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Regional Overview: Tests Postponed, Pending, Passed, and in Progress by Ralph A. Cossa and Brad Glosserman

The quarter opened with Assistant Secretary Christopher Hill proclaiming that we were “a few days away” from resolving the “technical issues” that halted the Korean Peninsula denuclearization process. Unfortunately, those few days did not take place until mid-June, delaying the long-awaited 60-day test of the Feb. 13 deal until next quarter. Also pending is a test of the Southeast Asian nations to develop a meaningful ASEAN Charter. The commitment of Thailand’s military leaders to restore democracy is also being tested, as is Beijing’s commitment to Hong Kong’s Basic Law on the 10th anniversary of reversion. Meanwhile, U.S. Defense Secretary Gates and China’s PLA Deputy Chief of the General Staff Zhang passed their initial diplomatic tests in their appearance at the Shangri-La Dialogue in Singapore. Finally, East Asia’s economy, 10 years after the financial crisis, appears to have nicely survived the test of time.

U.S.-Japan Relations: Steadying the Alliance and Bracing for Elections by Michael J. Green and Shinjiro Koizumi

Abe Shinzo won kudos at home and abroad by mending relations with China and Korea. Few anticipated the problems he would have on the domestic front. This quarter Abe’s success meeting with President George W. Bush and at the G-8 pushed his poll numbers up. The success of the summit was particularly reassuring in the context of growing U.S. Congressional criticism over Tokyo’s treatment of the “comfort women” issue. Abe’s administration was mired in a scandal over the government’s mismanagement of pension accounts (that his government could ill afford) in the lead up to Upper House elections at the end of July. Abe will have to survive the Upper House election if he is going to move forward with his greatest goal: constitutional revision. Still, Japanese voters appreciate toughness and perseverance, which Abe has in abundant supply, and that may save him yet.

U.S.-China Relations: Two Bilateral Dialogue Mechanisms Manage Friction by Bonnie Glaser

The second round of the Strategic Economic Dialogue produced a few agreements, but failed to make headway on the contentious issue of China’s currency valuation. U.S. lawmakers on both sides of the aisle called for Beijing to take immediate steps to reduce its \$232 billion trade surplus with the U.S. Presidents Bush and Hu Jintao met on the sidelines of the G-8 summit in Heiligendamm, Germany. While both countries opposed Germany’s push for caps on greenhouse gas emissions, they continued to disagree on the degree of responsibility that emerging economies (that are among the top emitters of greenhouse gasses) should bear for reducing emissions. The failure of many Chinese products to meet safety standards became a new source of friction. The fourth

round of the Senior Dialogue saw high-level discussions on a broad range of bilateral, regional, and global issues.

U.S.-Korea Relations: Finally Progress on the Feb. 13 Joint Agreement by Donald G. Gross

Concerted efforts by the U.S., China, the ROK, and Russia overcame “technical problems” and led to the return of some \$25 million in frozen funds to North Korea. U.S. Six-Party Talks chief envoy Christopher Hill traveled to Pyongyang to meet the DPRK foreign minister and his Six-Party Talks counterpart. Hill urged Pyongyang to accept IAEA inspectors, shut down its nuclear facilities, and attend the July round of talks. At quarter’s end, the U.S. and South Korea signed the free trade agreement (FTA). Despite the positive notes struck by U.S. and Korean trade officials, the Democratic leadership immediately denounced the FTA for adversely affecting U.S. auto makers and workers. Democrats are likely to block ratification of the FTA unless the Bush administration lobbies for the ratification.

U.S.-Russia Relations: Death of the 1990s by Joseph Ferguson

The summit at Kennebunkport, Maine between Presidents Bush and Vladimir Putin was to smooth over the rhetoric bandied about between Moscow and Washington over the past several months. The primary points of contention are defense issues in Eastern Europe and Eurasia, as well as political developments in Russia. But in fact, the summit may have signified something much more profound: the death of the 1990s relationship. In this case the death was both literal (with the passing of Boris Yeltsin) and figurative, given Russia’s economic and political resurgence and the reeling international image of the U.S. People can argue about whether the Cold War has reemerged or whether it ever went away. But one thing is clear: the 1990s have died. Russia has boldly declared that it will no longer stand by and watch the U.S. dictate the political agenda in Eastern Europe and Eurasia.

U.S.-Southeast Asia Relations: Better Military Relations and Human Rights Concerns by Sheldon W. Simon

Mil-to-mil ties with Indonesia were enhanced as plans were made for joint exercises. Jakarta also supported UNSC sanctions against Iran’s nuclear program despite negative domestic reactions. In the Philippines, the U.S. condemned the extra-judicial killings and the poor treatment of political opponents and journalists by some Philippine security forces. U.S. economic aid to the southern Philippines was praised by the Moro Islamic Liberation Front. U.S. forces continued training Philippine soldiers in the south to suppress Abu Sayyaf terrorists with some success. Thailand rejected U.S. aid in Bangkok’s counterinsurgency efforts in the Thai south. The U.S. reminded the Thai junta about the importance of restoring democracy by year’s end. ASEAN leaders have urged the U.S. to strengthen its Southeast Asian ties and not hold them hostage to U.S. Burma policy. Vietnam President Triet’s June

visit to the U.S. led to new economic deals, but was marred by complaints over human rights violations in Vietnam.

China-Southeast Asia Relations: China's Activism Faces Persistent Challenges by Robert Sutter and Chin-Hao Huang

This quarter saw the Vietnamese president's state visit to China in May and China's military diplomacy at the Shangri-La Dialogue in early June. Assessments of China's engagement in Southeast Asia show that while Beijing seeks to increase its influence in the region, it faces persistent challenges and limitations in translating its vision of a strategic partnership with Southeast Asia into a sustainable reality. The 17th Party Congress of the Chinese Communist Party will be held this fall, although exact dates have yet to be confirmed. It is expected that this year's session will see the inclusion of Chinese President Hu's "harmonious world" vision in the party doctrine as an important element of Chinese foreign policy and a better alignment of foreign policy with domestic priorities.

China-Taiwan Relations: Dueling in the International Arena by David G. Brown

Beijing has remained concerned that President Chen Shui-bian will provoke some new cross-Strait confrontation. For his part, Chen has continued to create a stronger sense of Taiwan identity during his remaining months in office. These have lead Beijing to be even more implacable in insisting that Taiwan be viewed as part of China. Much of the confrontation has been in the international arena: over the Olympics, in the WHO and other international organizations, and for diplomatic recognition. There has been little movement on cross-Strait functional issues such as cross-Strait charter flights. On the military front, Taipei has been somewhat more open about its development of offensive missiles, and the Legislative Yuan has finally appropriated funds to begin procurement of some elements of the arms package.

North Korea-South Korea Relations: On Track?

by Aidan Foster-Carter

The quarter saw growing momentum in inter-Korean relations. Having picked up speed from the Feb. 13 six-party deal, this was not derailed by the Banco Delta Asia affair and the DPRK's failure to close the Yongbyon facility. Only rice aid was withheld by Seoul, pending Pyongyang's fulfillment of the Feb. 13 agreement. Even this began to flow by quarter's end, although Yongbyon remained open; by then South Korea, like the U.S. and other six-party participants, took the North's cooperation with the IAEA as a sufficient signal of sincere intent to play ball. The usual range of contacts: assorted talks – ministerial, economic, and military – as well as family reunions took place. There were also two "firsts": the much-delayed cross-border railway test and an inter-Korean business team that looked at ROK investments in China and Vietnam.

China-Korea Relations: Strategic Maneuvers for the "Sandwich Economy" by Scott Snyder

China's shadow over the Korean Peninsula is ever looming. As soon as KORUS FTA negotiations were concluded, the ROK media played up the FTA as having a strategic and economic significance to counter the pull of China. Likewise, the North's eagerness to accept a surprise visit by Assistant Secretary Hill generated concern among some Chinese analysts that a rapid U.S.-DPRK détente would

cut China out of the picture. Meanwhile, the Sino-DPRK trade and aid relationship continues to grow, creating anxiety for South Koreans worried that China is taking advantage of special economic concessions with the North. With the China-ROK trade relationship growing, China closing the technology gap, has the South angst-ridden about being "sandwiched" between the economies of Japan and China. On the military front, China and the ROK agreed to open a hotline and exchanged visits between top defense officials.

Japan-China Relations: Wen in Japan: Ice Melting But . . .

by James J. Przystup

The April visit of China's Premier Wen Jiabao was a public diplomacy success. Wen met Prime Minister Abe Shinzo and both agreed to advance their strategic relationship. Wen addressed the Diet, a historic first; engaged early morning Tokyo joggers in conversation; and played catch with a university baseball team in Kyoto. Wen considered his visit a success. And, judging from the attention given to a mid-June meeting between President Hu Jintao and former Prime Minister Nakasone and members of the Japan-China Youth Friendship Association, so did his boss. In the run-up to the September Party Congress, the media suggested that Hu was running on a platform of improving relations with Japan. Despite repeated high-level commitments to a resolution of the East China Sea issue, little progress was made at quarter's end.

Japan-Korea Relations: Treading Water, Little Progress

by David Kang and Ji-Young Lee

Although progress was made in resolving the Banco Delta Asia dispute between the DPRK and the U.S., and IAEA inspectors returned to North Korea in June, relations between Japan and North Korea remained deadlocked, with no progress or even political will to address the issues that divide them. Seoul and Tokyo made little progress on their history issues and took the fight (over the "comfort women" issue) to the pages of the *Washington Post*. However, the meeting of the foreign ministers of China, Japan, and South Korea was a positive step, and with elections coming up in Japan and South Korea, the prospect of further foreign policy changes appears likely. The summer may see movement on the nuclear issue, and the key question will be whether the DPRK and Japan make any progress on the abduction issue.

China-Russia Relations: Partying and Posturing for Power, Petro, and Prestige . . . by Yu Bin

Russia's first-ever "Year of China" was somewhat "routinized" this quarter, following an extravagant opening in early 2007. Politicians, artists, journalists, and businessmen continued to flock to each country's major cities as hundreds of activities took place. Normal balancing and bargaining between institutions of the two partners, however, provided both progress and problems, particularly in the economic area. The long-awaited oil pipeline from Siberia to Daqing, China may be a matter of time as the pipeline infrastructure is built. Other high-profile Russian energy contracts with China, however, were either being questioned or delayed. Moscow and Beijing were working hard to prepare the Shanghai Cooperation Organization (SCO) for two events: the *Peace Mission-2007* military exercise in Russia and a friendship treaty to be signed at the SCO August summit in Kyrgyzstan.