roh Tae Woo made a similar proposal in a speech to the United Nations in 1988. For the time being, China appears to enjoy the fact that the Four-Party Talks exclude Russia and Japan from significant roles; however, other pressing regional security issues including missile proliferation and the need for regional economic and environmental cooperation may open the way for broader dialogue forums at some point in the future. Other dialogues involving regional economic or energy cooperation continue, albeit at a slow pace. For instance, Korean companies are involved with Russian and Chinese counterparts in assessing the feasibility of a natural gas development and pipeline construction project centered in Irkutsk.

The Sino-ROK Relationship and U.S. Interests

South Korean Defense Minister Cho’s comments in Beijing--in effect offering China veto power over a continued U.S.-ROK defense relationship post--Korean reunification no

doubt must have raised more than a few eyebrows among Pentagon defense analysts. While it would be worth knowing whether Cho's comments were a verbal gaffe or whether they represent a growing minority within South Korea's defense establishment, there is no reason for U.S. government officials to overreact to such comments. However, there are several lessons contained in the statement that U.S. defense planners would do well to heed. First, there is no pre-ordained guarantee that a U.S. forward deployed presence on the peninsula will survive Korean reunification, and long-range planning should take into account the full range of possibilities rather than be caught short in the event by inaccurate assumptions or straight-line projections. Second, it is likely that Seoul will be extraordinarily wary of taking sides or getting caught in the middle of any confrontation between the United States and the PRC, particularly as the Sino-ROK economic relationship continues to grow. Third, the best policy for deflecting enticements from Beijing to Seoul that may weaken U.S.-ROK security cooperation is to maintain a robust U.S.-ROK alliance coordination in pursuit of common security interests.

Although the plight of North Korean refugees has not gained widespread attention in the U.S. media, a few dedicated humanitarian relief NGOs such as Mercy Corps are being joined by the emergence of new advocacy efforts through formation of NGOs representing the Korean-American community. This development may have political implications in the future as Korean-Americans seek to lobby members of the U.S. Congress who share interests in food relief and in human rights. As part of its humanitarian policy, the U.S. government should not only focus on providing food aid inside North Korea but should also forge closer cooperation with both South Korea and China in developing an effective response to the plight of North Korean refugees in Northeastern China. If cooperation through the United Nations High Commission for Refugees is not acceptable to the Chinese government, other arrangements should be undertaken to help those North Koreans who have neither legal rights in China or any choice but to stay out of North Korea if they are to have a chance of survival.

Chronology of China-ROK Relations

July - September 1999

July 3, 1999: Inter-Korean talks in Beijing over fertilizer and family reunions break down.

July 8, 1999: South Korean consulate opens in Shenyang, PRC, after seven years of negotiations.

July 24, 1999: South Korean Foreign Minister Hong Soon-young asks PRC Foreign Minister to help deter North Korea from test-launching another missile at a meeting prior to the ASEAN Regional Forum in Singapore.

Aug 7-10, 1999: Sixth round of Four-Party Talks held in Geneva.

Aug 12, 1999: ROK National Assembly bill on the visa and legal status of ethnic Koreans with foreign citizenship passes.

Aug 21, 1999: Three South Koreans are detained in Northeastern China by the Chinese government, allegedly for assisting North Korean refugees.

Aug 22, 1999: Three ethnic Koreans from China, supported by 62 Korean civil groups, petition Constitutional Court protesting inequality of new bill on visa and legal status of ethnic Koreans with foreign citizenship.

Aug 23, 1999: ROK Defense Minister Cho Song-tae meets with PRC counterpart Chi Haotian in Beijing and calls for China to play a bridging role between North and South Korea by helping to persuade North Korea to abandon its missile launch program.

Aug 24, 1999: Seventh anniversary of diplomatic normalization between South Korea and the PRC.

Aug 25, 1999: ROK Defense Minister Cho Song-tae states at National Defense College in Beijing that U.S. force presence in a unified Korea “shall be decided by unanimous agreement among Northeast Asian countries.”

Aug 26, 1999: Sixty-three opposition Grand National Party lawmakers demand the dismissal of Defense Minister Cho Seong-tae over his remark that the presence of the U.S. Forces Korea may be subject to negotiation between neighboring countries.

Aug 26-31, 1999: Chinese Civil Affairs Minister Duo Ji Cai Rang arrives in Seoul for consultations on cooperation in social welfare and prevention of natural disasters.

Aug 30, 1999: Korean Buddhist group Good Friends releases report estimating 140,000-300,000 North Korean refugees in Northeastern China are facing severe human rights difficulties due to non-recognition by the Chinese government of their refugee status.

Aug 31, 1999: President Kim Dae-jung calls on the government to work out measures to provide ethnic Koreans in China and the former Soviet Union benefits equivalent to those provided under law to other ethnic Koreans from abroad.

Sept 3, 1999: PRC Ambassador to South Korea Wu Dawei addresses academics and journalists at the Korea Press Foundation, criticizing South Korean civic groups for launching a petition drive urging the UN Commission on Human Rights to declare North Korean escapees in the PRC to have refugee status.

Sept 8, 1999: South Korean civic group members, including 100 North Korean defectors, rally in front of the Chinese Embassy to protest PRC Ambassador to South Korea Wu Dawei’s criticisms of South Korean interference with Chinese treatment of North Koreans caught in Chinese territory.

Sept 11, 1999: President Kim Dae-jung meets with PRC President Jiang Zemin on the sidelines of the APEC summit meeting in Auckland, New Zealand.

Sept 20, 1999: President Kim Dae-jung, in meeting with former presidents at Chongwadae, credits China with playing a crucial role in convincing North Korea from firing another missile.



Japan – China Relations: Progressing, but Still Facing History

James Przystup

In contrast to Jiang Zemin's heavy emphasis on the lessons of history during the November 1998 China-Japan Summit, Japanese Prime Minister Keizo Obuchi's July 8-9 visit to China focused on the present state of the relationship. Japan's defense policy and World Trade Organization (WTO) negotiations took center-stage. During the summit, Chinese and Japanese negotiators reached agreement on China's bilateral WTO accession agreement. Shortly after the summit, on July 30, Japan and China signed a Memorandum of Understanding with regard to destruction of the chemical weapons left behind in China by the Imperial Army.

Yet, during this quarter, issues related to security (missile testing and missile defense), sovereignty (the Senkaku Islands), political culture (the Diet's passage of legislation on Japan's flag and national anthem), and history (the surfacing of a debate over the future of Japan's Yasukuni Shrine), pointed to continuing trouble spots in Japan's relations with China.

Japan-China Summit

On July 8, Japan's Prime Minister Keizo Obuchi traveled to China for the second Japan-China Summit in just over seven months. In the interim, several key events had transpired -- the Japanese Diet had passed legislation to implement the new Japan-U.S. Defense Guidelines, raising questions in Beijing about their applicability to Taiwan, and North Korea appeared to be readying a replay of its August 31, 1998 missile test, moving Tokyo to ask Beijing to exercise a restraining influence on Pyongyang. Both Tokyo and Beijing had been working on concluding bilateral negotiations over China's entry into the WTO.

Thus, the July meeting proved a timely opportunity for the two countries to discuss important security and economic issues.

Security Issues. Prime Minister Obuchi emphasized to China's Prime Minister Zhu Rongji that Japan's security policy would continue to center on the defense of Japan, that Japan remained committed to its three non-nuclear principles, and that it will not become a military power. There would be no change in these fundamental policies. He explained that the Guidelines, the implementing legislation corresponding to the defensive purposes of the Japan-U.S. Security Treaty, and Japan's own national interests would determine whether a "situation in the areas surrounding Japan" had occurred and how the implementing laws would be applied.

At the same time, friendly relations with China would be viewed as one of Japan's important national interests, especially in relation to the development of Japan's defense policy and the application of the Guidelines implementing legislation. As for Taiwan, Japan's position remained unchanged and as expressed in the 1972 Communique normalizing relations between Tokyo and Beijing; namely, that there is one China.

Zhu reiterated Beijing's position with respect to Taiwan and stated that the application of the Guidelines to Taiwan would be unacceptable to China. Beijing would continue to watch carefully Japan's concrete actions.

Obuchi also made clear Japan's commitment to work toward normalization of relations with North Korea and to enhance stability on the Korean Peninsula. He expressed Japan's support for former U.S. Secretary of Defense William Perry's comprehensive approach to North Korea but cautioned that Pyongyang's launch of a second long-range missile would result in significant deterioration of North Korea's relations with Japan, the U.S., and South Korea. Given China's long-standing relations with North Korea, Zhu answered that China would do what it could. Also during the summit, Li Peng told Obuchi that, if the opportunity presented itself, he would communicate Japan's views to Pyongyang.

Chinese military and maritime research ships entering Japan's territorial waters and operating in waters close to Japan was also raised. Foreign Minister Komura found such incidents regrettable and asked Beijing to deal with the situation responsibly. The Chinese responded that an exclusive economic zone had yet to be defined by agreement of the two governments, and that the presently claimed line was simply a matter of Japan's unilateral demarcation.

Economic issues. The most significant achievement of the summit was the conclusion of the long-running negotiations for a China-Japan bilateral WTO accession agreement. From Tokyo's perspective, China's entry into the rule-based trade regime of the WTO would facilitate Japan's access to the China market, increase transparency, and accelerate China's integration into the international economic system – all long-term Japanese strategic interests with respect to China. In Beijing, Obuchi expressed the hope that the conclusion of the Japan-China bilateral agreement would speed the conclusion of the U.S.-China bilateral agreement.

History. Jiang Zemin's repeated references to history during his November 1998 visit generated an immediate and negative public reaction in Japan. The Chinese made clear their intention not to highlight the issue during the Obuchi visit. At the end of his meeting with the Prime Minister, Premier Zhu simply noted that individuals remain in Japan who glorify war and deny the facts of Japan's aggression, thus wounding the Chinese people. Zhu hoped that the younger generation would be well educated about the past.

Post Summit Japan-China Relations

Environment. On July 30, the two governments reached agreement on a Memorandum of Understanding with regard to the destruction of chemical weapons left behind in China by the Imperial army. Under the terms of the agreement, Japan assumed all financial

and technical, expert, equipment and facilities costs associated with the destruction of the weapons, which will be carried out in China.

Missiles. Missiles and missile tests developed as central issues in the July-September period. As noted above, Obuchi raised the issue of North Korea's missile testing at the July summit. Throughout the summer, Pyongyang's threatened missile test became a focus of Japanese diplomacy and a preoccupation of Japan's media. At the July 26-27 meeting of the ASEAN Regional Forum, Foreign Minister Komura met with his Chinese counterpart, Tang Jiaxuan, and secured his support for the inclusion of an expression of concern with respect to North Korea's threatened missile test in the Chairman's closing statement. Similar Japanese representations were made to Chinese counterparts at the September APEC meeting in Auckland, New Zealand.

Even as China expressed support for Japanese concerns about North Korea and its intention to support the ASEAN proposal for a Southeast Asia nuclear weapons-free zone, on August 2, Beijing announced the test of its own mobile ICBM, the DF-31. Beijing's defense of the test as a right of sovereignty and as a measure to defend China's territorial integrity sounded to Japanese ears remarkably similar to the claims Pyongyang was advancing for its own right to test. Anticipating the reaction in Japan, Chinese officials pointed out that the DF-31 test took place within China's sovereign territory, thereby differentiating it from North Korea's August 31, 1998 test over Japan --the likely route of the then threatened test.

The Chinese logic proved unavailing in Tokyo, where the government made clear that in the midst of international efforts to reduce armaments, China's test could not be welcomed. The Japanese media found China's recent policy statements at the ARF about North Korea's missiles and its own actions inherently contradictory. More to the point, they argued that China's test would only serve as pretext for North Korea's threatened test and complicate diplomatic efforts to restrain Pyongyang. On August 5, the *Asahi Shimbun* ran a scathing cartoon, which featured a Chinese rocket launching from Jiang Zemin's open mouth while in the background Prime Minister Obuchi and President Clinton worriedly point to Kim Il-sung who was winding up to launch his own rocket. The caption read, "Is the mouth, that sings of disarmament, the mouth that launches missiles?" In Japan, the launch resurfaced references to "the China threat."

Missile Defense. Less than two weeks later, on August 13, the Japanese government announced the exchange of official documents with regard to Japan's participation in Theater Missile Defense (TMD) research with the United States. And on August 24, Japan's Defense Agency submitted a budget request for fiscal year 2000 to fund Japan's participation in TMD research.

From August 30 to September 4, a PLA delegation visited Japan. During the visit, Japanese and Chinese military officers discussed issues relating to both TMD and Japan's new Defense Guidelines. The visit was viewed as advancing the prospects for a resumption of bilateral military-to-military dialogue. In early September, Tokyo and Beijing announced the resumption of director-level talks between defense and foreign ministry officials, the first such meeting in close to two years. On September 22 at the United Nations in New York, the two foreign ministers met and announced October 7 and 8 as the dates for the meeting. The *Yomiuri Shimbun* reported on September 4 that the Chinese side is expected to focus on the Defense

Guidelines and TMD, while the Japanese will emphasize the need for transparency with respect to China's military modernization.

Senkaku Islands. Operations of Chinese research ships and PLA navy warships in and near the Senkaku Islands continued to draw Japanese attention. On July 17, the *Sankei Shimbun* reported Defense Agency sources as confirming PLA missile firing warships among 10 naval vessels exercising in waters near the Senkakus. The JDA regarded the exercise as directed at a Taiwan contingency, but expressed the concern that such exercises in the area could be regularized.

Also during the course of the summer, the issue of an inspection tour of the Senkakus surfaced in the National Security Committee of the Diet's Lower House, causing China's ambassador to Japan to call at the Liberal Democratic Party's headquarters to express his concern. Shortly thereafter, a Japanese delegation landed on one of the Senkaku islands, prompting the Chinese foreign ministry to call in the Japanese ambassador and protest the landing. While regretting the incident, the ambassador pointed out that Chinese fishing boats continued to operate in the vicinity of the islands and asked the government to deal with the matter. On September 11, the Japanese Coast Guard reported a Chinese research vessel again operating within Japan's territorial sea around the Senkakus, the 28th incident thus far this year, compared to 19 for all of 1998.

On September 14, the Coast Guard released its 1999 White Paper. The White Paper noted an all time record of 1,992 ship incursions, a 2.5 percent increase over the past year. Of this total, 1,547 were Chinese and 326 were Taiwanese.

Japan's National Anthem/National Flag: On August 9, the Upper House of the Diet passed legislation giving legal status to Japan's flag and national anthem. That same day, the Chinese foreign ministry issued a statement noting the Diet's action, recognizing that for reasons of history there continued to be different views in Japan about the past, and expressing the hope that Japan would continue on the road of peaceful development. The PLA's *Liberation Daily* took a much more direct approach, warning that within Japan voices that would dangerously move Japan in a right wing direction are continuing to rise.

Pending debates over constitutional revision in the Diet, as well as efforts to normalize the Yasukuni Shrine, in which Japan's war dead, including Class A War Criminals, are memorialized, promise to keep the issues of nationalism and history alive over the coming months

Policy Implications

Developments in Northeast Asia over the past three months have served to advance Japan-U.S. security cooperation. North Korea's missile diplomacy and China's testing of its DF-31, a mobile ICBM, have underscored to the Japanese public the unsettled nature of Northeast Asia's security environment. Japan's participation in the research and development of TMD is one manifestation of this cooperation. A second can be found in the recent Japan-U.S. agreement on cooperation with respect to Japan's intelligence satellite. Increasing security

cooperation with the United States has been a central feature of Japan's evolving post-Cold War security policy. Northeast Asia's uncertainties will reinforce that trend.

At the same time, Beijing's strong and emotional reaction to Taiwanese President Lee Teng-hui's attempt to redefine the nature of cross-Strait relations points to a continuing source of tension in China's relations with both the United States and Japan -- and potentially a source of tension between Washington and Tokyo.

Since 1979, United States concerns with the security of Taiwan have been embodied in the Taiwan Relations Act. United States policy has followed a course of deliberate ambiguity with respect to U.S. intentions to intervene in a cross-Strait contingency. Since the passage earlier this year of legislation to implement Japan's new Defense Guidelines, Tokyo has evolved a similar policy with respect to its possible support for the U. S. in contingencies in "areas surrounding Japan." In turn, Beijing's efforts to define the geographic extent of Japan's commitment under the new Defense Guidelines have been a central focus of China's diplomacy and the Japan-China security dialogue. Beijing will continue to press Tokyo on the issue and to use it as wedge-driving issue -- to highlight for the Japanese public the potential dangers of security cooperation with the U.S.

Chronology of Japan-China Relations

July - September 1999

July 8-9, 1999: Prime Minister Obuchi visits China and meets with Zhu Rongji, Jiang Zemin, and Li Peng. At the summit, Japan and China reach agreement on the terms of China's WTO accession protocol.

July 26-27, 1999: ASEAN Regional Forum meets in Singapore. Japan's Foreign Minister Komura meets with Chinese counterpart Tang Jiaxuan to discuss North Korea's threatened missile launch.

July 30, 1999: Japan and China conclude a Memorandum of Understanding with regard to the destruction of chemical weapons left behind in China by the Imperial Army at the end of World War II.

July-Sept, 1999: Chinese research ships and PLA warships continue to operate near and in the Senkaku Islands.

July-Aug, 1999: Discussion in Lower House of Diet on Senkaku inspection visit causes China's ambassador to call on LDP Party Headquarters to express concern.

Aug 2, 1999: China announces test of DF-31 ICBM. Like North Korea, Beijing defends test as right of sovereignty.

Aug 9, 1999: Upper House of Diet passes legislation giving official sanction to Japan's flag and national anthem.

Aug 13, 1999: Japan announces exchange of official documents with U.S. with regard to Japan's participation in Theater Missile Defense research and development.

Aug 30-Sept 4, 1999: PLA delegation visits Japan.

Sept 11, 1999: Japanese Coast Guard reports Chinese vessel operating in Senkakus, the 28th incident this year compared to 19 for all of 1998.

Sept 14, 1999: Japanese Coast Guard releases 1999 White Paper, reporting an all-time record of 1,992 ships incursions into Japanese territorial waters, of which 1,547 were Chinese and 326 were Taiwanese.

Sept 22, 1999: Japanese and Chinese Foreign Ministers jointly announce October 7-8 as dates for resumption, in Tokyo, of dialogue on security issues involving director-level foreign ministry and defense officials.

Sept 29, 1999: Yomiuri Shimbun-Gallup poll reports only 17 percent of Chinese and 33 percent of Japanese think relations between Japan and the PRC are good. 50 percent of Chinese respondents expressed an unfavorable opinion of Japan, and 46 percent of Japanese respondents said they had an unfavorable impression of the PRC. Three out of four PRC respondents were unaware that Japan had provided over 2 trillion yen in official development assistance to the PRC over the past two decades.



Japan-ROK Relations: Seoul-Tokyo Cooperation on North Korea, Tried, Tested, and True (thus far)

Victor Cha

Three themes emerge from the interaction and events of the past quarter in Japan-Republic of Korea (ROK) relations. First, cooperation on issues of security and history continued between these two American allies, achieving certain milestones. Second, from a U.S. perspective, this cooperation paid dividends in terms of averting a Taepodong II crisis with North Korea. Third, the success in coordinating policy, both bilaterally and in a trilateral context with the United States, will again be tested as the focus of activity in the “post-Berlin” phase of the North Korea problem is likely to shift to the Japan-DPRK dyad.

Seoul and Tokyo: Milestones and Stepping Stones

The highlight in terms of military cooperation was the joint naval exercises held in August 1999. Involving three Japanese Maritime Self Defense Force (JMSDF) destroyers, two ROK destroyers, various aerial and intelligence support, and over 1000 soldiers, the five-day joint exercises featured a search and rescue (SAR) operation in the waters between the two countries. This was followed by joint formation training and tactical maneuvers returning to Japan where the two ROK destroyers made a goodwill port call at Sasebo. Both governments remained deliberately low-key about the event, emphasizing the non-military nature of SARs in select statements. There were no celebrations and in clear deference to historical sensitivities ROK naval officials abstained from holding press briefings on the exercises. Nevertheless, a milestone in Japan-ROK security relations was quietly achieved. Both the SAR and the Korean port calls in Japan were the first of their kind in the history of relations (the latter following up on Japan’s first naval vessel port call to Korea in 1994). The SAR was the realization of military-to-military cooperation that had been urged by the United States for some time and, in fact, had been agreed upon in principle by Seoul and Tokyo as far back as 1979 but never implemented.

In this sense, the exercises represented an important shift from talk to action. Finally, while the exercises ostensibly focused on rescuing distressed civilian ships, they were clearly orchestrated with an eye to preparing the two for cooperation in the case of contingencies involving the North, again, something that had been talked about a great deal among Washington, Seoul, and Tokyo but not acted upon until this past August.

Complementing these military developments was slow but steady progress toward liquidating the acidic history between the two countries. The 1998 Kim-Obuchi summit was a particularly important start in this regard, but the stepping stone for another major breakthrough

was laid this quarter with Seoul's official invitation for Emperor Akihito to visit Korea. Expectations are high that Akihito's visit can once and for all end the tortured history of imperial apologies. Judging from the past attempts, there is little to be optimistic about. Abruptly canceled plans for a Park Chung-hee and Hirohito meeting in the 1970s; the ambiguous Showa apology in 1983; and Japanese refusal of ROK requests for Hirohito to visit Seoul in the mid 1980s (for reasons of safety) all started out as well-intentioned acts that ended up stoking the fires of history rather than dousing them. Nevertheless, one would like to believe that different attitudes in different times will lead to different and more positive outcomes. An early indication of this was Seoul's conspicuous silence over Japan's decision to enshrine the flag and imperial hymn as national symbols. Seoul refused to join the chorus of invectives slung by the likes of Beijing and Pyongyang at the Japanese decision, attesting to the genuine intention to reconstruct a new history between the two countries.

The Path Out of Berlin: "Red Lines" and Coordination

Clearly the big event of the quarter was the U.S.-DPRK agreement in Berlin. Pyongyang's informal moratorium on missile testing in exchange for a partial lifting of U.S. sanctions averted another potential crisis with the irascible North Koreans. This pattern of negotiation and brinkmanship, dating back to the 1994 Agreed Framework, has become familiar, albeit no less comforting, as the outcome in each iteration always remains uncertain.

While the U.S. and DPRK were the primary protagonists in Berlin, the non-conflictual outcome owed greatly to Seoul and Tokyo's efforts. Both governments explicated clear "red lines" with regard to their respective engagement policies. The Obuchi government threatened the suspension of KEDO funding, sanctions, and controls on remittances in response to another DPRK missile test. The Kim government reluctantly admitted that its treasured Sunshine Policy could not survive another Taepodong flight test. These clear enunciations of "sticks" were important because they communicated to the DPRK the limits of engagement, thereby making the strategy more credible than an open-ended engagement policy (read: appeasement).

In addition to these actions, policy coordination among the allies worked. What was different about this round of interaction with the North compared with the past was Washington, Seoul, and Tokyo's coordinated messages to the North. Moreover, when there were subtle disagreements, the allies were able to accommodate each other and maintain a united front. For example, initial Japanese references to suspension of KEDO funding if the North Koreans launched ran counter to U.S. and ROK desires to see KEDO's de-nuclearization objective fulfilled irrespective of the missile problem. Through quiet and deliberate consultations, positions were subtly adjusted such that later on in the crisis, Japanese threats of punishment focused less on KEDO and more on the remittances issue. In addition, the three allies emphasized the positive incentives that could come out of DPRK cooperation. This sort of coordination confounded any DPRK hopes of leverage by driving a wedge between the allies. The U.S.-Japan-ROK trilateral coordination and oversight group (TCOG) created by the Perry policy review, was the primary instrument of this policy coordination and is among the most important accomplishments of the congressionally-mandated review.

On the (new) Road Again: Japan-DPRK Normalization?

If the North Korean negotiators are half as smart as the world credits them with being, one has to question what drove them to cooperate in Berlin. After all, the partial lifting of U.S. sanctions will be of little positive material consequence for the North (would you invest in North Korea?), so why give up your last bargaining chip (i.e., missiles) for this? One possible explanation is that they did not in fact give up this chip in Berlin, but merely held it in abeyance to use again later. Another hypothesis is that the North Koreans cooperated in Berlin because they unwittingly negotiated themselves into a crisis, and needed a face-saving way out even if it meant conceding, at least temporarily, on their cherished sovereign right to test missiles. Yet another is that the North cooperated because it valued not the removal of sanctions but the progress toward a more normal and less threatening relationship with the U.S. that this act symbolized. All are plausible explanations, but past patterns of negotiating behavior make it difficult to imagine the North acting without very tangible material motives. This is why a highly plausible driver of DPRK actions in Berlin is the potential for cash emerging out of an improvement of relations with Japan. Statements by Obuchi prior to Berlin made clear that a road to normalization talks, food aid, sanctions lifting, and other good things could be opened by a positive outcome in Berlin. The DPRK also made its intentions known by releasing in August, on the occasion of the 49th anniversary of independence, a set of principles for reconciliation with Japan. These required that the Japanese abandon a policy of hostility to the North, make a sincere apology, and provide full compensation for past injustices. Although the substance of the statement was far from novel, the timing is believed by some DPRK watchers to indicate Pyongyang's active interest in heading down this road. Subsequent statements by DPRK foreign ministry officials (e.g., Vice Minister Pak Tong-chun) were also unusually specific in their openness to restart official talks between Pyongyang and Tokyo, now suspended for seven years, provided Japan abandon its policy of "hostility."

Of the various dyads that define the security problem in Korea, the Japan-DPRK relationship may therefore see relatively more activity in the near future. Critical variables that will determine outcomes on this dyad are: 1) whether Pyongyang makes concessions on homecoming visits for Japanese spouses in the DPRK and the troublesome kidnapping accusations; 2) how well the Obuchi government can move forward with DPRK talks for security reasons and manage domestic dissatisfaction with what is certain to be less-than-forthcoming DPRK responses to the homecoming and kidnapping issues; and 3) most important, whether Tokyo is able to leverage a normalization settlement for a more formal moratorium on DPRK missile tests. These are not easy issues. Moreover, past experience highlights the potential for friction between Seoul and Tokyo. Throughout the history of post-normalized relations, the most accurate predictor of problems between the ROK and Japan has been the latter's initiatives to the North. This was the case in the late 1940s over repatriation issues, in the 1970s over *détente*, and in the early 1990s over early Japanese initiatives to normalize relations at the end of the Cold War. Seoul has complained that progress in Tokyo-Pyongyang relations undercuts the DPRK's incentives for engaging in North-South dialogue. Historical animosity also rears its ugly head in accusations that the Japanese do such things to keep the Peninsula divided.

At the same time, though, many of the traditional obstacles are absent today. The Kim Dae-jung government, unlike past South Korean governments, does not oppose and even encourages fulfillment of a "two-plus-four" cross-recognition on the Korean Peninsula of which

Tokyo-Pyongyang would be a critical missing piece. In addition, strategic thinking in Seoul, Washington, and Tokyo at the executive and legislative levels has, for the most part, come to the realization that engagement is the only feasible policy at the moment, and that “carrots” now are wise because they can also be rescinded later as “sticks” if the situation warrants. The TCOG will once again have its work cut out in managing these complex and cross-cutting dynamics.

Chronology of Japan-ROK Relations

July – September 1999

July 1, 1999: Japan approves \$1 billion funding for KEDO and sends Terusuke Terada, Japanese Ambassador to KEDO, to North Korea in order to improve Japanese-North Korean bilateral relations.

July 6, 1999: Japanese Ambassador to the U.S. Kunihiko Saito says that a North Korean missile launch would have dire consequences for Japanese engagement efforts.

July 6, 1999: UN Undersecretary General Yasushi Akashi, who visited the North Korea from June 29 to July 3, indicates in an interview with *Yomiuri Shimbun* that North Korea has made no progress toward normalization of relations with Japan.

July 8, 1999: Japanese lawmakers claim that DPRK missile development has benefited from Japanese technology and urges tighter export controls.

July 12, 1999: ROK defense officials believe that DPRK preparations at the missile launch site in North Hamkyong province are close to completion.

July 12, 1999: Spokesman for South Korean Ministry of Foreign Affairs and Trade expresses concern over Japan’s shipment of nuclear fuel by sea.

July 13, 1999: Japanese Chief Cabinet Secretary Hiromu Nanaka reiterates Japan’s position that it would freeze support for KEDO if North Korea launches another missile.

July 14, 1999: Koreshige Anami, chief of the Asian Bureau at the Japanese Foreign Ministry, and Cho Jung-pyo, head of South Korea’s Asia-Pacific Affairs Bureau, meet to discuss bolstering Japan-South Korea security ties.

July 15, 1999: President Kim Dae-jung and Prime Minister Keizo Obuchi agree that China’s accession to the WTO is desirable.

July 16, 1999: South Korean Ministry of Foreign Affairs and Trade says that Japan has made it clear that it will not consider shipping nuclear fuel through waters near the Korea Strait.

July 21, 1999: Before a pro-Seoul association of Korean residents in Japan, President Kim Dae-jung says that Japanese Emperor Akihito will eventually visit Seoul. Kim also indicates that it is a matter of time before the Korean community in Japan can vote in local elections.

July 27, 1999: Japanese Defense Agency (JDA) releases the 1999 white paper, highlighting the DPRK missile threat and calling for Japan to improve its intelligence-gathering capabilities while promoting cooperation and coordination with the ROK and U.S.

July 27, 1999: South Korea, Japan, and Russia say that they would welcome North Korea's membership in the ASEAN Regional Forum

July 27, 1999: South Korean Foreign Minister Hong-Soon-young, Japanese Foreign Minister Masahiko Komura, and U.S. Secretary of State Madeleine Albright issue a joint call after ASEAN meeting in Singapore urging North Korea to accept the joint peace package offered by Perry in May.

July 27, 1999: Japanese Foreign Minister Masahiko Komura reiterates that another North Korean missile test will make it very difficult for Japan to keep its KEDO obligations.

July 27, 1999: South Korean Defense Ministry spokesman announces that the South Korean and Japanese navies will conduct a joint search and rescue drill in waters between the two countries early next month. Japanese and Korean naval vessels and helicopters will take part in the exercise.

July 29, 1999: On a three-day visit to Korea, U.S. Secretary of Defense William Cohen warns that North Korea will jeopardize relations with South Korea, Japan, and the United States if it fires another ballistic missile

Aug 4, 1999: Liberal Democratic Party lawmakers in Japan said that Japan should suspend cash remittances to North Korea if it test-launches a second ballistic missile.

Aug 5, 1999: Korea and Japan hold a joint search-and-rescue exercise in international waters, involving Korean and Japanese navy vessels, aircraft, and helicopters, and 1,200 sailors. North Korea denounced the exercise as a move by South Korea and Japan to launch a war against it.

Aug 6, 1999: Two South Korean destroyers make goodwill port call in Sasebo, Japan, after conclusion of joint exercises.

Aug 6, 1999: Financial Supervisory Commission (FSC) announces that the Industrial Bank of Korea (IBK) will set up a joint venture credit information firm with Japan's Teikoku Data Bank.

Aug 8, 1999: Japanese Foreign Minister Masahiko Komura says that Japan may cut off money sent from pro-DPRK Koreans living in Japan if North Korea conducts another missile test.

Aug 9, 1999: Tokyo passed a bill recognizing its wartime, rising sun flag (Hinomaru) and imperial anthem (Kimigayo).

Aug 11, 1999: President Kim Dae-jung says that South Korea, the U.S., and Japan are making last-minute appeals to North Korea to drop its plan to test-fire a missile. He also says that the three countries have agreed that KEDO will still move forward if a missile test occurs.

Aug 10, 1999: On 54th anniversary of Korean independence day, the DPRK issues a comprehensive exposition on principles and pre-conditions for reconciliation with Japan

Aug 17, 1999: Korean officials announce that South Korean Foreign Affairs and Trade Minister Hong Soon-young will meet with Japanese Foreign Minister Masahiko Komura in Japan during August 22-24 to discuss the two governments' North Korea policy, Korean-Japanese residents' voting rights, and the trade imbalance.

Aug 23, 1999: South Korean Foreign Affairs and Trade Ministry announces that Korea and Japan agreed to set up a diplomatic hotline between their foreign ministries to maintain close consultations on pending diplomatic issues such as the North's missile threat.

Aug 23, 1999: During their joint meeting in Japan, South Korean and Japanese foreign ministers agree to hold bilateral negotiations soon over an investment pact to promote greater mutual investment.

Aug 26, 1999: South Korean Presidential aide Hwang Won-tak says that North Korea appears to be using the threat of a missile launch as a leverage in negotiations with the U.S. and Japan, and North Korea may demand hard currency from Japan in return for not testing a missile.

Sept 1, 1999: South Korean Prime Minister Kim Jong-pil leaves for a five-day official visit to Japan; conveys official invitation for Emperor Akihito to visit Korea.

Sept 1, 1999: Japanese Foreign Minister Masahiko Komura says that the Japanese government could ease sanctions imposed on North Korea if progress is made in the forthcoming missile talks between the U.S. and the North Korea.

Sept 2, 1999: During an official trip to Japan, South Korean Prime Minister Kim Jong-pil proposes the creation of an East Asian economic community involving Korea, Japan, China, and Russia and reiterated call for the creation of an Asian Monetary Fund (AMF).

Sept 8, 1999: South Korean Ministry of Foreign Affairs and Trade announces that Korea and Japan agreed to expedite efforts to sign a bilateral investment treaty.

Sept 9, 1999: Japanese Chief Cabinet Secretary Hiromu Nonaka says that Japan is interested in resuming dialogue with North Korea if the missile threat subsides.

Sept 12, 1999: U.S., Japan, and South Korea reconfirm joint stance on North Korea and agree at the APEC Summit in Auckland to boost ties with Pyongyang if it lifts its missile threat.

Sept 14, 1999: Japanese Defense Agency Chief Hosei Norota says that North Korea has not frozen plans for a missile launch, despite U.S. claims to the contrary.

Sept 15, 1999: The Perry review on DPRK policy presented to President Clinton.

Sept 16, 1999: Officials of the South Korean Ministry of Construction and Transportation and their Japanese counterparts met in Seoul to discuss ways to improve cooperation in construction.

Sept 17, 1999: President Clinton eases sanctions against DPRK. Seoul and Tokyo support the decision.

Sept 18, 1999: President Kim Dae-jung states the need for the United States, South Korea, and Japan to adopt a “win-win” strategy in dealing with the North. He also said the three allies, as well as the North, would benefit from each other.

Sept 25, 1999: KEDO holds meeting with North Korea to discuss pending issues concerning the construction of two light-water nuclear reactors.

Sept 29, 1999: Japanese Ambassador to Seoul Kazuo Ogura proposes several ways of enhancing South Korean-Japanese ties, including an undersea tunnel, the joint launch of a weather satellite, the establishment of a Eurasian gas pipeline, and a free trade zone.



Japan-Russia Relations: **Moving Ahead on Military Ties, Diplomacy on Back Burner**

Janet Snyder

Japan and Russia posted marked progress in the development of military ties in recent months, but the thorny question of concluding a peace treaty to officially end World War II hostilities remained on the back burner. Unprecedented naval cooperation developed this quarter, including a port visit to Japan by a Russian cruiser and an observation visit to the Russian naval facilities at Vladivostok by Japanese Defense Minister Hosei Norota. Meanwhile, the clock ticks toward the two sides' self-imposed deadline of 2000 to complete the peace treaty.

Military-to-Military Contacts

The 1904-05 Russo-Japanese War comes to mind when looking at a ground-breaking trip to Vladivostok by Japanese Defense Minister Hosei Norota in August. Norota's visit was the first-ever observation trip by a Japanese minister to the once-closed military port. In that long-ago conflict Japan came to prominence as a military power after a resounding victory over the Czar's navy enflamed the nation's aspirations to be a "first-rate" power.

Exactly a month after Norota's foray to Vladivostok, a Russian missile cruiser, the 6,700-ton Admiral Panteleyev, entered the military port of Yokosuka, Japan's fleet headquarters. It was the first visit by a Russian naval vessel into a Japanese military port.

Japanese Foreign Ministry spokesman Sadaaki Numata elaborated on the strides in bilateral naval ties. "In the context of expanding our ties with Russia, especially on defense and security, it's natural for the focus to be on naval ties," Numata said, citing the Sea of Japan which separates the two countries. "Increasingly, the emphasis is on the shared interests between Japan and Russia in strategic terms," he added.

Peace Treaty Prospects Remain Dim

But the key stumbling block to signing a peace treaty – the issue of four Russian-held islands north of Hokkaido - still remains. Numata remarked, "It's still there. We keep trying, but it's going to take (Russian President Boris) Yeltsin to make the decision (on handing the islands

back).” To this end, the Japanese government has been pressing Russia to pin down a date for Yeltsin’s visit to Japan.

The territorial issue hangs in the air as the clock ticks toward the two sides’ self-imposed deadline of 2000 to complete a peace treaty. The subject was broached during a meeting between Japanese Prime Minister Keizo Obuchi and his Russian counterpart Vladimir Putin during the Asia-Pacific Economic Cooperation (APEC) conference in Auckland.

Foreign Ministry Spokesman Numata quoted Obuchi as telling Prime Minister Putin, “We will act to maintain the momentum of our evolving relationship so that President Yeltsin’s visit will prove productive towards reaching a peace treaty.” “We’re now in September,” Obuchi told Putin, “It’s time to pin down the date of Mr. Yeltsin’s visit.”

The Japanese leader stressed that it was very important that the Japanese and Russian leaders maintain frequent and close dialogue “so that we can enhance the network of multi-faceted and (multi-) layered dialogue and encourage exponential development of our relationship.”

Putin told the Japanese it was his intention to implement the agreements with Japan reached by President Yeltsin and Obuchi’s predecessor Prime Minister Ryutaro Hashimoto and Obuchi himself. Putin said Russia was faithfully implementing the agreements between Hashimoto and Yeltsin, and now that Obuchi was involved the context of those agreements has been expanded.

During talks between Japanese Foreign Minister Komura and Russian Foreign Minister Igor Ivanov in New York on September 20, Ivanov explained that domestic circumstances in Russia precluded him from saying anything about the timing of the visit. He did not elaborate.

Numata noted that in June at the G-7 meeting in Cologne, Yeltsin told Obuchi it was his (Yeltsin’s) idea to come to an agreement on the demarcation of boundaries, which would decide the territorial dispute over the Northern Territories (Kuriles).

Economic Support Continues

Amid Russia’s ongoing economic woes, Japan is striving to stand out as one of the key countries that has decided to resume untied loans to its cash-strapped neighbor.

“Japan is just about the only country which has said it will continue to disburse its untied loans to Russia,” Numata said. This translates into \$1.1 billion of a total \$1.5 billion promised. “I think that is appreciated (by the Russians),” he added.

Russian Deputy Prime Minister Frisenko’s visit to Japan between August 30-September 1 focused on the Japan ExIm Bank untied loan, energy cooperation in Russia’s Far East, support for Russia’s denuclearization efforts, Russia’s participation in APEC, and Russia’s aspirations to join the World Trade Organization. During Frisenko’s visit, the IMF and the Russian borrower signed an agreement on the \$1.1 billion outstanding portion of the untied loan.

Policy Implications for the U.S.

Developing ties between the navies of Japan and Russia is a factor which would have been unthinkable 10 years ago, and which could be seen as surprising given the lack of real progress on the major sticking point to a peace treaty, the dispute over the Northern Territories (Kuriles).

Where once this emotive territorial issue would have, among Japanese officials, overridden even practical concerns such as bilateral search-and-rescue contingency arrangements, more pragmatic heads appear to be prevailing in Tokyo. Moscow, meanwhile, is eager to move ahead in areas where progress can be made (i.e., economic cooperation, cultural exchanges, and now even joint naval exercises).

The trend toward closer ties between the Japanese and Russian navies is a symptom of a changing Japanese policy mind-set, moving from a post-World War II model to a newer one less trammled by the past.

A newer generation of post-Cold War Japanese policy makers are examining the possibility of a multilateral approach to security – in a probably inevitable weaning of Japan from its dependence on the United States for its defense.

It would be a mistake to see a shift in the axis towards Moscow, but Washington should be aware that Japan will increasingly become more independent in its formulation of policy and will less reliably take its cue from the United States.

Chronology of Japan-Russia Relations July - September 1999

Aug 16, 1999: Japanese Defense Minister Hosei Norota visits Moscow for meetings with his Russian counterpart Sergeyev. Visits naval bases in Vladivostok for first-ever observation of the port's military facilities by a Japanese government official.

Aug 30 - Sept 1, 1999: Russian Deputy Prime Minister Fristenko visits Japan to take part in meetings of Japan-Russia intergovernmental committee on trade and economic affairs. This visit takes place just after new Russian Prime Minister Vladimir Putin is installed. During the meetings Japanese side expressed intention to go forward with disbursement of pending portion of \$1.5 billion untied loan (corresponding to \$1.1 billion).

Sept 2, 1999: Japan and Russia formally exchange statements agreeing to visits to Northern Territories (Kuriles) by former residents and spouses. The first group of 44 Japanese visits Shibotsu island of the Habomai chain on September 11 and 12.

Sept 6, 1999: Japan and Russia hold new round of talks in Moscow at vice-ministerial level on peace treaty.

Sept 12, 1999: Japanese Prime Minister Keizo Obuchi meets Russian prime minister Vladimir Putin in Auckland during the Asia-Pacific Economic Cooperation (APEC) meeting. Obuchi urged his Russian counterpart to help set a date for President Boris Yeltsin's trip to Japan.

Sept 16-20, 1999: Russian missile cruiser Admiral Panteleyev visits Japan in first-ever call to a Japanese military port by Russian vessel. The 6,700-ton ship enters Japanese fleet headquarters at Yokosuka on visit aimed at friendly exchanges and joint search-and-rescue exercises.

Sept 20, 1999: Japanese Foreign Minister Komura meets Russian Foreign Minister Ivanov in New York at the UN General Assembly.

Sept 23, 1999: Russian patrol boat detains Japanese fishing vessel, charging it with poaching squid in waters off Sakhalin Island. The crew has since been released. Such Russian seizures of Japanese fishing vessels for alleged poaching are frequent occurrences.



China-Russia Relations: Coping With the Post-Kosovo Fallout

Yu Bin

Although domestic social instability, separatism, and terrorism started to increasingly preoccupy leaders of both countries, Moscow and Beijing continued to feel the chilly impact of the post-war (Balkan/Kosovo) world and responded by deepening their strategic partnership in various areas. However, the worse seems to be over, at least for the time being, for Russia and China in their respective relations with Western powers, as compared with the second quarter of 1999, when both Moscow and Beijing were sidelined and aggravated by U.S.-led NATO actions during the Kosovo crisis. Indeed, after Moscow was invited back to the Kosovo settlement and China's anti-American sentiments following the bombing of the Chinese embassy in May subsided, both started to mend fences with Washington.

Summit Within the Bishkek Summit:

Russian President Boris Yeltsin and Chinese President Jiang Zemin met for one-on-one talks in late August before taking part in a five nation summit in Kyrgystan. This was their first meeting since Jiang called on Yeltsin in a Moscow hospital in November 1998. Both leaders expressed their desire to counterbalance U.S. global reach with a more desirable multipolar world. The two heads of state explored possibilities for closer cooperation on various issues including the Korean Peninsula, regional security, and U.S. attempts to expand its missile defense umbrella to its allies in Asia.

The Taiwan issue was believed to be on the top of the agenda for this mini-summit. Taiwan's leader Lee Teng-hui declared in early July that the island had, and should have, an equal international status with the mainland. Lee's statement led to heightened tensions in already tenuous relations across the Taiwan Strait, as both sides began accelerating military preparedness for a possible showdown. An exploration of the Taiwan factor in Russian-Chinese relations at this point was logical. Russia's reassurance of its 'one China' policy in the wake of Lee's provocative statement came a week after the U.S. officially restated America's 'one China' stand on July 12. Meanwhile, Beijing watched deepening trade relations between Russia and Taiwan, its "runaway province." In 1998, Taiwan exports to Russia amounted to \$137.6 million, while imports from Russia totaled \$844 million. Although the island suffered a trade deficit of \$706.4 million, the fast-growing trade relations between Russia and Taiwan, albeit in large part through third countries due to the unhealthy nature of Russia's financial system, worried Beijing.

Taiwan is definitely interested in elevating its ties with Moscow onto a higher level and on a more comprehensive basis. Two days before Lee Teng-hui's statement for equal status with the mainland, top Russian trade officials led by Stanislav A. Smirnov visited Taiwan and agreed in principle to establish air transportation links between Taiwan and Russia. It was also reported that Taiwan officials were visiting some military-industrial complexes in Russia's Siberia. It happened that the cash-hungry Russian arms industry has been eagerly exploring the Asian market beyond China and India. Russia's successful arms-for-debt arrangement with South Korea, which now has reached \$450 million for its \$1.8 billion debt, serves both Moscow's interest for more influence in the Korean Peninsula and Seoul's desire to divert its arms supply from Washington.

Beijing's effort to coordinate policy with Russia was therefore understandable. At a maximum, it would be highly desirable for Beijing to have Moscow on its side should a limited use of force across the Taiwan Strait become inevitable. At a minimum, Beijing would like to see some restraint on the Russian side of an expanding and deepening relationship with cash-rich Taiwan. Apparently reacting to China's displeasure, President Yeltsin drafted in early July a decree to centralize the arms export procedure in order to prevent unauthorized contracts between foreign buyers and Russia's three largest arms manufacturers, Rosvooruzheniye, Promexport, and Rossiiskiy Tekhnologii (Russian Technologies).

The Yeltsin-Jiang talks were also an effort to coordinate policies by the two major powers before the "Shanghai Five" summit with Kazakhstan, Kyrgyzstan, and Tajikistan. The actual agenda and outcome of the summit largely reflected some of the major concerns of Russia and China in the post-Kosovo era. In addition to continuous efforts for border stability, force reduction, and confidence building along the 7,000 kilometer border between China and the four former Soviet states bordering China, regional security seemed to dominate the multilateral summit. This was against the backdrop of increasingly active insurgent and separatist movements, mostly by Islamic militant groups, within all five states. The collapse of the Soviet empire and continuous decline of Russian power and influence in central Asia has created a de facto power and ideology vacuum in central Asia. It happened that at the very moment of the summit, 1,000 armed Uzbek Islamic guerrillas in southern Kyrgystan kidnaped 16 hostages, including four Japanese mine engineers. The need to contain these militant groups was considered particularly urgent in the wake of the Kosovo crisis a few months before when U.S.-led NATO intervened for humanitarian reasons. Domestic stability, therefore, assumes a geopolitical dimension to keep the West out of the heart of the Eurasian continent in what the West claims is the 'post-sovereignty' era of international politics.

One significant step taken by the "Shanghai Five" during this summit was a declared effort to engage in dialogue at all governmental levels (heads of state, government, and ministerial levels) in order to coordinate policy actions over issues ranging from terrorism, separatism, religious extremism, drug trafficking, arms smuggling, and illegal immigration. Significantly, the five countries promised in their joint statement that they would by no means allow anyone to make use of their territories to engage in actions harmful to the territory, security, and social order of any of the five countries. A "joint action plan" for these issues will be developed by the summit participants in the next few months, modeled after the existing "joint supervision group" for border security and confidence building issues.

Domestic Priorities

The focus on domestic stability during the Bishkek summit in August was not accidental as both Moscow and Beijing turned inward after their busy, but often futile, efforts to offset expanding Western power and influence during the Kosovo crisis. This is particularly true for Russia as its domestic instability continued and even worsened during the third quarter of the year. The Russian military appeared by mid-September to be able to contain Islamic militant groups in Dagestan where the conflict was the worst inside Russia since Chechnya's 1994-96 war for independence. However, a series of terrorist bombings, including attacks on three Moscow residential buildings, claimed hundreds of lives and posed perhaps the most serious challenge to President Yeltsin.

These domestic problems, plus routine economic difficulties, at least partially contributed to the extremely high turnover rate of Russia's prime ministers (four prime ministers in 17 months). With the August 9 appointment of Vladimir Putin as Yeltsin's yes-man, one must doubt how much Kremlin insiders could even attempt to halt Russia's economic dissolution, let alone maintain Russia's foreign policy-making capabilities and consistencies. Domestic issues crowded Yeltsin's agenda to such an extent that he almost dropped his trip to Bishkek, Kyrgyzstan for the Shanghai five summit in late August (Yeltsin did not go to the third mini-summit in July 1998 due to poor health). It was reported that only President Jiang Zemin's last-minute hotline call persuaded the Russian president to make the trip.

China, too, had to deal with mounting problems at home. Ethnic and religious separatism remained active, particularly among the Uighurs in western China. The perceived 'internationalization' of the Tibetan issue was another major concern of Beijing. Although economic slow-down (below 8 percent growth rate as compared to the double-digit rate in the early 1990s) was much anticipated, the social ramifications are just starting to unfold. In July, the government launched a major media and political campaign to root out the influence and organization of Fa Lun Gong, a mysterious traditional meditation network penetrating far and wide in China. The crackdown was overwhelming with daily blasting of the cult dominating the primary hours of the main channels of the state media. Even the Taiwan leader's July 9th statement of equal international status with the mainland was overshadowed by this domestic concern. The media barrage on Fa Lun Gong started to subside only in August when the Taiwan issue was heating up.

Military Relations and Arms Sales

Sino-Russian cooperation in the military sphere resumed in 1990 after a long break. Yeltsin's visit to China in December 1992 resulted in a memorandum of understanding in the field of military-technical cooperation. Nonetheless, during the first half of the 1990s, military cooperation with China remained at the level of arms purchases (some \$6 billion between 1991 and 1997), and Russia always set relatively restrictive conditions for those transfers. This is largely due to what the Chinese side assesses as Russia's initial honeymoon with the West after the end of the Soviet empire and its lingering misgivings and distrust against China.

Table 1
Major Russian Arms Transfers to China (1992-1999)

Time	Items	\$ Amount
1992	26 Su-27 fighters delivered	\$1 billion
1994	Agreement for 4 diesel-powered Kilo-class submarines	\$1 billion
1994	Agreement for 6 S-300 air defense systems with at least 100 missiles	Unknown
1995-6	48 Su-27s (36 one-seat Su-27SK & 12 two-seat Su-27UB)	\$1.7 billion
1996	License to produce 200 Su-27SK planes; first two China-built jets took their maiden flights at the end of 1998	\$2.5 billion
1997	Agreement to buy 2 Socermenny-class guided missile destroyers armed with supersonic anti-ship ZM-80E Moskit cruise missiles. To be delivered in 2000	\$800 million
1999	Agreement for purchase of 50 Su-30MK, with a consent for future licensed production of the plane by China	\$ 2 billion

Since the mid-1990s, particularly during the 1995-96 Taiwan Strait crisis and after NATO quickened the pace of eastward expansion in 1997, some breakthroughs were made in the areas of Russian military technology transfers to China. But the real turning point, both psychologically and technically, came in the aftermath of the Kosovo crisis when General Zhang Wannian visited Russia at the invitation of Russian Defense Minister Igor Sergejev. This was in contrast to the previous two Russia visits by General Liu Huaqing, Vice Chairman of the Central Military Commission, in 1995 and 1997 that were made at the invitation of the Russian government. Since June, negotiations for arms deals and technology transfers seem to have sped up significantly.

The latest round of negotiations for Russian arms sales to China accelerated during the third quarter of the year. By late August, the two sides essentially hammered out details for a series of transactions including the purchase of at least 50 Sukhoi-30MK jet fighters for some \$2 billion. The 7th regular session in Beijing for the Russian-Chinese Commission for Military-Technical Cooperation focused on forms of payment for the weapons and military equipment Russia supplied to China. One major issue for this session was how to diminish the share of barter exchanges. Towards the end of the talks, Russian Vice Prime Minister Ilya Klebanov joined to finalize the deals, together with Rosvooruzhenie General Director Alexei Ogaryov and General Director of the Russian Space Agency Yuri Koptev. In addition to working on the Su-30 sales, the Russians offered “several new, very serious suggestions” to the Chinese. Klebanov, who met almost all top Chinese civilian and military leaders, described his visit as ‘the most effective meeting [of the commission].’

President Jiang also echoed by saying that the Klebanov's visit "helped stimulate bilateral cooperations" to "a new level." According to Hong Kong sources, the two sides even reached a tentative agreement for a \$1 billion sale to China of two Russian "Typhoon-class" nuclear-powered submarines whose SSN-20 ballistic missiles (5,100 miles of maximum range) could be capable of deterring the U.S. from intervening in any future Taiwan Strait crisis. Both Moscow and Beijing denied the Typhoon deal. A more moderate possibility could be the sale of two Russian Akula-class nuclear-powered submarines that were designed to deal with U.S. carrier groups. It was clear that Klebanov's talks in China apparently went well beyond the sale of Su-30s.

During Russian Vice Prime Minister Ilya Klebanov's August visit to Beijing for the 50 Su-30MKs, a general consent in principle was also reached for the future manufacturing of the Su-30MKs in China under a Russian license. While Moscow and Beijing were working on the Su-30s, official Chinese press carried favorable reviews on the Su-37s, Russia's fifth and newest generation of jetfighters capable of matching the U.S. F-22s. It was reported that the purchase of this latest multi-mission fifth-generation fighter plane was also on the agenda between Klebanov and his Chinese counterparts.

Trade Relations

For years, bilateral trade remained an area of subperformance for both countries. Statistics released in July for the first five months of this year, however, showed some signs of recovery (0.7 percent increase over the same period in 1998) from the progressive decline of bilateral trade in the past two years, as described in table 2.

Table 2
Russian-Chinese Total Trade: 1996-98

<i>Year</i>	<i>Volume (in billion U.S.\$)</i>	<i>-/+%</i>
1995	5.46	
1996	6.77	+23.9%
1997	6.12	- 10.6%
1998	5.5	- 10.1%

The initial recovery of bilateral trade was basically attributed to a sharp (34 percent) increase in Russian exports to China (for a total of \$1.82 billion). Meanwhile, imports from China dropped by half, to a total amount of \$430 million.

The stability of China's currency, its relaxed import policy, and its more positive fiscal policy so far have all inspired the domestic need for raw materials and machinery. Russia's nascent economic recovery (despite, ironically, its financial chaos), the increase of its foreign reserves, and the abolition on March 1 of its three percent additional tax on imports also led to the trade rebound.

Border trade, too, witnessed a major comeback for the first half of 1999 with a 45 percent increase (to \$620 million) over the same period of the previous year. Traditionally, cross-border barter trade constituted a third of the bilateral trade. It started to decline in 1996 after the 1994 conversion from barter to hard currency trade. Russia's domestic instability and economic hardship also caused the steep drop of border trade. By 1998, border trade was merely \$900 million. The revival of border trade in the first half of 1999 was somewhat caused by the partial return to barter trade, which minimizes risks linked to cash trade as a result of the Russian financial and economic crisis.

Chronology of China-Russia Relations

July - September 1999

July 2, 1999: A regular, 10-day session of the working group for border talks between the so-called "Shanghai Five" of Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and China end in Beijing. The five agree to set up a "permanent mechanism for high-level meetings" to deal with issues of cross-border crime, illegal drug trafficking and transport, and economic issues.

July 3, 1999: An agreement is signed to open up a free trade zone along Sino-Russian border towns of Xuifenhe and Pogranichny. Citizens of the two countries will be free to visit either part of the zone without a visa.

July 7, 1999: Russian trade officials led by Stanislav Smirnov visit Taiwan and agree to establish air transportation links between Taiwan and Russia.

July 9, 1999: Taiwan President Lee Teng-hui announces that negotiations with Beijing should be conducted as "special state to state" relations. Lee's statement throws cross-Strait relations and Sino-American relations into another crisis.

July 20, 1999: Foreign Minister Igor Ivanov tells his Chinese counterpart by telephone that Russia recognizes just one China, the PRC, Taiwan being an inalienable part of China.

Aug 17, 1999: A group of Russian experts arrives in China to work out details for China to buy 50 Su-30MKK fighter planes, paving the way for the Russian-Chinese commission on arms supplies regular meeting to finalize the deal in late August.

Aug 21-23, 1999: Russian Foreign Ministry's security and disarmament department chief Grigory Berdennikov is in China for regular talks on issues of non-proliferation of nuclear weapons and missile technologies. He also briefs the Chinese side on Russian-U.S. consultations (August 17-19 in Moscow) on the ABM and START-3 treaties and coordinating policies toward the Theater Missile Defense project of Washington and Tokyo.

Aug 24-26, 1999: Presidents Yeltsin and Jiang Zemin meet in a five-nation summit in Kyrgystan as a part of the fourth working summit meeting on border stability of the Shanghai-Five since 1996. Regional security and economic cooperation are the main issues for the working summit.

Aug 24-28, 1999: Russian Vice Prime Minister Ilya Klebanov, who supervises military-industrial complexes, visits Beijing to finalize the details for China's purchase of 50 Su-30 jets.

Sept 3, 1999: The tenth anniversary of the Russian Branch of the Western Returned Students Association is celebrated in Beijing. Russian Ambassador to China Igor Rogachev attends the meeting. The WRSA was founded in 1989 and now has more than 3,000 members, most of whom are scholars who had studied or worked in the former Soviet Union. After returning to China, they quickly became key figures in their fields.

Sept 7, 1999: Russian Prime Minister Vladimir Putin signs an ordinance telling the Fuel and Energy, Trade, Foreign, and Natural Resources ministries and the State Customs Committee to step up supplies of Russian crude oil and products to China in line with the February 25, 1999 agreement between the Russian Yukos oil company and the Chinese National Oil and Gas Corporation.

Sept 9, 1999: Officers from China's Heilongjiang military district and Russia's Maritime territorial border guard department sign a protocol on further cooperation between Russian and Chinese border guards on issues of security, fishing, immigration, and cultural exchanges.

Sept 9, 1999: Russian Prime Minister Vladimir Putin and Chinese President Jiang Zemin hold talks in New Zealand during the APEC meeting.

Sept 23, 1999: Russian Foreign Minister Igor Ivanov and Chinese Foreign Minister Tang Jiaxuan meet in New York, where Ivanov briefs Tang on the domestic situation in Russia. Tang Jiaxuan makes comments in support of Russian measures in the fight against terrorism.

Sept 30, 1999: President Yeltsin calls Chinese President Jiang Zemin to congratulate him on the "twin-anniversaries" of the founding of the PRC and the establishment of Sino-Russian (Soviet) diplomatic relations. Their conversation indicates that Yeltsin's upcoming visit to China will be in November.



Indonesia-Australia Relations: Moving from Bad to Worse

Richard W. Baker

The state of Indonesia-Australia relations has deteriorated--from strained to nearly shattered--in recent months as a result of the ongoing crisis in East Timor. As the quarter ended the prospects for an early recovery in the relationship were very uncertain. The Australian-led international force in East Timor faced a long and dangerous process of taking control of the territory from Indonesian-backed militias, and the possibility of sustained guerrilla-terrorist opposition supported by the Indonesian armed forces could not be ruled out. An additional complication was the potential impact of heightened nationalistic and anti-Australian sentiment on the election of a new Indonesian president in late October, and therefore on the composition and attitude toward Australia of the new Indonesian administration due to take office by January 1, 2000.

Background: Improving Relations, Continuing Tensions

Ever since the "New Order" government of President Soeharto replaced the erratic and adventuristic Sukarno regime in the mid-1960s, Australian governments have made concerted efforts to maintain harmonious relations with Indonesia. In the 1980s and 1990s, Australian foreign and security policy statements increasingly emphasized the importance of Australia's major neighbor to the north. Indonesia became a priority recipient of Australian economic assistance, and the Australian government encouraged Australian private enterprise to increase investment and trade in Indonesia. Military-to-military cooperation progressively expanded, and, in 1995, Australian Prime Minister Paul Keating and Soeharto concluded a security treaty -- Indonesia's only bilateral security agreement.

Although the bilateral relationship is less important in relative terms to Jakarta than to Canberra, good relations with Australia were an integral part of the Soeharto government's policy of responsible international citizenship and, increasingly, regional leadership. The relationship also brought specific benefits for Indonesia, including the fact that Australia recognized Indonesian legal sovereignty over the former Portuguese colony of East Timor (the only UN member state to do so), which Indonesia invaded and annexed after Portugal's withdrawal and a period of internal conflict in 1975.

Nevertheless, tensions have persisted in Indonesia-Australia relations. Sources include national (including ethnic) consciousness and sensitivities in both countries, some competitiveness in their respective aspirations for regional leadership roles, and the inevitable wariness between a lightly populated but wealthy and technologically advanced state and a very populous but relatively less developed neighbor.

East Timor has been a particular irritant, despite the Australian government's formal recognition of Indonesian sovereignty. A vocal community of Timorese refugees in Australia and deep-seated hostility towards the Soeharto government on the part of the Australian media--ensured by the killing of five Australian journalists during the Indonesian military takeover in 1975--guaranteed that this issue remained a thorn in the side of both governments. East Timor gained renewed prominence after the 1996 Nobel Peace Prize was awarded to pro-independence spokesman Jose Ramos Horta and Catholic Bishop Carlos Belo.

Habibie, Howard, and Timor

The downfall of Soeharto in May 1998 and the combined political and economic crisis in Indonesia opened a new chapter in Indonesia-Australia relations. Australia increased economic and humanitarian assistance to Indonesia in response to the economic crisis, and joined other countries in endorsing moves by Soeharto's successor, B.J. Habibie, toward political liberalization and democratic reform. In these circumstances, Australia's current Prime Minister, John Howard, saw an opportunity to resolve the Timor issue and remove the major irritant in the relationship. In effect reversing longstanding Australian policy, in December 1998 Howard wrote to Habibie urging him to consider autonomy for East Timor and an eventual referendum on the territory's future.

Howard's initiative had uncalculated results. In January 1999, Habibie suddenly announced that he was proposing an immediate referendum in East Timor, with the alternative of independence if the Timorese rejected an autonomy arrangement. He apparently made this offer without consulting the Indonesian armed forces, which staunchly opposed independence for East Timor. Months of subsequent negotiations between Indonesia, Portugal, and the United Nations led to agreement in May on the procedures for the referendum, to be held in July and administered by the UN. Presumably at the insistence of the military, Indonesia demanded and was granted sole responsibility for security throughout the process, and the UN election apparatus (UN Assistance Mission for East Timor or UNAMET) was to be unarmed.

The July target proved overly ambitious. Indonesia was already preoccupied with preparations for national parliamentary elections in early June, three years ahead of schedule and under completely new rules with open competition for the first time in three decades. In East Timor, organizing a referendum at the same time injected further complications. As early as March, pro-integration militias associated with the Indonesian military began attacking pro-independence Timorese. The attacks continued and escalated following the arrival of UNAMET elements in May and June, and triggered criticism of Indonesian conduct including public condemnations by UNAMET of Indonesian military support for the militias. The date of the referendum was pushed back twice -- eventually to August 30.

Although it had misgivings about an early, ill-prepared referendum, the Australian government made a major contribution to UNAMET and also took a leading role in pressing Indonesia to live up to its commitment to provide security. Indonesian officials and military leaders in turn quickly came to view UNAMET as biased towards the pro-independence side in East Timor, and to see Australia as the principal force behind UNAMET and international criticism of Indonesia. Thus by mid-1999, the East Timor issue was causing increasing strains in Indonesia-Australia relations.

A Pyrrhic Referendum: Rampage and Reactions

The months of July and August were punctuated by further incidents in East Timor, continued criticism of Indonesia by Australian officials and others, and some calls for the dispatch of armed international peacekeepers. Australian forces in Darwin, less than 500 miles from Timor, were placed on heightened alert and prepared for a possible peacekeeping mission. Although official Australian statements were measured, and accompanied by reiteration of the importance Australia attached to relations with Indonesia, these Australian actions only strengthened Indonesian irritation and suspicions.

Despite the difficult security conditions and horrendous logistical problems, the referendum in East Timor took place on August 30. The voting proceeded in a relatively peaceful manner, and the turnout was massive, over 98 percent of registered voters. On September 4 the UN announced that an overwhelming 78.5 percent of the ballots favored the independence option. This unequivocal result effectively foreclosed any reasonable question about the real desires of the Timorese people.

However, this outcome was not acceptable to the pro-integration side. The announcement was followed immediately by a massive wave of violence on the part of the pro-Indonesian militias – killings, mass evictions, looting, and arson. The Indonesian security forces generally just stood by or in some cases even joined in the rampage, fueling the inevitable presumption that the campaign had been engineered by the Indonesian military, as a “scorched earth” policy to discourage other restive Indonesian provinces such as Aceh from following East Timor’s example. Weak excuses by Indonesian officials for the inaction of the security forces, coupled with Indonesia’s firm rejection of suggestions that it enlist international assistance in restoring order, reinforced this impression.

Reports of wholesale destruction and atrocities increased pressures for armed intervention by the United Nations to restore peace. By coincidence, the annual APEC ministerial and leaders meetings were taking place, in New Zealand, throughout the second week of September (with most regional heads of government present, with the notable exception of Habibie); this facilitated intense consultations and coordinated pressure on the Indonesian government. On September 12 Habibie agreed to accept an international force, on September 15 the UN Security Council authorized the force, and on September 20 the first elements of an Australian-led and largely Australian-manned International Force for East Timor (INTERFET) arrived in the territorial capital of Dili.

In Australia, the post-referendum events in East Timor evoked a strong public reaction. Demonstrators burned Indonesian flags, port workers refused to service Indonesian trade or mail, and there was massive media coverage including television broadcasting viewable in Indonesia. As security conditions in East Timor continued to deteriorate, and most of the foreign press and eventually even the UNAMET operation withdrew, speculation grew that the Indonesian forces were deliberately trying to force out all international personnel so that the destruction could proceed unobserved. Nevertheless, emotive reports continued to flow from Darwin, including eyewitness accounts by refugees, and from various sources in Timor. As public pressure for action mounted, the Australian government announced a cutoff of military assistance to Indonesia, and Howard openly questioned the utility of the Indonesian-Australian security agreement.

Ironically, the East Timor crisis also renewed old uncertainties in Australia about its defense alliance with the United States – reflecting fears both of undue U.S. control and unreliability. Articles in July citing unidentified officials reported U.S. pressure on Australia to coordinate contingency planning for East Timor, and Australian resistance due to concerns over damage to Indonesian-Australian relations. After Australia took the lead in organizing the international force in September, media commentary stressed that U.S. unwillingness to contribute ground troops to the operation had left Australia on its own. Reassurance by Prime Minister Howard and others of close U.S. cooperation and significant support for INTERFET in turn produced stories in late September asserting that Australia had assumed the role as “deputy” for the United States in policing the region, forcing Howard to stress in Parliament that Australia was acting in its own interest.

Reactions in Jakarta

The rising chorus of international criticism, especially from Western countries, produced a nationalistic backlash in Indonesia. Australia was the most conspicuous target, with some sensational press reporting suggesting ulterior Australian motives such as territorial or other gains, and demonstrations against Australian government and business facilities in Jakarta and other cities. Security forces did little to discourage the demonstrators, and Indonesian political leaders from virtually all quarters joined in denouncing Australian treachery. In an unprecedented personal address to the Indonesian parliament on September 22 in which he explained his decision to accept the international force and urged acceptance of the outcome of the referendum, Habibie accused Australia of overreacting to events in East Timor and causing the deterioration of the bilateral relationship.

On September 16, Indonesia canceled the security treaty with Australia. At the end of September the dispatch of Indonesia’s new Ambassador to Canberra was postponed (although government spokesmen insisted this was only a temporary measure and denied rumors of an impending suspension of diplomatic relations). Indonesian trade officials offered to assist Indonesian firms in locating alternative sources for beef and other imports from Australia. Most Australian companies that had been exploring prospects in Indonesia put their plans on hold, and many businessmen packed their bags.

Prospects: Down but not Out

Indonesia-Australia relations have reached a low ebb. They seem destined to remain this way for some time, and could even deteriorate further. East Timor is the overwhelming issue, and although Australian actions will have a significant influence on the course of events in East Timor due to its leading role in INTERFET, the major responsibilities – and difficulties – in resolving this issue ultimately lie on the Indonesian side.

A particular concern is the possibility that the Indonesian military intends to organize and support resistance by the Timorese militias to INTERFET, resulting in Australian casualties. As September ended, Australian officials were warning that INTERFET would pursue attackers across the border into Indonesian West Timor if necessary, and Indonesian spokesmen in turn were warning that the Indonesian military would resist any such incursions. A long, costly

struggle in East Timor would likely erode support within Australia for continued military involvement, but would not improve Indonesia's standing with either the Australian public or government. Australian Defense Minister John Moore told a conference in late September that Australia would need to wait for the outcome in East Timor before determining how to rebuild the relationship.

Another major imponderable is the election of Indonesia's next president, to be decided in late October by a People's Consultative Assembly. The wave of nationalism and anti-Australian sentiment produced by the Timor crisis could influence the competition among several presidential candidates and factions, and thereby affect the composition and policy orientation of the next government. If nationalistic appeals play an important role in assembling the winning coalition, early Indonesian moves toward reconciliation with Australia would be more difficult and less likely. On the other hand, should the Assembly (against most expectations) produce a reasonably cohesive and reform-oriented government that is strong enough politically to assert its authority over the military, the Timor issue would be more susceptible to resolution and Indonesia-Australia relations could stabilize more rapidly.

Whatever the specific course and timing, however, relations between the two countries almost inevitably will survive and eventually revive. As next-door neighbors, Indonesia and Australia are condemned to live with each other, and the benefits of economic and other cooperation provide a standing incentive for a positive relationship. These pragmatic factors underpinned the gradual improvement in Indonesia-Australia relations over the last two decades. Their moderating influence will be felt again, and even in the midst of the current disaster responsible voices on both sides have maintained this longer-term perspective. Outgoing Indonesian Ambassador to Australia Wiryono Sastrohandoyo, who left Canberra on September 30, put it this way:

God has made our two countries neighbors, and our economic and security interests link us inextricably. It is the challenge, and the grave responsibility, of men and women of goodwill on both sides not to allow the relationship to be damaged further.

Nevertheless, as the third quarter of 1999 came to a close, the downward slide was still continuing, and the political will to reverse it was not yet visible.

Chronology of Indonesia-Australia Relations

July - September 1999

Aug 8, 1999: Original date for East Timor referendum on autonomy within Indonesia or independence, as set by May 5 agreement between Indonesia, Portugal, and the UN.

Aug 30, 1999: After two postponements, East Timor referendum is held, monitored by UN Assistance Mission for East Timor (UNAMET) with significant Australian support and staff.

Sept 4, 1999: UN announces result of referendum – 78.5% for independence; pro-Indonesian militias begin rampage of violence.

Sept 6, 1999: Home of Nobel Prize winner Bishop Carlos Belo burned, Belo flees to Darwin; most foreign press also leave East Timor.

Sept 10-13, 1999: APEC ministerial and heads of government meetings in Auckland, New Zealand; side consultations concert pressure on Habibie over East Timor.

Sept 12, 1999: Habibie agrees to accept UN security force in East Timor.

Sept 14, 1999: Remaining UNAMET staff and Timorese sheltering in UNAMET compound in Dili evacuate from East Timor to Darwin, Australia.

Sept 15, 1999: UN Security Council authorizes establishment of interim multinational force in East Timor, preparatory to a formal UN peacekeeping mission and UN transitional administration.

Sept 16, 1999: Indonesia cancels 1995 bilateral security pact with Australia.

Sept 20, 1999: First contingents of Australian-led and largely Australian-staffed International Force for East Timor (INTERFET) arrive in Dili.

Sept 20, 1999: Unidentified gunmen fire three shots at the Australian Embassy in Jakarta.

Sept 21, 1999: Australian Prime Minister Howard in statement to Australian Parliament on East Timor referendum and multinational force reiterates Australian desire for a good relationship with Indonesia, welcomes democratic transition, and cautions Australian protesters against violence.

Sept 22, 1999: Habibie in address to Indonesian Parliament explains decision to accept international force in East Timor, urges acceptance of referendum result, blames Australia for deterioration of relations.

Sept 27, 1999: Formal transfer of security authority in East Timor from Indonesian commander Maj. Gen. Kiki Syahnakri to INTERFET Commander (Australian) Maj. Gen. Peter Cosgrove.

Sept 27, 1999: UN Human Rights Commission votes to conduct an inquiry into violations by Indonesian military in East Timor; Australia supports, Indonesia and other ASEAN states oppose.

Sept 27, 1999: Indonesian trade minister announces government program to find substitute sources for goods imported from Australia.

Sept 29, 1999: Habibie postpones sending new Indonesian Ambassador, Arizal Effendy, to Australia.

Sept 30, 1999: Australian government announces INTERFET troops may cross border into Indonesian West Timor in pursuit of attackers; Indonesian government warns that border crossing by INTERFET forces could lead to clashes with Indonesian troops.

About The Contributors

Richard Baker is an International Relations Specialist at the East-West Center in Honolulu, Hawaii. In 1998 he was concurrently a Visiting Professor at the Asia-Pacific Center for Security Studies. Since mid-1998, he has also assisted the president of the East-West Center in organizational and managerial functions. Mr. Baker was previously a career officer in the United States Foreign Service. He served in Singapore (1967-69), Indonesia (1972-76), and Australia (1984-87), as well as on the staff of the Under Secretary of State for Political Affairs and in the Bureau of African Affairs at the Department of State in Washington. His major recent research has been on Indonesian politics and economics; he is the principal editor of a book on institutional change and issues in Indonesia published in early 1999. He holds a B.A. in Politics and Economics from Yale University and a Master of Public Affairs degree (in international relations) from the Woodrow Wilson School at Princeton University.

David G. Brown is Associate Director of the Asian Studies Department at The Johns Hopkins' School for 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.

Keith Bush is the Director of the Russian and Eurasian Program at the Center for Strategic and International Studies (CSIS). He directed Radio Liberty Research at RFE/RL in Munich, supporting the 21 broadcast services of RFE/RL. In addition to his book From the Command Economy to the Market, Mr. Bush has published some 600 articles, reviews, and submissions to the Joint Economic Committee of the US Congress on political, social, and economic developments in the former USSR. He has taught at Munich University and at the Colorado College. Mr. Bush was educated at Dulwich College, the Royal Military Academy Sandhurst, and at the Russian Research Center of Harvard University.

Victor D. Cha is an assistant professor in the Department of Government and School of Foreign Service, Georgetown University, Washington, D.C. He is the author of a new book, Alignment Despite Antagonism: The United States-Korea-Japan Triangle. Dr. Cha is a recipient of numerous academic awards including the Fulbright (Korea), and MacArthur Foundation Fellowships. He spent two years as a John M. Olin National Security Fellow at Harvard University's Center for International Affairs and as a postdoctoral fellow at the Center for International Security and Arms Control, Stanford University. He is currently on leave as 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.

Ralph A. Cossa is Executive Director 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.

Rebecca Goodgame Ebinger is a Junior Researcher at Pacific Forum CSIS in Honolulu. In addition to being co-editor of *Comparative Connections*, she assists with editing and research on a variety of projects on Asia-Pacific affairs, including a recent PacNet article, "The Top Five Threats to Asian Security: The Korean Peninsula Tops the List; China Issues Loom Large." Prior to joining Pacific Forum, Ebinger served as a Program Associate for the Washington Program of the Council on Foreign Relations facilitating conferences on a broad spectrum of foreign affairs topics. Rebecca Ebinger studied in Tokyo at Sophia University and graduated with a BSFS from the Georgetown University School of Foreign Service.

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 BA from Boston University in political science and her MA from The Johns Hopkins' School of Advanced International Studies with a concentration in international economics and Chinese studies.

Gerrit W. Gong is Freeman Chair in China Studies at the Center for Strategic and International Studies (CSIS) in Washington, D.C., and has directed the CSIS Asian Studies Program since 1989. He has taught and researched on the faculties of Oxford, Georgetown, and Johns Hopkins Universities. Dr. Gong's State Department assignments included serving as Special Assistant to two U.S. Ambassadors in the U.S. Embassy in Beijing. He also served as Special Assistant to the senior career officer in the State Department, the Under Secretary of State for Political Affairs, as well as at the American Institute in Taiwan (AIT). He testifies before Congress on a range of East Asia issues, e.g., the future of Hong Kong, PRC-Taiwan relations, etc. A Rhodes Scholar, Dr. Gong holds Masters and Ph.D. degrees in International Relations from Oxford University.

Michael Green is Olin Fellow for Asian Security at the Council on Foreign Relations and acting director of the Edwin O. Reischauer Center for East Asian Studies at the Paul H. Nitze School of Advanced International Studies (SAIS) at The Johns Hopkins University. Previously, Dr. Green served as a research staff member at the Institute for Defense Analyses and a special advisor to the Office of Asia Pacific Affairs in the Pentagon. He also was a visiting professor at SAIS and special assistant to a member of the Japanese Diet. Dr. Green received his MA and Ph.D. from SAIS, and his BA in History from Kenyon College. He also studied at Tokyo University as a Fulbright Fellow.

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 US 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 MA in International Relations and a Ph.D. in Diplomatic History from the University of Chicago.

Sheldon W. Simon is professor of political science and faculty associate of the Center for Asian Studies and Program in Southeast Asian Studies at Arizona State University. He also serves as director of Southeast Asian projects at The National Bureau of Asian Research (Seattle). Dr. Simon has served as a consultant for the Departments of State and Defense as well as the US information Agency. His most recent book is a co-edited volume with Richard Ellings, Southeast Asian Security in the New Millenium.

Janet Snyder is currently reporting for the Hawaii Tribune-Herald after 12 years with Reuters and more than two decades in Asia. She served as Deputy Chief Correspondent in Tokyo for Reuters from 1997 to 1999, pioneered Reuters Financial Television network in Asia as its first anchor from 1994 to 1997, and served as a correspondent to China. Prior to her time with Reuters, she served as a correspondent in Japan for United Press International and as a news researcher for NBC News in Hong Kong. Janet Snyder received a BA degree in Japanese and a Masters degree in Journalism from Columbia University.

Scott Snyder is an Asia specialist in the Research and Studies Program of the U.S. Institute of Peace, currently on leave as an Abe Fellow, a program administered by the Social Sciences Research Council. He has recently 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.

Carlyle A. Thayer is Professor in the College of Security Studies at the Asia Pacific Center for Security Studies. Prior to joining the APCSS Dr. Thayer served at the Australian Defense Force Academy in various capacities, including Professor of Politics, Head of the School of Politics and Coordinator of the Graduate Program in Defense Studies. His most recent publication is Renovating Vietnam: Political Change in a One-Party State. Dr. Thayer was educated at Brown University and holds an MA in Southeast Asian Studies from Yale and a Ph.D. in International Relations from Australian National University.

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.