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### **Regional Overview: Bangs, Blinks, and Ballots**

by Ralph A. Cossa and Brad Glosserman

The quarter started with a bang, literally, as North Korea made good on its threat to test a nuclear weapon, resulting in a strongly worded (but not strongly enforceable) UNSCR 1718 imposing sanctions. To the surprise of some, Pyongyang agreed to return to the Six-Party Talks this quarter; to the surprise of virtually no one, the talks went nowhere. The second East Asia Summit was postponed, but the Asia Pacific Economic Cooperation Leaders Meeting did take place on schedule, along with a side meeting between President Bush and the "ASEAN Seven." Democracy took another hit, this time via a military coup in Fiji, even as the road back to democracy in Thailand is proving longer than promised. The Asia Pacific economic outlook remains good, with the region continuing to set the pace for the rest of the world.

### **U.S.-Japan Relations: Abe Shows the Right Stuff**

by Michael J. Green and Shinjiro Koizumi

Pyongyang added another provocation with the Oct. 9 nuclear test. The prospect of another nuclear weapons state in Japan's neighborhood was bad news, but the test also created an opportunity for Japan and its neighbors to forge a consensus on this new regional security challenge. While the nuclear test posed a significant threat to Tokyo and prompted discussions of nuclearization as a means to strengthen Japan's deterrence, it also led the U.S. to reaffirm its commitment to defend Japan under the nuclear umbrella. Prime Minister Abe faced a series of security and diplomatic challenges that allowed him to show that he has the "right stuff" to be prime minister, despite his relative youth and inexperience. But a sudden sag in popularity and questions about his commitment to economic reform will be areas to watch in the new year.

### **U.S.-China Relations: Dialogue Boosts Ties, Even Without Results**

A gaggle of Cabinet secretaries, led by Treasury Secretary Paulson, traveled to Beijing to launch the Strategic Economic Dialogue. No breakthroughs were achieved, but both sides seemed pleased with the outcome. Pyongyang tested a nuclear device in early October and there was no tangible achievement in the resumption of Six-Party Talks, even though intensive consultations between Washington and Beijing boosted bilateral ties. Midterm elections that gave the Democratic Party control over Congress generated some concern in China about increased pressure on trade and human rights. On balance, however, Beijing remained confident that China-U.S. relations would remain on a positive track. Mil-to-mil ties continued apace with a three-day U.S. ship visit to Zhanjiang, joint military exercises between the U.S. Navy and Marines and their Chinese counterparts, and a visit to China by the U.S. Pacific Fleet commander.

### **U.S.-Korea Relations: North Korea Tests a Nuke and Returns to the Six-Party Talks**

by Donald G. Gross

North Korea made good on its threat to conduct a nuclear test on Oct. 9. The test generated political shock waves and led to sanctions imposed by the UN Security Council. Under tremendous pressure from the international community and China, in particular, North Korea announced Oct. 31 that it would return to the Six-Party Talks. When the talks reconvened in Beijing Dec. 18, little progress was made other than reaffirming the Sept. 19, 2005 Joint Statement. The U.S. and South Korea agreed in late October to transfer wartime operational control of Korean troops to South Korea sometime between 2009 and 2012. In ongoing negotiations on an FTA, the U.S. and ROK ran into difficulty on issues including autos, pharmaceuticals, antidumping measures, and beef.

### **U.S.-Russia Relations: Trade, Nukes, and Energy**

by Joseph Ferguson

The issues topping the bilateral agenda were trade, nuclear proliferation, and energy security. That nuclear proliferation and energy security were at the top of the list should come as no surprise. The big news was that Washington had agreed in principle to Russia's long-awaited accession to the World Trade Organization (WTO). Presidents Bush and Putin met twice during the quarter, in Moscow and Hanoi, to discuss the WTO, Iran, and the DPRK. A surprise announcement by the Japanese foreign minister about the disputed "northern territories" caused a few ruffles in Moscow and Tokyo, but the Japanese-Russian relationship returned to its stagnant state by the end of the quarter.

### **U.S.-Southeast Asia Relations: U.S. Reaches Out at APEC**

by Sheldon W. Simon

In his November visit to Southeast Asia and the Hanoi Asia Pacific Economic Cooperation (APEC) Leaders Meeting, President Bush raised the prospect of an Asia-Pacific free trade area, discussed implementation of the ASEAN-U.S. Enhanced Partnership, praised Indonesia for the success of the peace process in Aceh, and assured Vietnamese officials that permanent normal trade relations would be approved by the U.S. Congress by year's end. (It was.) In the Philippines, the Visiting Forces Agreement survived a severe test when a U.S. Marine was convicted of rape and sentenced to 40 years in a Philippine prison. Due to a custodial issue over the Marine, for a time, the 2007 *Balikatan* exercise was canceled. While pressing the Thai leadership to restore democracy, Washington announced plans to hold the annual 2007 *Cobra Gold* exercise.

### **China-Southeast Asia Relations: Summitry at Home and Abroad**

by Robert Sutter and Chin-Hao Huang

Chinese President Hu Jintao and Premier Wen Jiabao engaged their Southeast Asian counterparts during a meeting in China celebrating 15 years of China-ASEAN ties, and during the APEC leaders gathering in Hanoi. The implications

of China's rise were reviewed in detail during meetings of China experts and international specialists, and in assessments by prominent scholars that went beyond headline-driven media accounts. The National People's Congress session in March may provide further clarification of what the Hu administration's emphasis on a "harmonious" world order actually means for Southeast Asia. Chinese trade and foreign investment figures issued in January should provide concrete markers of China's increasing economic role in the region.

### **China-Taiwan Relations: Continuing to Inch Forward**

by David G. Brown

As the year ends, cross-Strait tensions remain low. This is despite President Chen's efforts to promote his nationalist agenda in ways that could threaten cross-Strait stability. However, as Chen is a seriously wounded lame duck, his initiatives are often rhetorical flourishes. Despite a restrictive approach to cross-Strait economic ties, his administration approved long-pending proposals for high-tech investments in China. Beijing continues to pursue President Hu's policy of outreach to Taiwan. Discreet talks between designated associations have reportedly neared agreement on arrangements for Chinese tourism to Taiwan. Progress was finally made toward breaking the deadlock over arms procurement, with hope that initial appropriations may be approved by the Legislative Yuan early in the new year.

### **North Korea-South Korea Relations: A Nuclear Rubicon or No Change?** by Aidan Foster-Carter

The DPRK's Oct. 9 test of a small nuclear device sent the region, the world, and especially Pyongyang's five interlocutors in the then-stalled Six-Party Talks – the U.S., China, South Korea, Japan, and Russia – scurrying first to condemn, unanimously, and then to devise appropriate countermeasures. Unanimity fast evaporated as familiar policy splits persisted. To the surprise of some, Kim Jong-il deigned to return to the Six-Party Talks. President Roh Moo-hyun, a lame duck already in his final year of office, is under pressure to rethink the Sunshine Policy that has guided Seoul's *nordpolitik* since 1998. Yet all signs are that at least for this year Seoul will stick to Sunshine regardless.

### **China-Korea Relations: Political Fallout from North Korea's Nuclear Test** by Scott Snyder

Chinese responses to North Korea's test included public condemnation, approval of a stronger-than-expected UNSC resolution, speculations about how Beijing might use its leverage to rein in North Korea, reestablishment of direct talks with Kim Jong-il, and the push to resume the Six-Party Talks. The test also stimulated high-level contact between China and South Korea. Presidents Roh and Hu met during a Beijing summit one week after the test. UN Secretary General-elect Ban Ki-moon swung by Beijing on his way to New York. Despite a steady increase in Chinese-South Korean trade, investment, and tourism, the tone of China's relations with South Korea has become more sober due to sensitivities in Seoul over China's Northeast Asian history project and South Korea's trade imbalance with China.

### **Japan-China Relations: Ice Breaks at the Summit**

by James J. Przystup

The long search for a Japan-China Summit was realized Oct. 8, when Japan's new Prime Minister Abe Shinzo arrived

in Beijing and met China's President Hu Jintao and Premier Wen Jiabao. Abe and Hu agreed to build a "strategic, reciprocal relationship" aimed at enhancing cooperation and advancing a wide range of mutual interests. Both leaders agreed to address the difficult issues of history and the East China Sea, setting up expert panels to explore ways to resolve them. On the Yasukuni issue, Abe relied on strategic ambiguity, which the Chinese leadership appeared to tolerate, if not accept, in the interest of moving relations ahead. The joint history panel met in Beijing at the end of December and the East China Sea experts meeting was scheduled for early in the new year. After several years of tough going, the road ahead appears smoother and more promising.

### **Japan-Korea Relations: Abe's Ascension**

by David C. Kang and Ji-Young Lee

North Korea's missile launches in July and the election of Abe Shinzo as Japanese prime minister in September may have marked the beginning of a new chapter in Northeast Asian relations. Both events are widely seen to presage possibilities in the region. The missile launches marked the escalation of the North Korean issue to new heights, prompting a stern response even from countries such as China and South Korea. How Japan under Abe might deal with both North and South Korea has been the source of tremendous speculation; it remains to be seen how and in what manner Abe's foreign policy will develop. Even as Tokyo and Seoul haggled over territorial claims, Pyongyang's missile tests, and Yasukuni, economic relations continued to deepen.

### **China-Russia Relations: What Follows China's "Russia Year"?** by Yu Bin

By any standard, the last quarter was extraordinary for Moscow and Beijing: the first "Russia Year" in China was winding down, trade rose nearly 20 percent to \$36 billion, the Shanghai Cooperation Organization (SCO) strengthened, and their strategic interaction deepened. The rest of the world was in a state of chaos and crisis: North Korea tested nukes; the Six-Party Talks went nowhere; the UN Security Council imposed sanctions on Pyongyang and Tehran; Saddam's execution brought no stability, let alone peace, to the Middle East. Meanwhile, the world's sole superpower is seen as weakened by challenges from both outside (Iraq) and inside (midterm elections). Ironically, other major powers, including Russia and China, found themselves unable and unwilling to manage the mess.

### **India-East Asia and U.S.-India Relations: Movin' On Up**

by Satu P. Limaye

A steady if un-dramatic consolidation of ties has occurred between India and its eastern neighbors. India joined or has observer status in regional organizations such as the East Asia Summit and the SCO. Important state exchanges occurred, such as the visits of Chinese Premier Wen Jiabao (2005) and President Hu Jintao (2006) to India. Japanese Prime Minister Koizumi's 2005 visit resulted in "strategic orientation" to the India-Japan "Global Partnership." India's improved relations with the U.S., capped by the U.S.-Indian civilian nuclear agreement, also provided a positive basis to engage key Asian countries and organizations. Increasingly friendly U.S.-India ties allowed for defense cooperation, defense acquisitions, and cooperation in the area of space and nonnuclear energy.