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Regional Overview: Let Freedom (and Democracy) Ring! by Ralph A. Cossa

The 2006 *National Security Strategy* was released this quarter. Coverage focused on preemption, largely overlooking the emphasis on the promotion of freedom and democracy. How far and fast a nation (like China) proceeds down the path toward democracy – or refuses to do so (North Korea and Myanmar) – will reshape relations with a State Department reoriented toward “transformational diplomacy.” The practice of democracy has proven difficult for Manila and Bangkok, and challenged U.S. relations with Taipei. One significant gathering of democracies this quarter was the inaugural ministerial-level Australia-U.S.-Japan Trilateral Strategic Dialogue focused, in part, on supporting the emergence of new democracies. President Bush advanced his “strategic partnership” with the world’s largest democracy, India, during his March visit.

U.S.-Japan Relations: Unfinished Business by Brad Glosserman

After a dizzying five-year run during which Japanese actions consistently exceeded U.S. expectations, old habits reasserted themselves in the first quarter of 2006. Unfinished business – base relocations and the reimposition of the Japanese ban on imports of U.S. beef – bedeviled both governments, while coordination on a range of other global issues proved equally frustrating. This is especially troubling as Japan becomes focused on the transition to the post-Koizumi era. There is a real danger that alliance issues will fester as the Japanese gaze narrows to domestic concerns. Resolving these issues will require sustained input from and the use of political capital by the highest levels of government. Failure could reverse many of the striking gains of the last four years, undo significant parts of the Koizumi legacy, and plunge the U.S.-Japan alliance into crisis.

U.S.-China Relations: Discord on the Eve of the Bush-Hu Summit by Bonnie S. Glaser

Economic issues garnered most of the attention this quarter with U.S. officials and members of Congress pressing China to address the trade imbalance, revalue China’s currency, and curtail intellectual property rights (IPR) violations in advance of Hu Jintao’s April visit to the United States. Summit preparations were conducted in high-level visits. Deputy Secretary of State Robert Zoellick met Chinese leaders in Beijing and hugged a panda in Chengdu. Chinese Vice Foreign Minister Yang Jiechi visited Washington, D.C. and urged the Bush administration to rein in Taiwan President Chen Shui-bian. The *National Security Strategy* and the Pentagon’s *Quadrennial Defense Review* provoked Chinese condemnation.

U.S.-Korea Relations: Forward on Trade as Nuclear Talks Sputter by Donald G. Gross

North Korea and the U.S. sought common ground this quarter for resuming the Six-Party Talks. The DPRK delegation traveled to New York for a “working-level” meeting to discuss U.S. financial sanctions for North Korea’s alleged counterfeiting of U.S. dollars. Pyongyang said it would continue to boycott the nuclear talks until Washington lifted the financial sanctions; Washington argued the sanctions were a “law enforcement measure” not linked to the nuclear issue. In early February, the U.S. and ROK announced the start of free trade agreement talks. Seoul, in particular, took great pains to get the talks started by meeting the conditions laid down by USTR to initiate the FTA negotiations: cutting the “screen quota” in half and resuming the import of U.S. beef. ROK President Roh Moo-hyun indicated that the FTA was a top policy goal for the remainder of his term.

U.S.-Russia Relations: The Lines Are Drawn by Joseph Ferguson

U.S.-Russia relations appear to have reached a turning point in the first months of 2006. The momentum behind this turn has been building, but events of the past three months have put the future of the strategic partnership in doubt. There are the usual disagreements – U.S. designs in Central Asia and the Caucasus, Russia’s stalled democratic development, and the fate of Ukraine and Belarus – as well as a number of other issues that threaten the U.S.-Russian partnership. These include the Iranian nuclear issue, Moscow’s *rapprochement* with Beijing, and a report that Russian diplomats may have shared sensitive information with Saddam Hussein’s regime about U.S. war plans in Iraq in 2003. Strategic competition, and not a continuation of the strategic partnership, might be the future of the relationship.

U.S.-Southeast Asia Relations: U.S. Ratchets Up Regionalism and Boosts Ties with Muslim States by Catharin Dalpino

To reverse impressions that the U.S. is out of sync with regional dynamics, the State Department floated the idea of a formal U.S.-ASEAN Summit and speculated on a U.S. role in the next East Asia Summit. Secretary of State Condoleezza Rice made her first visit to Jakarta, while U.S. Trade Representative Rob Portman launched negotiations with Malaysia on a free trade agreement. Protests in Thailand put U.S.-Thai Free Trade Agreement talks on ice, but the *Balikatan 2006* exercises went forward in the Philippines as planned, despite a declaration of national emergency. As the U.S. and Vietnam moved closer to agreement on Hanoi’s accession to the WTO, the focus began shifting to Congress and the debate on Permanent Normal Trade Relations. In Cambodia, the return of opposition leader Sam Rainsy led Washington to contemplate shifts in U.S. policy.

China-Southeast Asia Relations: Progress with Limitations

by Robert Sutter

The visit of Myanmar's prime minister to China in February was the highlight in bilateral exchanges. Senior Chinese leaders were preoccupied with issues related to the new five-year development plan and significant changes in domestic laws and regulations considered at the annual National People's Congress (NPC) session in March. Chinese leaders had little to say about policy toward Southeast Asia at the Congress. This reflected the absence of significant controversy in China-Southeast Asia relations rather than any diminution of Chinese interest in the region. There was little official reaction in Southeast Asia to the disclosure by the NPC that China's defense budget would increase over 14 percent in 2006.

China-Taiwan Relations: Missed Opportunities

by David G. Brown

The agreement to expand direct cross-Strait charter flights during the Lunar New Year could have marked the resumption of progress on practical cross-Strait ties. However, President Chen announced on Jan. 1 that he would more "actively manage" – read: tighten restrictions on – cross-Strait economic ties. Still, senior Chinese officials continued to signal their interest in expanding cross-Strait ties. In late January, President Chen announced his intention to abolish the National Unification Council and Guidelines, a move that sparked a sharp response from Washington and Beijing. In the end, Chen stopped short of abolishing the Council and Guidelines. In late March, Chen announced steps to implement further restrictions on investment in China. As a result, mutually beneficial economic ties have once again fallen victim to the president's domestic political maneuvers.

North Korea-South Korea Relations: Squally But Steady

by Aidan Foster-Carter

The variety and density of interactions testify to ever-growing ties between North and South. No one in Seoul (or at least in the ROK government) appears inclined to let the continuing impasse over the Six-Party Talks derail or even decelerate North-South links. However, it is not all plain sailing. The North is reluctant to make concessions and continues to stall on implementing agreements. Defenders of the Sunshine Policy can point to subtle changes in North Korea's stance. Pyongyang's extreme rhetoric continues unabated, but its deeds talk louder. This careful calibration suggests a deepening commitment to the relationship. A more cynical view is that Kim Jong-il knows not to push the goose too far lest it stop laying golden eggs, in what remains financially and otherwise a very one-sided process.

China-Korea Relations: Kim Jong-il Pays Tribute to Beijing – In His Own Way

by Scott Snyder

Kim Jong-il's visit to China in January appears to have been a turning point for the Korean Peninsula and the DPRK nuclear issue, at least from the perspective of these two countries. The fact that Kim's route overlapped with that of Deng Xiaoping's famous 1992 southern tour stimulated further speculation about potential North Korean economic reform. China's embrace of Kim has produced considerable angst in South Korea, which fears that North Korea will become "China's fourth northeastern province," and thwart

South Korean hopes for influence and eventual unification with North Korea. There is growing concern in South Korea about the "China threat," but this refers to China's erosion of Korean technological advantages even as China's growth remains a boon to South Korean producers in many sectors.

Japan-China Relations: Looking Beyond Koizumi

by James J. Przystup

The quarter ended as it began – with Prime Minister Koizumi expressing his inability to understand why China and the ROK refused to hold summit meetings due to differences over Yasukuni Shrine. Meanwhile, China's leadership made clear that it was already looking to a post-Koizumi future. Beijing hosted a number of high-level political delegations and courted potential Koizumi successors. Diplomatic efforts to resolve issues related to the exploration and development of natural gas fields in the East China Sea failed to make progress. In the face of "cold politics," economic relations continued "hot." Japan's trade with China hit a record high in 2005, reaching \$189 billion.

Japan-Korea Relations: Seirei Ketsuzetsu (Cold Politics, Warm Economics)

by David C. Kang and Ji-Young Lee

The first quarter produced no movement in Japan-South Korea relations, nor Japan-North Korea relations. Japan-North Korea relations remained stalled over the abductee issue, and Japan-South Korea political relations remain stalled over Yasukuni Shrine. The Japanese and ROK economies continue to integrate and interact, and cultural relations experienced no real controversies. The next quarter looks to be a continuation of this one. Japan and North Korea have not scheduled another round of bilateral talks, and Roh Moo-hyun and Koizumi Junichiro show no signs of extending the olive branch that will allow them to resume summit meetings. South Korea and Japan will continue discussions about a free-trade area, but negotiations are likely to make little progress.

China-Russia Relations: China's Year of Russia and the Gathering Nuclear Storm

by Yu Bin

By any standard, China's "Year of Russia" is unprecedented. The year-long celebration was officially inaugurated with President Putin's fourth visit to China in March. Both sides hailed the relationship as being at the "highest level" and as the "strongest ever." Political elites in Beijing and Moscow were faced with the challenging task of bridging misperceptions and dislike between ordinary Chinese and Russians that persist despite a decade of strategic partnership. This is particularly needed when the world, according to Moscow and Beijing, is overshadowed by the gathering "nuclear storm" of Iran and North Korea. Both have friendly relations with Russia and China while continuing to be at odds with the U.S., which is increasingly impatient with the nuclear potential of the two "rogue" states.

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