
PACIFIC FORUM

COMPARATIVE

CONNECTIONS

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

EDITED BY
CARL BAKER
BRAD GLOSSERMAN

CREATIVE DIRECTOR
NICHOLAS CIUFFETELLI

MAY – AUGUST 2018
VOL. 20, NO. 2
SEPTEMBER 2018



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PACIFIC FORUM

Founded in 1975, the Pacific Forum is a non-profit, foreign policy research institute based in Honolulu, Hawaii. The Forum's programs encompass current and emerging political, security, economic and business issues and works to help stimulate cooperative policies in the Asia Pacific region through analysis and dialogue undertaken with the region's leaders in the academic, government, and corporate areas.

The Forum 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. We regularly cosponsor conferences with institutes throughout Asia to facilitate nongovernmental institution building as well as to foster cross-fertilization of ideas.

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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 US, 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 triannual e-journal of bilateral relations in the Indo-Asia-Pacific, edited by Carl Baker and Brad Glosserman, with Ralph A. Cossa as senior editor, was created in response to this unique environment. *Comparative Connections* provides timely and insightful analyses on key bilateral relationships in the region, including those involving the US.

We regularly cover the 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 US-Southeast Asia and China-Southeast Asia countries consists of a summary of individual bilateral relationships, and may shift focus from country to country as events warrant. Other bilateral relationships may be tracked periodically (such as various bilateral relationships with Australia, India, and Russia) as events dictate. Our Occasional Analyses also periodically cover functional areas of interest.

Our aim is to inform and interpret the significant issues driving political, economic, and security affairs of the US 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 reporting period. A regional overview section 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.

The online version of *Comparative Connections* is available at <https://cc.pacforum.org>.

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In last fall's *National Security Strategy* (NSS), the Trump administration began using the term Indo-Pacific to describe an expanded Asia-Pacific region. At this year's Shangri-La Dialogue in early June, Defense Secretary James Mattis began describing a strategy to fit the region, a "whole-of-government Indo-Pacific strategy that espouses the shared principles that underpin a free-and-open Indo-Pacific." It differs from, but could encompass the so-called Quad, an informal four-party grouping of regional democracies involving Australia, India, Japan, and the US, which is also based on common values and a common commitment to the rule of law. The strategy accepts and endorses "ASEAN centrality," a point reinforced by Secretary of State Mike Pompeo during his visit to Singapore for the ASEAN Ministerial meetings and the ASEAN Regional Forum (ARF) in early August. Prior to departing for Singapore, Pompeo laid out "America's Indo-Pacific Economic Vision" in his speech to the US Chamber of Commerce. While the US is envisioning its economic strategy, the so-called TPP-11 is proceeding without Washington, as is Beijing in pursuing its own more expansive Belt and Road Initiative (BRI).

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BY SHEILA A. SMITH, COUNCIL ON FOREIGN RELATIONS & CHARLES MCCLEAN, UNIVERSITY OF CALIFORNIA, SAN DIEGO

Relations between Tokyo and Washington grew more complex over the summer. The decision by President Donald Trump to meet North Korean leader Kim Jong Un marked a new phase of alliance coordination on the strategic challenge posed by Pyongyang. Trade relations also continued to create an undercurrent of discord. No consensus emerged on a free-trade agreement and the sense that the Trump administration was preparing to impose tariffs not only on steel and aluminum but also on the auto industry added to trepidation over the economic relationship. By the end of the summer, there were signs that the US and Japan were beginning to synchronize their approaches to the Indo-Pacific region as an economic cooperation agenda seems to be emerging. Meanwhile, politics in both capitols this fall make predictions about policy coordination difficult. Prime Minister Abe Shinzo faces his party's leadership election on Sept. 20, a contest he is likely to win but an opportunity for others in the party to push him on his priorities. In the US, midterm elections promise a referendum on the Trump administration and the increasing turmoil surrounding the White House.

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BY CATHARIN DALPINO, GEORGETOWN UNIVERSITY

Southeast Asian governments have warmed to the Indo-Pacific concept being promoted by the US, which reinforces their own inclination to expand the cast of regional powers to balance China’s rise. However, they are still wary that a disorganized Trump administration will not be able to translate its rhetoric into policies. In the meantime, they fear being caught between Washington and its Northeast Asian adversaries. Apart from possible clashes between regional powers, Southeast Asia itself offers a number of challenges to smooth relations with the US. Recent elections in Malaysia and Cambodia are two of them, albeit for different reasons. In Indonesia, candidates have been declared for the 2019 presidential elections that could feed growing religious nationalism and anti-Americanism. The Rohingya refugee crisis has ratcheted up tensions between the West and Myanmar over the impact of the 2017 crackdown.

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BY ROBERT SUTTER, GEORGE WASHINGTON UNIVERSITY & CHIN-HAO HUANG, YALE-NUS COLLEGE

China's supporters and detractors tend to agree that China has made substantial gains in recent years in advancing Beijing's influence in relations with Southeast Asian countries and with ASEAN. Nevertheless, the main countercurrent comes from the United States and its allies and regional partners, along with some ASEAN member states at times showing growing opposition to Chinese policies and practices. At bottom, China's rise remains contested, the balance of influence in Southeast Asia is in flux, and the outlook is uncertain.

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BY DAVID G. BROWN, JOHNS HOPKINS SCHOOL OF ADVANCED INTERNATIONAL STUDIES & KYLE CHURCHMAN, JOHNS HOPKINS UNIVERSITY

Beijing has ratcheted up pressure on President Tsai Ing-wen, while also promoting Taiwan's integration with China. In response, Tsai has strengthened ties with major powers and modestly increased support for defense. Despite Chinese and domestic pressures, Tsai has adhered to her cross-strait policy. Taiwan's November local elections could have implications for the 2020 presidential election and future cross-strait relations. Beijing remains concerned about US policy toward Taiwan. The Trump administration has taken steps to support Taiwan, but the president appears at times to see Taiwan as an element useful in US-China negotiations. The American Institute in Taiwan (AIT) dedicated its new office building in Taiwan, but no Cabinet official participated.

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BY SCOTT SNYDER, COUNCIL ON FOREIGN RELATIONS & SEE-WON BYUN, SAN FRANCISCO STATE UNIVERSITY

Building on the first Xi-Kim summit held in March, Kim Jong Un visited China twice on May 7-8 and June 19-20 for talks with President Xi Jinping, before and after the Trump-Kim summit on June 12. The Xi-Kim meetings affirmed Pyongyang’s commitments to peninsular peace and denuclearization embodied in the April 27 Panmunjom Declaration, but also raised South Korean uncertainties over China’s role and intentions. Although North Korea took its first step toward denuclearization by destroying its Punggye-ri atomic bomb test site, skeptics questioned the significance of the move. Beijing and Seoul forged a favorable environment for regional security cooperation by resuming working-level defense talks. Trilateral talks with Japan also resumed after a three-year deadlock. Despite indications of improving economic and cultural ties, the China-ROK security relationship remains constrained by strategic differences regarding implementation of the peace and denuclearization process.

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BY JUNE TEUFEL DREYER, UNIVERSITY OF MIAMI

Government-to-government relations were cordial over the summer, with the public expression of differences minimized to emphasize their common opposition to US protectionist trade policies. Bilateral trade and tourism posted impressive gains. Both leaders seemed likely to continue in office, though China’s annual Beidaihe meeting of power brokers allegedly criticized the disappointing results of President Xi Jinping’s economic restructuring program, his aggressive foreign policies, and the excesses of his cult of personality. Unimpressive popularity polls notwithstanding, Prime Minister Abe Shinzō had solid support for re-election as president of the Liberal Democratic Party and is therefore likely to win a third consecutive term as prime minister. Abe remained optimistic about receiving an invitation for a state visit to Beijing. However, Japan continued to complain about China’s military expansion and to strengthen its defenses. Summing up China-Japan relations 40 years after normalization, the *Yomiuri Shimbun* noted that coolness persisted despite bilateral exchanges of people and money.

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BY DAVID KANG, UNIVERSITY OF SOUTHERN CALIFORNIA & KYURI PARK, UNIVERSITY OF SOUTHERN CALIFORNIA

Korea-Japan relations returned to normal over the summer months as Pyongyang-Tokyo relations remained at a standstill and Seoul-Tokyo relations followed the [dual track approach](#). For both Pyongyang and Seoul, the primary demand is for Japan to offer an acceptable apology and compensation for Japan’s actions during its colonial rule of the Korean Peninsula. Pyongyang demanded atonement for Japan “war crimes” as the basic condition for the resumption of dialogue between the two countries. Seoul [urged](#) Japan to sincerely apologize to Korean women forced into wartime sexual slavery, saying that the issue cannot be resolved diplomatically. Other sources of contention for North Korea-Japan relations are Japan’s support for UN sanctions against the DPRK and Pyongyang’s unwillingness to account for past abductions of Japanese citizens. In the case of South Korea-Japan relations, the disputes over [Dokdo/Takeshima](#) and biased [history textbooks](#) lingered, although both sides made efforts to strengthen economic, security, and cultural ties despite those issues.

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China-Russia relations gained considerable traction mid-year when Russia’s newly inaugurated “old” president embarked on his first foreign trip to China. In Beijing, the two “intimate” friends hammered out plans to elevate their already “best-ever” relationship against a backdrop of mounting pressures from the US. In Beijing, Putin became the first recipient of China’s newly created “friendship medal” before the two leaders headed for two summits: the 18th SCO Summit in Qingdao in early June and the 10th BRICS Summit in Johannesburg in July. The first major expansion of the SCO was celebrated in Qingdao with an extravaganza. In late August, Russia hosted the biannual SCO *Peace-mission 2018* anti-terrorism exercise, while preparing with China, for the first time, for the *Vostok* series of strategic maneuvering exercises in Russia’s East Military District. Enhanced cooperation between Beijing and Moscow occurred against a backdrop of pressure from the Trump administration.

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BY GRAEME DOBELL, AUSTRALIAN STRATEGIC POLICY INSTITUTE

In a week of political mayhem, Australia’s ruling Liberal Party dumped its leader, Prime Minister Malcolm Turnbull, and shunned its deputy leader, Foreign Minister Julie Bishop. While the political unrest is deeply domestic in nature, it shares one element with Australian’s foreign policy concerns – uncertainty. The Australia-US relationship under Donald Trump has been defined by what the president has NOT done to Australia. Trump hasn’t questioned the alliance; hasn’t hit Australia with trade tirades and tariffs; hasn’t broken the refugee deal he so denounced when first taking office; and hasn’t even sent an ambassador to Australia. Canberra’s softly-softly approach to Trump is to talk up the military history – “100 years of mateship” – stressing Australia is an alliance partner that doesn’t cost the US much. A major talking-point is that Australia has a trade deficit with the US. In the way that Trump defines trade relationships, the US makes a profit out of Australia. In contrast, the relationship with China has gone through an icy patch.

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REGIONAL OVERVIEW

THE PIVOT IS DEAD, LONG LIVE THE (INDO-ASIA-PACIFIC) PIVOT

RALPH A. COSSA, PACIFIC FORUM
BRAD GLOSSERMAN, TAMA UNIVERSITY CRS/PACIFIC FORUM

In last fall's *National Security Strategy* (NSS), the Trump administration began using the term Indo-Pacific to describe an expanded Asia-Pacific region. At this year's Shangri-La Dialogue in early June, Defense Secretary James Mattis began describing a strategy to fit the region, a "whole-of-government Indo-Pacific strategy that espouses the shared principles that underpin a free-and-open Indo-Pacific." It differs from, but could encompass the so-called Quad, an informal four-party grouping of regional democracies involving Australia, India, Japan, and the US, which is also based on common values and a common commitment to the rule of law. The strategy accepts and endorses "ASEAN centrality," a point reinforced by Secretary of State Mike Pompeo during his visit to Singapore for the ASEAN Ministerial meetings and the ASEAN Regional Forum (ARF) in early August. Prior to departing for Singapore, Pompeo laid out "America's Indo-Pacific Economic Vision" in his speech to the US Chamber of Commerce. While the US is envisioning its economic strategy, the so-called TPP-11 is proceeding without Washington, as is Beijing in pursuing its own more expansive Belt and Road Initiative (BRI).

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: Ralph A. Cossa and Brad Glosserman, "Regional Overview: The Pivot is Dead, Long Live the (Indo-Asia-Pacific) Pivot" *Comparative Connections*, Vol. 20, No. 2, pp 1-12.

Indo-Pacific strategy: Trump's 'pivot'?

At the annual Shangri-La Dialogue in Singapore on June 2, Secretary of Defense Mattis described the Trump administration's emerging Indo-Pacific strategy as "a subset of our broader security strategy" which involved "deepening alliances and partnerships as a priority," further stressing that "ASEAN's centrality remains vital, and cooperation with China is welcome wherever possible." The strategy also included deepening engagement with existing regional mechanisms while exploring new opportunities for meaningful multilateral cooperation.

Some have described the strategy as "Trump's pivot," with good cause: there is a great deal of consistency between this emerging strategy and the Obama administration's pivot or rebalance, as well there should be. Neither US national security interests nor Asia's importance changed with the new administration. Nor has the desire of every new administration to attach its own name to the continuing process.

Mattis identified four main (and familiar) themes of the Trump administration's Indo-Pacific strategy: expanding attention on the maritime space by helping our partners build naval and law enforcement capabilities and capacities to improve monitoring and protection of maritime orders and interests; interoperability, to ensure that our military is able to more easily integrate with others; strengthening the rule of law, civil society, and transparent governance; and private sector-led economic development with no empty promises or surrender of economic sovereignty.

Like all prior administrations since the end of the Cold War, he assured the gathering of regional defense officials and experts that "America is in the Indo-Pacific to stay. This is our priority theater, our interests, and the regions are inextricably intertwined." What's different, in his Shangri-La speech and in the National Security Strategy document from which it is derived, is a willingness to call out Chinese behavior that "stands in stark contrast to the openness of our strategy." This "principled realism" approach still stresses the willingness and desire to cooperate with China "wherever possible," but more openly complains about Beijing's behavior, most

specifically in the South China Sea, which "calls into question China's broader goals."

Mattis also stressed that "the U.S. values the role India can play in regional and global security, and we view the U.S.-India relationship as a natural partnership between the world's two largest democracies, based on a convergence of strategic interests, shared values, and respect for a rule-based international order." What he did not mention was any reference to the "Quad," the much-touted yet still informal collaboration among Australia, Japan, India, and the United States. The term was also absent from Indian Prime Minister Narendra Modi's keynote address the night before. When questioned, Mattis identified the Quad as "one of those additional mechanisms, multilateral mechanisms that we look to," further noting that "the first thing that jumps out at you" is that all four are democracies. He said the four nations are talking about "how do we maintain stability? How do we maintain open navigation? How do we talk about basically keeping things on a peaceful dispute-resolution path?" It was "an idea fit for its time" which he supported "100 percent."



Figure 1 Defense Secretary Mattis and Indian Prime Minister Modi meet in Singapore June 2. Photo: US Department of Defense

Prime Minister Modi was much more circumspect in describing the Indo-Pacific: "India does not see the Indo-Pacific region as a strategy or as a club of limited members. Nor as a grouping that seeks to dominate," Modi said. "And by no means do we consider it as directed

against any country. A geographical definition, as such, cannot be.” Nonetheless, he stressed India’s commitment to an open and free system that upholds the rule of law and promotes prosperity. While some in Beijing are already complaining about the Quad being a de facto Indo-Pacific NATO aimed at containing China, in reality the grouping is likely to be more symbolic than substantive for some time to come.

‘ASEAN centrality’ remains key

The theme of ASEAN centrality, mentioned no fewer than four times in Mattis’ remarks and Q&A session, were consistently repeated by Secretary of State Pompeo and other State Department representatives before and during his trip to Singapore for the 51st US-ASEAN Ministerial and 25th ARF meeting. During a teleconference briefing by a senior State Department official just prior to his trip, it was noted that Pompeo would “underscore the importance of our strategic partnership with ASEAN, highlight our commitment to this entity and ASEAN centrality, and address various regional security and partnership economics,” during his meeting with the 10 ASEAN ministers. At the ARF he would “work with his 26 counterparts from across the region to establish practical cooperation to address nontraditional security threats, including cooperation on humanitarian assistance and disaster relief.”



Figure 2 The 25th ARF Meeting. Photo: Thailand Foreign Ministry

During his press conference following the meetings, Pompeo announced nearly \$300 million in new US funding to “advance our shared priorities, especially to strengthen maritime security, develop humanitarian assistance and peacekeeping capabilities, and enhance programs that counter transnational threats.” He also raised the issue of Chinese militarization of the South China Sea and the

importance of maintaining a rules-based order in the region.

Pompeo also emphasized the importance of maintaining diplomatic and economic pressure on North Korea “to achieve the final, fully verified denuclearization of the DPRK, as agreed to by Chairman Kim,” and specifically called out Russia for allowing joint ventures with North Korean firms and granting new work permits to North Korean guest workers in violation of UN Security Council Resolution 2375.

The ARF Chairman’s Statement likewise called for the “full implementation of all relevant United Nations Security Council Resolutions” (without reference to specific violators) while urging “all concerned parties to continue working towards the realisation of lasting peace and stability on a denuclearised Korean Peninsula.” It also had more expansive comments than usual on the South China Sea, taking note of “some concerns on the land reclamations and activities in the area, which have eroded trust and confidence, increased tensions and may undermine peace, security and stability in the region.”

While in Singapore, Pompeo also chaired a Lower Mekong Initiative Ministerial Meeting, where he “reinforce[d] our partnership on trans-boundary cooperation” including water resource management. He also attended a preparatory session for this November’s East Asia Summit (EAS). (The White House subsequently announced that President Trump planned to send Vice President Pence to the Singapore Summit, and to the Asia-Pacific Economic Cooperation (APEC) Leader’s Meeting in Port Moresby, PNG, a decision that will inevitably raise questions about Washington’s commitment to the region and to its emerging Indo-Pacific strategy.)

Reassessing the economic competition

Mattis’ challenge to China at the Shangri-La Dialogue is consistent with the Trump administration’s assertion – clearly articulated in the National Security Strategy and other related documents – that the world has entered a new era of great power competition. It is hard to challenge that claim, but it should be qualified: while military confrontations cannot be ruled out, that competition will be primarily

economic. If so, then it is imperative that the US and its allies and partners develop the means to compete with China in the Indo-Asia-Pacific* region. While the effort has been fitful, the US and like-minded governments have begun to focus on the economic dimension of their competition with China and initiated programs to consolidate and perpetuate their leadership in the region.

China is perceived to be gaining ground, if not leading, in this competition. September marks five years since Xi Jinping launched what would become the Belt and Road Initiative (BRI) and there is little agreement on just what it is and means. China argues that it is an attempt to fill a multitrillion infrastructure investment gap and build a “community with a shared future for mankind.” Critics counter that it is a way to stimulate Chinese businesses as the domestic economy slows, or a devious strategy to put Beijing at the center of regional and global economic diplomacy and cooperation, empower and extend the reach of its military, and propagate its political influence. The prevailing narrative is of China for good reasons or bad, extending its reach and rewriting the regional and global order.

That view reflects the basic picture of BRI. It involves as many as 80 countries, includes more than two-thirds of the world’s population, impacts up to one-third of global GDP and could move a quarter of global goods and service. As envisioned, it would surpass the Marshall Plan to become “the biggest development push in history.”

Cognizant that it was losing the public relations battle, the State Department highlighted the economic dimension as it fleshed out the meaning of “a free and open Indo-Pacific.” In testimony before the Senate Foreign Relations Committee in May, Alex Wong, deputy assistant secretary of State for East Asian and Pacific affairs, noted the growing economic importance the region assumed in US and global affairs. But, Wong acknowledged that the administration was only “formulating the implementation of

that strategy.” Unfortunately, the focus of much subsequent discussion was the decision to walk away from the Trans-Pacific Partnership (TPP) and the administration’s seeming preference for tariffs to punish trade partners for what it deemed unfair trade practices. The failure to articulate or develop an economic instrument was striking, especially when contrasted with BRI. Participants at a Pacific Forum hosted conference in Tokyo in June that explored the meaning and significance of the Indo-Pacific concept agreed on the need to fill that gap.

The like-minded stand up

Japanese Prime Minister Abe moved first when he announced plans to establish a three-year \$50 billion public-private fund to boost infrastructure investment in Asia. He unveiled the proposal in early June at the 24th International Conference on the Future of Asia. The project would be administered by the government-owned Japan Bank for International Cooperation, and was designed “to assist in the building of high-quality infrastructure in the Indo-Pacific region.” Abe defined “high-quality infrastructure” as investments that increase employment, expand educational opportunities for workers and attract still more foreign domestic investment, which then make the loans easier to repay – a pointed contrast with the BRI which has been increasingly characterized as “a debt trap” for recipient nations.

Abe has done the most to provide economic leadership in the Indo-Asia-Pacific region. In 2015 he launched the “Partnership for Quality Infrastructure,” a five-year \$110 billion program to provide an alternative to the BRI. When President Trump withdrew the US from TPP, Abe led efforts to revive the deal and ensure its survival. Formal agreement on its successor, the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), was reached in March 2018 (and discussed in the last issue of Comparative Connections) and three countries have since ratified it: Mexico, Japan, and Singapore.

Asia itself is somehow being downgraded or neglected. This is why at the Pacific Forum we prefer the term Indo-Asia-Pacific, since it better describes the region in question.

* While using the term Indo-Pacific rather than Asia-Pacific seems designed to broaden and widen the region, it has the unintended consequence of causing many in Asia to feel that

The US stepped up with its own program, which was announced by Secretary of State Mike Pompeo at a speech to the Indo-Pacific Forum in Washington, on the eve of a tour of Asian countries. Pompeo noted that the US “Indo-Pacific Economic Vision” seeks “strategic partnerships, not strategic dependency,” adding that “with American companies, citizens around the world know that what you see is what you get: honest contracts, honest terms and no need for off-the-books nonsense.” The US aspires to “a regional order, of independent nations that can defend their people and compete fairly in the international marketplace. We stand ready to enhance the security of our partners and to assist them in developing their economies and societies in ways that ensure human dignity. We will help them keep their people free from coercion or great power domination.”

The core of the program is a \$113 million fund that will promote public-private partnerships. That size reflects both a US preference for a modest government role, and the fact that it is a down payment on a larger project to reorganize and rationalize the US development aid bureaucracy to be better able to mobilize and guide private-sector capital. This project, part of the Better Utilization of Investments Leading to Development (BUILD) Act, would more than double the US government’s development-finance capacity, to \$60 billion, to support US private investment in strategic opportunities abroad. Priorities for lending include energy, infrastructure and digital connectivity: \$25 million will go to Digital Connectivity and Cybersecurity Partnership, which will improve partner countries’ digital connectivity, deploy technical assistance to improve partner countries’ regulatory policies and cybersecurity and expand opportunities for US technology exports.

The day after Pompeo made his speech, the US, Japan, and Australia announced a trilateral partnership to boost infrastructure investment across the Indo-Asia-Pacific region. They are preparing a framework for cooperation that “promotes transparency, open competition, sustainability, adhering to robust global standards, employing the local workforce, and avoiding unsustainable debt burdens.” Organized by the US’ Overseas Private Investment Corp., Japan’s Bank for International Cooperation and Australia’s

Department of Foreign Affairs and Trade, investment will focus on energy, transportation, tourism and technology infrastructure.

While Australian Trade Minister Steve Ciobo denied the agreement was designed to counter China, then Foreign Minister Julie Bishop bluntly noted in a June interview the need for Western governments to compete with Chinese offers of finance and to ensure that recipient countries “have sustainable economies and that they are not trapped into unsustainable debt outcomes.” She added that “We’re concerned that the consequences of entering into some of these financing arrangements will be detrimental to their long-term sovereignty.” Australia seeks to give countries options: “What we don’t want is for countries to have no other options ... Australia should take a very proactive part in that.”

For its part, China was restrained in its response. Beijing welcomed efforts by other countries to invest in connectivity and boost connectivity. “We welcome it,” said a Foreign Ministry spokesperson. China’s Ambassador to Australia Cheng Jingye, however, rebuked Bishop’s more forthright approach, accusing her of having a “cold war mentality.”

Taking stock

Concern about the spread of Chinese influence through the BRI overlooks an important part of the economic story. A historical perspective underscores the degree to which China is playing catchup, at least in Southeast Asia. (The following draws on “Rewrite the Asian Economic Narrative,” [PacNet #63](#).)

According to ASEAN statistics, China accounted for 9.4 percent of net foreign direct investment in ASEAN member states in 2016. Japan topped that with 11.1 percent of net FDI, while the US provided 11.8 percent, and the European Union invested a whopping 31.1 percent. Add up investments by those sources from 2007 to 2016 and the difference is more glaring: China invested \$52.4 billion over that decade, a figure less than half of Japan’s total (\$116.7 billion) or that of the US (\$119 billion) and just over a quarter of that of the EU (\$194.8 billion). During that time, China provided just 12 percent of the investment that those three sources did – and that omits monies from Australia, New Zealand,

the Republic of Korea and within ASEAN itself. Chinese investment has been growing but it remains a small fraction of other governments.

Head-to-head comparisons of infrastructure investment reinforce that story. One analysis totals Japanese infrastructure investment since the 2000s – completed and ongoing – at roughly \$230 billion; that of China was just \$155 billion.

It is unlikely that, even together, Australia, Japan, and the US can muster the resources that China can provide to the world through the BRI, but they don't have to. They do have to change the narrative and tell a story that puts the BRI in perspective. They have to remind aid recipients and others that China is not the only creditor, that alternatives exist and that priorities, values, and interests can and will differ. Ultimately, governments in Washington, Tokyo, Canberra, and elsewhere should work with Beijing to meet the developing world's infrastructure investment needs. That is the best way to deflate fears about BRI and promote the prosperity and stability we all profess to seek.

Trading places?

China has made more progress on trade: it is the number one trading partner of virtually every Southeast Asian (and East Asian) country. According to Chinese statistics, trade with ASEAN hit a record high in 2017, totaling \$514.8 billion, a 13.8 percent increase over the previous year and the fastest growth pace among China and any of its major trade partners. To change that dynamic, the US tried to expand the TPP, a quest that failed as a result of the Obama administration's reluctance to push the trade deal and Trump's decision to pull out. As noted, Prime Minister Abe did not give up on TPP, however, and working with other regional leaders to resuscitate it in the form of the CPTPP. A second regional effort has been pursued in parallel – the Regional Comprehensive Economic Partnership (RCEP), often referred to as Beijing's counter to the TPP, but it has in fact been pushed by Southeast Asian countries and there is considerable overlap in membership in the two. Another round of RCEP negotiations was held in conjunction with the ASEAN Economic Ministers meeting at the end of August. Participants said "good progress" had been made, and India appears to be happy

with negotiations, removing one especially thorny obstacle. Nevertheless, Singapore's minister for trade and industry conceded that considerable work remains if the group is going to be "substantially concluding" the trade pact by the end of the year. That language implies that the November deadline will not be met and talks will continue into 2019.

Looking to the future

The next four months will be a true test of the US Indo-Pacific strategy. The administration must square its "deepening engagement with existing regional mechanisms" and "ASEAN centrality" with the president's decision not to attend the EAS and APEC Summits. At APEC, Vice President Pence will need to square the US commitment to a "free and open Indo-Pacific" with the president's preference for using tariffs to achieve this goal. Applying the tariff weapon against longstanding allies like Japan and Canada also flies in the face of "deepening alliances and partnerships as a priority."



Figure 3 Kim Jong Un and Donald Trump meet in Singapore. Photo: Daily Standard

The US-ROK alliance could face the greatest challenge as the gap widens between rhetoric and reality in assessing President Trump's summit with Kim Jong Un. With Kim scheduled to meet with ROK President Moon Jae-In in September as both seek an "end of war declaration" – which Washington may or may not support – and the possibility of another Kim-Trump summit looming large (perhaps on the sidelines of the UN General Assembly gathering), the alliance stands as good a chance of unraveling as it does of being deepened.

REGIONAL CHRONOLOGY

MAY – AUGUST 2018

May 2, 2018: CNBC reports that China has installed antiship cruise missiles and surface-to-air missile systems on Mischief Reef, Subi Reef, and Fiery Cross Reef in the South China Sea.

May 2-3, 2018: China's Foreign Minister Wang Yi, the highest-ranking Chinese official to visit North Korea in years, meets Foreign Minister Ri Yong Ho in Pyongyang.

May 3-4, 2018: A delegation of senior US economic advisers travels to Beijing and [meets](#) President Xi Jinping and Vice President Wang Qishan.

May 7-8, 2018: North Korean leader Kim Jong Un travels to China and meets President Xi Jinping in Dalian.

May 7-18, 2018: US and the Philippines conduct joint military exercise *Balikatan*, which focuses on counterterrorism in an urban setting as well as traditional security scenarios.

May 8, 2018: Vietnam's Foreign Ministry requests that China withdraw military equipment from the South China Sea.

May 8, 2018: President Donald Trump announces that the US will withdraw from the "defective" Iran nuclear deal, the Joint Comprehensive Plan of Action.

May 8, 2018: US Secretary of State Mike Pompeo visits Pyongyang to make additional arrangements in anticipation of the Trump-Kim summit.

May 9, 2018: Japanese Prime Minister Abe Shinzo, Chinese Premier Li Keqiang, and South Korean President Moon Jae-in hold a trilateral summit in Tokyo.

May 9, 2018: Mohamed Mahathir's opposition grouping Pakatan Harapan, with a small ally, win general election in Malaysia ending the long rule of the Barisan Nasional coalition, which has been in power in Malaysia since its birth as an independent country in 1957.

May 14-25, 2018: US and South Korea conduct annual military exercise *Max Thunder*.

May 15, 2018: North Korea's KCNA announces that the DPRK canceled high-level North South talks scheduled for May 16 and threatens to cancel the Kim-Trump summit in response to the decision to proceed with the US-ROK military exercise, denouncing it as "a rude and wicked provocation."

May 15-19, 2018: Chinese trade delegation led by Chinese Vice Premier Liu He [visits](#) Washington for consultations with US counterparts. He meets President Trump.

May 18, 2018: North Korea [denies](#) South Korean reporters access to the dismantling of its nuclear test site.

May 18, 2018: President Trump [warns](#) North Korea to denuclearize or risk overthrow, saying, "[the Libyan] model would take place if we don't make a deal," referring to the overthrow of Libyan leader Moammar Gadhafi.

May 22, 2018: President Trump blames Chinese President Xi for the delay or cancellation of his summit with Kim Jong Un.

May 22-23, 2018: ROK President Moon visits Washington and [meets](#) President Trump, Secretary of State Pompeo, and National Security Adviser John Bolton.

May 23, 2018: China's State Councilor and Foreign Minister Wang Yi visits the US and [meets](#) Secretary of State Pompeo.

May 23, 2018: In response to China's continued militarization of islands in the South China Sea, the Pentagon [disinvites](#) the PLA Navy from the 2018 *Rim of the Pacific (RIMPAC)* exercise.

May 24, 2018: North Korea [dismantles](#) its nuclear testing ground at Pungye-ri.

May 24, 2018: North Korean Vice Foreign Minister Choe Son Hui [releases](#) statement referring to US Vice President Pence as a “political dummy” for his comments on North Korea and says it was up to the Americans whether they would “meet us at a meeting room or encounter us at nuclear-to-nuclear showdown.”

May 24, 2018: President Trump [cancels](#) proposed June 12 summit with Chairman Kim, citing “the tremendous anger and open hostility displayed” in recent North Korean statements.

May 25, 2018: North Korea Vice Foreign Minister Kim Kye Gwan [states](#) that the DPRK is willing to meet with the US “at any time, any format”

May 25, 2018: China [urges](#) the United States and North Korea to hold denuclearization summit.

May 27, 2018: Two US Navy destroyers, the *USS Higgins* and the *USS Antietam*, [conduct](#) a freedom of navigation operation near Tree, Lincoln, Triton, and Woody Islands in the Paracels.

May 28, 2018: President Trump [calls](#) PM Abe to discuss recent developments in North Korea. They affirm the shared imperative of dismantling North Korea’s chemical, biological, and ballistic weapons programs.

May 30, 2018: Secretary of State Pompeo [meets](#) North Korean Vice-Chairman Kim Yong Chol in New York to discuss preparations for the upcoming US-DPRK summit.

June 1, 2018: After meeting with North Korean Vice-Chairman Kim, President Trump [confirms](#) the US-DPRK summit will take place in Singapore on June 12.

June 1, 2018: President of the European Commission Jean-Claude Juncker [meets](#) China’s State Councilor and Foreign Minister Wang Yi in Brussels. They note the danger of protectionism and the need to cooperate to safeguard UN Charter principles and open world trade.

June 1, 2018: The 17th Asia Security Summit, or Shangri-La Dialogue, is [held](#) in Singapore.

June 4, 2018: ROK President Moon [hosts](#) summit with Philippine President Rodrigo Duterte.

June 6, 2018: China [warns](#) against US provocations in the South China Sea following two B-52 bombers flying past Chinese-held artificial islands.

June 7, 2018: Australia–New Zealand–United States Pacific Security Cooperation Dialogue [held](#) at the Department of State in Washington.

June 7, 2018: Prime Minister Abe visits Washington and meets President Trump.

June 8, 2018: President Xi Jinping and Russian President Vladimir Putin [meet](#) in Beijing, pledging to “firmly support each other in defending their respective values.”

June 8–9, 2018: Canada [hosts](#) the G7 Charlevoix Summit.

June 9, 2018: President Xi [meets](#) Prime Minister Modi of India in Qingdao. They agree that the “two sides should make persistent efforts to speed up the implementation, maintain strategic communication, expand economic and trade cooperation, promote people-to-people and cultural exchanges and enhance coordination and cooperation on international and regional affairs.”

June 9–10, 2018: China [hosts](#) Council of Heads of State of the Shanghai Cooperation Organization (SCO) in Qingdao.

June 11, 2018: Prime Minister Abe [calls](#) President Trump regarding the US-DPRK summit.

June 12, 2018: The US-DPRK summit is [held](#) in Singapore. President Trump and Chairman Kim sign a joint declaration that calls for improved diplomatic relations, a new peace regime and denuclearization of the Korean Peninsula, and a resumption of the recovery of US POW/MIA remains from North Korea.

June 12, 2018: PM Abe [hosts](#) meeting with Malaysian PM Mahathir at the Prime Minister’s Office.

June 14, 2018: South Korean President Moon and Secretary of State Pompeo [meet](#) in Seoul to discuss the agreements reached at the United States–North Korea Summit.

June 15, 2018: President Moon [states](#) that the South Korean government will “carefully consider” suspending military drills with the US following the US-DPRK Summit.

June 15, 2018: President Trump [imposes](#) 25 percent tariffs on \$50 billion of Chinese goods, accusing China of intellectual copyright theft. China responds with equal tariffs on \$50 billion of US goods.

June 19, 2018: South Korea and the United States announce the decision to stop all planning for and suspend the *Ulchi Freedom Guardian* (UFG) exercise scheduled to be held in August.

June 19–20, 2018: North Korean Chairman Kim visits China and meets President Xi in Beijing.

June 21, 2018: United States [withdraws](#) from the United Nations Human Rights Council (HRC).

June 21–24, 2018: ROK President Moon [visits Russia](#) and meets counterpart Vladimir Putin. Their discussion focuses on economic cooperation and the situation in North Korea.

June 27, 2018: Defense Secretary Jim Mattis visits Beijing and meets President Xi, Politburo Member Yang Jiechi, and Minister of National Defense Gen. Wei Fenghe. Mattis reaffirms the importance of strategic transparency in the US-China defense relationship.

June 27, 2018: 26th biennial *Rim of the Pacific* (RIMPAC) military exercise [held](#) in and near Hawaii. China, which was disinvited, deploys a *Type 815 Dongdiao*-class naval vessel to observe the exercise.

June 28, 2018: Secretary of Defense Mattis [states](#) that the US will keep current troop levels in South Korea.

June 28, 2018: Second US-Japan Pacific Dialogue is [held](#) in Tokyo, Japan.

June 29, 2018: Defense Secretary Mattis and Japanese Defense Minister Onodera Itsunori [agree](#) to continue joint military exercises.

July 6, 2018: US and China tariffs [begin](#) on \$34 billion in each other’s imports, with possibility of further tariffs being enacted in future. There are no signs of negotiations to ease tensions.

July 6, 2018: North Korean state-run media [denounces](#) the United States for criticizing North Korea’s human-rights record while the two countries attempt to improve diplomatic ties.

July 6, 2018: Secretary of State Mike Pompeo [meets](#) North Korean officials in Pyongyang to discuss specific commitments to denuclearization.

July 7–8, 2018: Two US Navy warships, the *USS Mustin* and *USS Benfold* guided-missile destroyers, [sail](#) through the Taiwan Strait.

July 8, 2018: Japanese PM Abe receives courtesy [call](#) from Secretary of State Pompeo at the Prime Minister's Office.

July 8, 2018: South Korean Minister of Foreign Affairs Kang Kyung-wha visits Japan and meets PM Abe at the Prime Minister’s Office.

July 8–9, 2018: Secretary of State Pompeo visits Vietnam and [meets](#) General Secretary of the Communist Party of Vietnam Nguyen Phu Truong, Prime Minister Nguyen Xuan Phuc, and Deputy Prime Minister and Foreign Minister Pham Binh Minh.

July 10, 2018: South Korean President Moon visits India and [meets](#) President Modi. They agree to strengthen the “special strategic partnership” including upgrading their Comprehensive Economic Partnership Agreement (CEPA).

July 12, 2018: President Moon visits Singapore and [meets](#) Prime Minister Lee Hsien Loong. They agree to expand cooperation between their nations, including expanding trade, investment in human resources and state that they [agreed](#) to enter a Regional Comprehensive Economic Partnership (RCEP) within the year.

July 13, 2018: US [accuses](#) North Korea of breaching a United Nations sanction cap on refined petroleum via unlawful ship-to-ship transfers at sea with unknown third parties.

July 13, 2018: Second Round of China-India Dialogue on Maritime Cooperation [held](#) in Beijing. Chinese Director General of the Department of Asian Affairs of the Foreign Ministry Wu Jianguo and Indian Joint Secretary for Disarmament and International Security Affairs at the Ministry of External Affairs Pankaj Sharma co-chair the dialogue.

July 16, 2018: Chinese Premier Li Keqiang, European Council President Donald Tusk, and European Commission President Jean-Claude Juncker [hold](#) the 20th China-EU leaders' meeting in Beijing. China and the European Union agree to jointly work to safeguard the rules-based international order, promote multilateralism and support free trade.

July 16, 2018: President Moon [states](#) that India and ASEAN have been raised to the level of Korea's relations with the four major powers of the US, China, Japan and Russia as part of South Korea's "New Southern Policy."

July 18, 2018: Japan and European Union [sign](#) bilateral trade deal eliminating nearly all tariffs.

July 19, 2018: UN Security Council unanimously [supports](#) the denuclearization of North Korea.

July 19, 2018: President Trump [orders](#) the US government to investigate if higher tariffs on foreign-made vehicles and auto parts are justified on national security grounds. Japanese PM Abe warns that US tariffs on Japanese automobiles will be harmful to both economies and retaliatory tariffs may be levied.

July 20, 2018: US and Japan [hold](#) fifth Comprehensive Dialogue on Space in Tokyo.

July 26, 2018: Sixth US-Japan Cyber Dialogue is [held](#) in Washington. A US-Japan-South Korea meeting of cyber experts is [held](#) the following day.

July 26, 2018: Tenth BRICS (Brazil, Russia, India, China, South Africa) Summit is [held](#) in Johannesburg, South Africa. PRC President Xi urges a deepening of relations between the five countries to open a second "Golden Decade."

July 28, 2018: North Korea delivers the remains of US soldiers killed during the Korean War to a US delegation in Pyongyang.

July 30, 2018: Hun Sen's Cambodian People's Party (CPP) announces that it won all 125 parliamentary seats in the July 29 elections. Critics widely dismiss the elections as undemocratic.

July 30, 2018: Secretary of State Pompeo makes remarks on America's Indo-Pacific economic vision, at US Chamber of Commerce Indo-Pacific business forum announcing new economic strategy to support broader US Indo-Pacific strategy.

Aug. 1, 2018: Malaysian PM Mahathir [meets](#) Chinese State Councilor and Foreign Minister Wang Yi in Kuala Lumpur. They advocate closer diplomatic and economic ties.

Aug. 1, 2018: US Congress [passes](#) legislation authorizing \$716 billion in total defense spending for the coming fiscal year, FY2019.

Aug. 2, 2018: Fifty-first ASEAN Foreign Ministers Meeting is held in Singapore.

Aug. 2, 2018: China and ASEAN [agree](#) on an initial draft document regarding conduct in the South China Sea. This draft will serve as a baseline for future joint talks and negotiations.

Aug. 2, 2018: President Trump [receives](#) a second letter from North Korean leader Kim, stating North Korea's dedication to denuclearization. Trump responds with a desire to meet again with the North Korean leader.

Aug. 3, 2018: China [announces](#) it is prepared to impose tariffs between 5 percent and 25 percent on \$60 billion worth of US goods in retaliation against recent tariffs imposed on China by the US as well as US-proposed tariffs on \$200 billion of Chinese imports.

Aug. 4, 2018: Twenty-fifth ASEAN Regional Forum is held in Singapore.

Aug. 8, 2018: US Navy P-8A Poseidon reconnaissance plane [flies](#) over the Spratly Islands and receives six radio warnings from the Chinese military to "Leave immediately and keep out to avoid any misunderstanding."

Aug. 17-21, 2018: Malaysian PM Mahathir visits China and meets Xi and other senior leaders.

Aug. 23, 2018: US and China [levy](#) 25 percent duties on an additional \$16 billion of each other's imports.

Aug. 24, 2018: Scott Morrison is sworn in as prime minister of Australia.

Aug. 24-29, 2018: *Peace Mission 2018*, the joint military exercise of SCO, is conducted in Chebarkul, Russia with the eight-member states undertaking joint training. This is the first time India and Pakistan participate in the exercise.

Aug. 27, 2018: The 17th annual Southeast Asia Cooperation and Training (SEACAT) exercise involving sailors and coast guardsmen from Bangladesh, Brunei, Indonesia, Malaysia, Philippines, Singapore, US, Thailand, and Vietnam begins.

Aug. 29, 2018: President Trump accuses China of complicating Washington's relationship with North Korea by rendering its ally economic assistance, as talks on Pyongyang's denuclearization are at a standstill.

COMPARATIVE

CONNECTIONS

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

US-JAPAN RELATIONS

SUMMER BEFORE THE STORM?

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Relations between Tokyo and Washington grew more complex over the summer. The decision by President Donald Trump to meet North Korean leader Kim Jong Un marked a new phase of alliance coordination on the strategic challenge posed by Pyongyang. Trade relations also continued to create an undercurrent of discord. No consensus emerged on a free-trade agreement and the sense that the Trump administration was preparing to impose tariffs not only on steel and aluminum but also on the auto industry added to trepidation over the economic relationship. By the end of the summer, there were signs that the US and Japan were beginning to synchronize their approaches to the Indo-Pacific region as an economic cooperation agenda seems to be emerging. Meanwhile, politics in both capitols this fall make predictions about policy coordination difficult. Prime Minister Abe Shinzo faces his party's leadership election on Sept. 20, a contest he is likely to win but an opportunity for others in the party to push him on his priorities. In the US, midterm elections promise a referendum on the Trump administration and the increasing turmoil surrounding the White House.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: Sheila A. Smith and Charles T. McClean, "US-Japan Relations: Summer before the Storm?" *Comparative Connections*, Vol. 20, No. 2, pp 13-20.

The Singapore summit and its aftermath

Tokyo and Washington have worked hard to coordinate policies on North Korea, but the meeting between President Trump and Chairman Kim in Singapore slowed the pace of consultations as the United States attempted to persuade Pyongyang to give up its nuclear weapons. Prime Minister Abe has been consistent in supporting the Trump administration's "maximum pressure" strategy, yet Abe also saw the opportunity for diplomacy when he visited the Pyeongchang Olympics. The release of three US citizens detained by North Korea on May 9 suggested the possibility that Kim Jong Un might also be open to a more comprehensive dialogue. Secretary of State Mike Pompeo visited Tokyo to share the results of this early effort to shift to the diplomatic track with the North.



Figure 1 Japanese Prime Minister Shinzo Abe, right, greeted Secretary of State Mike Pompeo in Tokyo. Photo: The Wall Street Journal

Consultations between the US and Japan intensified prior to the Singapore summit. The prime minister and president spoke often by phone; Foreign Minister Kono Taro visited Washington twice, once in May and again in early June, to meet Secretary Pompeo in preparation. Prime Minister Abe returned to Washington too on June 7, and in the joint press conference after meeting Trump, both leaders went to great pains to demonstrate their shared sense of what outcomes should be prioritized in negotiations with Kim Jong Un. Outwardly at least, the Abe Cabinet supported the US and South Korean efforts to reduce tensions and negotiate denuclearization, and Abe suggested that he too might be willing to meet with Kim if the circumstances warranted it.

Press reports indicate that President Trump raised the prospect of a summit with Abe when he met Kim. The last summit between Japan and North Korea was in 2004 between Koizumi Junichiro and Kim Jong Il. In 2002, Koizumi traveled to Pyongyang, and the two leaders announced the Pyongyang Declaration, which included a North Korean moratorium on missile testing. Equally important, Kim acknowledged that his regime had abducted Japanese citizens in the 1970s and 1980s, and arranged for the repatriation of five who were still living in North Korea. Abe, as chief Cabinet secretary at the time, became an ardent advocate of deeper negotiations with Pyongyang on the return of the remaining 12 individuals the Japanese government believes resided in North Korea. In June, Japanese and North Korean diplomats was held an informal meeting in Ulan Bator during a regional conference; there was an apparent follow-up meeting in Vietnam in July.

Despite these early signs of progress, the Singapore summit produced some unsettling signs for Tokyo. Abe told reporters that he had thanked Trump for raising Japanese concerns over the abductees, but the president's description of US-ROK exercises as "war games" and "provocations" raised red flags. Defense Minister Onodera Itsunori noted, "we see U.S.-South Korean joint exercises and the U.S. military presence in South Korea as vital to security in East Asia. It is up to the U.S. and South Korea to decide their joint exercises. We have no intention of changing our joint drills with the U.S." Chief Cabinet Secretary Suga Yoshihide reiterated this, stating there would be no changes to US-Japan joint military drills.

Considerable effort was made to reassure US allies, however. Trilateral consultations with the foreign ministers of Japan and South Korea were held in Seoul on June 14, as well as a bilateral meeting between Pompeo and Kono. Similarly, Secretary of Defense Jim Mattis spoke over the phone on the same day with Minister Onodera on the results of the Trump-Kim meeting. Mattis traveled to the region at the end of the month, meeting Abe, Kono, and Onodera. Secretary Pompeo followed a week later for a trilateral discussion with South Korean Foreign Minister Kang Kyung-wha and Foreign Minister Kono. At their press conference, the three reaffirmed their commitment "towards the common goal of North Korea's complete, verifiable, and irreversible dismantlement of all

weapons of mass destruction and ballistic missiles of all ranges.”

Japan continued to monitor suspected illicit activity by North Korean ships and vessels from other nations in violation of UN Security Council Resolution 2375 over the summer. UNSCR 2375 prohibits UN member states from facilitating or engaging in ship-to-ship transfers of goods to or from North Korean-flagged vessels. The Maritime Self-Defense Force made several reports of suspected illicit activities by North Korean vessels, all designated by the UN in March 2018 as having violated earlier sanctions. From May through August, five ships were observed by the Maritime Self-Defense Force in activities with unidentified vessels suspected of violating UN Sanctions: the *Ji Song 6* (May 19), *Sam Jong 2* (May 24), *Yu Phoyong 5* (June 21-22), *An San 1* (June 29), and *Nam San 8* (July 31). On Sept. 7, the Ministry of Foreign Affairs announced that a number of countries would resume monitoring North Korean vessels for possible illicit activities. Patrols from Australia and New Zealand will be based at Kadena Air Base in Okinawa, under the UN Status of Forces Agreement, by the end of the month to patrol the East China Sea along with Japan’s maritime forces.

Distance remains on trade policy

The summer also made for a stark study in contrast between Japanese and US strategies on trade. On the one hand, the Abe administration again proved itself to be one of the world’s strongest supporters of free trade. In July, Japan made significant progress on two landmark free-trade agreements: first by ratifying the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, or TPP-11) and then by signing the even larger Japan-European Union trade deal. The Trump administration, on the other hand, advocated a much more protectionist stance. The United States retained its newly implemented tariffs on steel and aluminum, escalated trade frictions with China, engaged in tough negotiations with Canada and Mexico over the North American Free Trade Agreement (NAFTA), and raised the possibility of imposing additional tariffs on automobile imports. A new round of US-Japan trade negotiations began in earnest in August, yet much work remains to close the distance between the two allies in their approaches to trade policy.

Japan’s summer of trade successes began with the official ratification of the CPTPP on July 6. The approval process for the CPTPP in the Diet was relatively smooth: after Japan and 10 other countries signed the agreement on March 8, the Abe administration quickly secured passage for the necessary bills to support ratification from the Lower House on May 18 and the Upper House on June 29. The CPTPP represents a major multilateral agreement, one that will cover 13 percent of global economic activity, and is expected to enter into force next year after it is ratified by at least six of the 11 partner nations. The deal still notably lacks the participation of the United States, however, as President Trump officially withdrew from the agreement soon after entering office in January 2017. While Trump hinted in the spring that he might consider rejoining the pact, he later said that he would do so only if the United States could secure a “substantially better” deal. In the meantime, several other countries have signaled interest in joining the CPTPP after it is enacted, including Thailand, Indonesia, South Korea, Colombia, and, most recently, the United Kingdom.

Following the CPTPP’s ratification, Prime Minister Abe signed an even larger trade deal with the European Union just 11 days later, on July 17. The agreement, praised as “the largest bilateral trade deal ever,” covers 600 million people and a third of the global economy. It will eliminate 99 percent of tariffs on Japanese goods to the EU and about 94 percent of tariffs on European exports to Japan (rising to 99 percent in the future). While neither Japanese nor EU officials mentioned Trump directly in signing the agreement, it was clear that both sides sought to demonstrate their joint commitment to free trade in the face of recent US protectionist policies. Donald Tusk, president of the European Council, said that the deal “sent a clear message” against protectionism. Prime Minister Abe similarly stated that “the EU and Japan showed an undeterred determination to lead the world as flag bearers for free trade.”

While Japan made progress on two major trade agreements, the United States continued to wage two battles on trade that it began in the first half of the year. The first battle concerned the administration’s policy of identifying certain foreign imports – in this case, steel and aluminum – as national security threats and then imposing tariffs under the rarely-used Section 232 of the Trade Expansion Act (1962).

Trump first announced tariffs on March 1, and while exemptions for some countries followed, Japan never received an exemption. The tariffs threaten nearly \$2 billion in Japanese exports, yet to date the Abe administration has not retaliated with its own tariffs, a path taken by others such as China, Canada, the EU, and Turkey. Instead, Japanese officials have tried to press their US counterparts through diplomatic channels to exempt Japan. Japan's preference for diplomacy over retaliation may change, however, if the United States moves forward with its new threat of a potential 25 percent tariff on automobiles. On May 23, the US Chamber of Commerce initiated a Section 232 investigation into the national security implications of automobile imports, which could similarly lead to a new round of tariffs. Automobiles represent a much larger industry for Japan than steel or aluminum, although Japan may be insulated somewhat from the pressure of automobile tariffs given that much of its manufacturing for the US market takes place within the United States.

The second trade battle for the Trump administration has been its clash with China since the spring over trade practices and intellectual property rights. The tit-for-tat exchange began when the United States threatened in April to apply tariffs on \$50 billion worth of Chinese goods, China responded in kind with its own list of tariffs for \$50 billion worth of U.S. goods, and then Trump threatened to impose tariffs on an additional \$100 billion worth of US imports from China. While things cooled down for a bit in May, both countries released revised lists of their \$50 billion tariffs on June 15, which started to come into effect on July 6. At Trump's direction, the US Trade Representative then announced on July 10 that they would consider further tariffs on \$200 billion worth of imports from China, and China then threatened an additional \$60 billion in tariffs in response. As the threats between the two sides heated up, the Trump administration announced that it would subsidize US farmers up to \$12 billion to help offset some of the retaliatory trade measures (including over the steel and aluminum tariffs). However, there are still no signs of a slowdown in US-China trade frictions, and the second phase of the initial \$50 billion tariffs for both countries came into effect on August 23.

The two starkly different approaches to trade policy thus set the stage for the much

anticipated first round of US-Japan trade and investment negotiations on Aug. 9-10 led by US Trade Representative Robert Lighthizer and Motegi Toshimitsu, Japan's minister in charge of economic revitalization. While exact details of the first meeting have been kept private, it is clear that the Japan side continues to push for the United States to return to multilateral efforts such as the CPTPP while the US side tries to advocate for Japan to instead pursue a bilateral free-trade agreement. While much distance remains on trade policy, the two sides agreed to "explore ways to fill the gap between their positions and promote trade between the United States and Japan" at their next round of consultations scheduled for sometime in September.

Coordinating an Indo-Pacific approach

The Japanese government continues to encourage the Trump administration in its development of an Indo-Pacific strategy. The Abe administration has developed a "two continents, two oceans" approach that emphasizes the need for connectivity and development. Abe has worked with India's Prime Minister Narendra Modi as well as Australian Prime Minister Malcolm Turnbull to find common approaches to defining a "free, open, stable and prosperous Indo-Pacific region" built on a "rule-based order." Similarly, in his meeting with President Trump on June 7, Abe emphasized that US-Japan economic relations should be seen in this broader regional framework.



Figure 2 Prime Minister Shinzo Abe and Australian Prime Minister Malcolm Turnbull arrive at Narashino exercise field in Chiba Prefecture. Photo: Reuters

US security planners have been quick to embrace the Indo-Pacific terminology. On May 30,

Secretary of Defense Mattis announced that the US Pacific Command in Honolulu would be renamed as the US Indo-Pacific Command. On the same day, Adm. Phil Davidson, who will now be the first Indo-Pacific commander, relieved Adm. Harry Harris.

The United States and Japan continued their discussion on how to build opportunities for collaboration across the Indo-Pacific over the summer months. Meetings were held on a broad array of economic issues that would have implications for the region, such as cooperation in space, the Internet economy, and cyber security. In addition, officials from the United States, Japan, Australia, and India met on June 7 at an ASEAN meeting to discuss regional collaboration, suggesting a fledgling effort by the quad at developing a shared economic approach to the Indo-Pacific.

On July 30, Secretary of State Pompeo provided an initial outline of the new US economic approach to the Indo-Pacific in his address to the US Chamber of Commerce. Entitled “America’s Indo-Pacific Economic Vision,” Pompeo laid out three areas of priority focus for the United States in the Indo-Pacific: energy, infrastructure, and the digital economy. The Japan Bank for International Cooperation, US Overseas Private Investment Cooperation, and the Australian government also announced that they had found several infrastructure projects that would enhance trilateral cooperation within the Indo Pacific. In the announcement, the three said they would mobilize investment in “energy, transportation, tourism, and technology.”

Japan’s regional diplomacy was also significant over the summer of 2018. Following up on the successful Japan-ROK-China summit in May, Japanese and Chinese officials are discussing a likely visit by Prime Minister Abe to Beijing in October to commemorate the 40th anniversary of the bilateral Treaty of Peace and Friendship, which went into force on Oct. 23, 1978. The highly anticipated summit between Abe and Chinese President Xi Jinping will signal a new effort to stabilize ties between Tokyo and Beijing in an increasingly volatile era of global geopolitics. Equally important will be their approach to regional cooperation. How Abe and Xi will square the circle between the Belt and Road Initiative and the Free and Open Indo-Pacific Strategy could be a highlight of the visit.

The Japanese will also announce a new national defense plan by the end of this year. Accompanying the new plan will be a five-year military procurement plan that is likely to demonstrate the Abe Cabinet’s continued interest in expanding Japanese military capabilities. Ballistic missile defenses have already been marked for improvement, but maritime and air defenses are also expected to grow. The Trump administration is hoping that Tokyo will buy more US military hardware, and there is a growing expectation that Japan’s defense spending will increase markedly.

Conclusion

Looking ahead to the fall, both the US and Japanese governments confront a busy political season. In Tokyo, the LDP leadership election on Sept. 20 is expected to produce a victory for the prime minister, and yet the race itself could open debate within the party over crucial policy reforms. Ishiba Shigeru, the most widely expected challenger to Abe, is himself a foreign policy and defense expert, and so we should expect his campaign to raise the issue of the US-Japan alliance as well as Abe’s proposal to revise Article 9 of the Japanese Constitution. While the Abe Cabinet may not be in danger, there is ample opportunity for high-profile debate on Japan’s foreign policy challenges. Next year’s Upper House election also looms large on the horizon for the LDP and its coalition partner, the Komeito.

In the United States, the stakes may be higher. The Trump administration has been under pressures due to the Justice Department’s Special Counsel Investigation on Russian interference with the 2016 presidential election. Several high-profile members of the Trump campaign have already been indicted on felony charges. The administration is also reeling from a new book that reveals discord within the White House and the publication of an anonymous op-ed in the *New York Times* claiming to be written by a “senior official in the Trump administration.”

US-Japan relations are likely to become more sensitive in coming months as critical questions on auto tariffs and on tensions with North Korea continue unresolved. The Abe-Trump relationship has thus far steadied the alliance, but it remains to be seen whether this will be enough to offset the policy discord that may be looming.

CHRONOLOGY OF US-JAPAN RELATIONS

MAY – AUGUST 2018

May 9, 2018: Prime Minister Abe Shinzo, South Korean President Moon Jae-in, and Chinese Premier Li Keqiang hold a [trilateral summit](#) in Tokyo.

May 9, 2018: President Donald Trump [announces](#) that three US citizens held in North Korea have been released and are on their way home.

May 9, 2018: Secretary of State Mike Pompeo visits Japan, where he gives [remarks](#) on the release of the three US citizens from North Korea at Yokota Air Base.

May 10, 2018: Prime Minister Abe and President Trump [speak by telephone](#) about the upcoming US-North Korea summit.

May 15-16, 2018: Acting Assistant Secretary for East Asian and Pacific Affairs Susan Thornton [visits](#) Japan to participate in the second annual *Wall Street Journal* CEO Council Conference and meets Japanese officials.

May 23, 2018: Minister for Foreign Affairs Kono Taro and Secretary of State Pompeo [meet](#) in Washington, D.C. to discuss the upcoming US-North Korea summit.

May 26, 2018: Fourth Inter-Korean summit held between South Korean President Moon and North Korean leader Kim Jong-un.

May 28, 2018: Prime Minister Abe and President Trump [speak by telephone](#) about the inter-Korean summit and upcoming US-North Korea summit.

May 30, 2018: Secretary of Defense Jim Mattis announces US Pacific Command's name will be changed to [US Indo-Pacific Command](#).

June 6, 2018: Minister for Foreign Affairs Kono and Secretary of State Pompeo [meet](#) in Washington, D.C. to discuss the upcoming US-North Korea summit. [Press Conference](#).

June 7, 2018: Prime Minister Abe and President Trump hold a [summit](#) in Washington, DC.

June 7, 2018: Senior officials from the US, Japan, Australia, and India [meet](#) in Singapore on the sidelines of the ASEAN-centered Senior Officials Meeting.

June 8-9, 2018: President Trump and Prime Minister Abe attend [G7 Summit](#) in Charlevoix, Canada.

June 11, 2018: Prime Minister Abe and President Trump [speak by telephone](#) about the US-North Korea summit.

June 12, 2018: President Trump and North Korean leader Kim Jong Un meet in Singapore.

June 12, 2018: Prime Minister Abe and President Trump [speak by telephone](#) about the outcomes of the US-North Korea summit.

June 14, 2018: Secretary of State Pompeo, Minister of Foreign Affairs Kono, and South Korean Minister of Foreign Affairs Kang Kyung-wha hold a [trilateral meeting](#) in Seoul.

June 14, 2018: Secretary of State Pompeo and Minister of Foreign Affairs Kono [meet](#) in Seoul.

June 14, 2018: Secretary of Defense Mattis [speaks by telephone](#) with Japanese Defense Minister Onodera Itsunori about the results of the US-North Korea summit.

June 19, 2018: Officials from Japan and the US [hold consultations on U.S. sanctions on Iran](#) in Tokyo. The US delegation was led by Christopher Ford, assistant secretary of State for international security and nonproliferation, while the Japanese delegation was led by Hiroshi Oka, director-general/assistant minister for foreign affairs for Middle Eastern and African affairs.

June 25, 2018: [Second US-Japan Pacific Dialogue](#) held at Ministry of Foreign Affairs in Tokyo.

June 29, 2018: Prime Minister Abe [meets](#) Defense Secretary James Mattis in Tokyo.

June 29, 2018: Defense Secretary Mattis [meets](#) Foreign Minister Kono in Tokyo.

July 6, 2018: Japan [ratifies](#) Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

July 8, 2018: Prime Minister Abe [meets](#) Secretary of State Pompeo in Tokyo.

July 8, 2018: Foreign Minister Kono and Secretary of State Pompeo [meet](#) in Tokyo.

July 8, 2018: Foreign Minister Kono, Secretary of State Pompeo, and South Korean Foreign Minister Kang hold a [trilateral meeting](#) in Tokyo.

July 20, 2018: [Fifth US-Japan Comprehensive Dialogue on Space](#) is held in Tokyo.

July 23-24, 2018: [Ninth US-Japan Policy Cooperation Dialogue on the Internet Economy](#) is held in Washington, DC.

July 26, 2018: [Sixth US-Japan Cyber Dialogue](#) is held in Washington, DC.

July 27, 2018: US hosts [trilateral cyber experts meeting](#) with officials from Japan and South Korea.

July 30, 2018: Secretary of State Pompeo gives a speech during the Indo-Pacific Business Forum at the US Chamber of Commerce on “[America’s Indo-Pacific Economic Vision](#).”

July 31, 2018: US, Japan, and Australia announce agreement to [invest in infrastructure projects](#) in the Indo-Pacific.

Aug. 4, 2018: Secretary of State Pompeo, Foreign Minister Kono, and Australian Foreign Minister Julie Bishop meet in Singapore for the [eighth ministerial meeting of the Trilateral Strategic Dialogue](#).

Aug. 4, 2018: Secretary of State Pompeo and Foreign Minister Kono [meet](#) in Singapore to discuss North Korea policy.

Aug. 9, 2018: Economy Minister Motegi Toshimitsu and US Trade Representative Robert Lighthizer hold [trade talks](#) in Washington, DC.

Aug. 22, 2018: President Trump and Prime Minister Abe [speak by phone](#) about North Korea.

Aug. 24, 2018: Secretary of State Pompeo and Minister of Foreign Affairs Kono [speak by telephone](#) on North Korea.

Aug. 26, 2018: Assistant Secretary of State for Economic and Business Affairs Manisha Singh [travels](#) to Tokyo to discuss the administration’s approach to trade and economic growth in the region.

COMPARATIVE

CONNECTIONS

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

US-CHINA RELATIONS

TIT-FOR-TAT TARIFFS

BONNIE S. GLASER, CSIS

KELLY FLAHERTY, CSIS

The US and China engaged in tit-for-tat trade actions as bilateral trade talks failed to produce a compromise. The Trump administration doubled down on its characterization of China as a threat to US interests in the *National Defense Strategy* and “Worldwide Threats” hearings on Capitol Hill. President Trump signed the Taiwan Travel Act, which calls for the US government to encourage visits between officials from the United States and Taiwan at all levels, provoking China’s ire. Cracks in US-China cooperation on North Korea were revealed as the Trump administration imposed sanctions on Chinese shipping and trading companies allegedly conducting illicit business with North Korea, and Beijing failed to notify Washington in advance of Kim Jong Un’s visit to China. The US conducted two Freedom of Navigation Operations (FONOPS) in the South China Sea.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: Bonnie S. Glaser and Kelly Flaherty, “US-China Relations: Tit-for-Tat Tariffs” *Comparative Connections*, Vol. 20, No. 2, pp 21-36.

Trade war erupts

On June 15, after months of deliberation, the Trump administration moved forward with its plan to impose 25 percent tariffs on \$50 billion worth of Chinese imports. The final decision was made “in light of China’s theft of intellectual property and technology and its other unfair trade practices,” according to the official White House [statement](#). Ignoring President Trump’s threat of further tariffs if China undertook retaliatory measures, China responded in kind with tariffs on 659 US goods worth \$50 billion. Both sides traded accusations: Secretary of State Mike Pompeo [labeled](#) China’s aluminum and steel production as “predatory economics 101;” and China’s Ministry of Commerce [called](#) the US action “a threat to China’s economic interest and security.”

The imposition of tariffs was preceded by a period of negotiations in which compromise seemed possible. In early May, President Trump sent a high-level delegation comprised of senior members of his economic policy team to Beijing for negotiations at the invitation of Vice Premier Liu He. The group included Secretary of the Treasury Steven Mnuchin, Secretary of Commerce Wilbur Ross, US Trade Representative Robert Lighthizer, Assistant to the President for Economic Policy Larry Kudlow, and Assistant to the President for Trade and Manufacturing Policy Peter Navarro. The trip was followed shortly thereafter by a phone call between President Trump and President Xi. Just before the call, Trump tweeted with confidence that a “primary [topic] will be Trade, where good things will happen.” He echoed this assurance in a May 13 tweet, saying “be cool, it will all work out!”

Negotiations moved to Washington in mid-May as Vice Premier He [met](#) a series of senior US officials as well as President Trump. The US reportedly presented a list of more than 140 specific demands, including longstanding requests such as approval of applications by Mastercard and Visa to enter China’s domestic payments market. Chinese officials were unable to nail down a deal that they could be confident would stick and satisfy Trump. The talks ended with no signs of progress.

Later that month, however, Trump claimed that a potential deal was “moving along nicely.” Secretary Ross traveled to Beijing in early June to continue the conversation, though the Trump

administration’s threat of further tariffs on Chinese technology exports on the eve of the visit soured the atmosphere and signaled that an agreement was unlikely. Trade was touched on but was not the only issue discussed when Secretary Pompeo and State Counselor and Foreign Minister Wang Yi met in Beijing on June 14. Pompeo [concluded](#) the talks were “good and constructive” while still emphasizing that the “[US trade] deficit with China is still too high.” The following day marked the temporary suspension of negotiations as tariffs were formally announced.

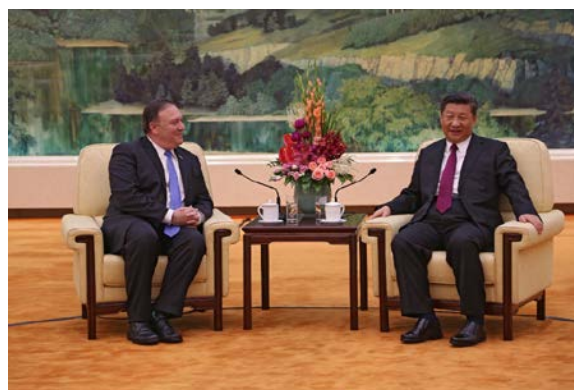


Figure 1 Secretary Pompeo Meets With Chinese President Xi Jinping in Beijing. Photo: US Department of State

While negotiating a fair trade relationship is the overarching US goal, there are competing visions within the Trump administration of what that might look like in reality. Ambassador Lighthizer, as evidenced by his March [report](#) on findings from the Section 301 investigation, prioritizes eliminating Chinese practices that his report described as “unfair,” “discriminatory,” “unreasonable,” and “unauthorized intrusions.” In contrast, Secretary Ross appears [focused](#) on reducing the US-China bilateral trade deficit by increasing exports to China. Navarro’s policy prescriptions are unclear but aim to defend the United States from what he calls China’s “economic aggression.” Navarro published a [report](#) in mid-June that listed more than 50 types of Chinese policies which accused China of seeking to “access the crown jewels of American technology and intellectual property.”

President Trump offered support for all these approaches. Via tweets and speeches at rallies, Trump frequently condemned China’s unfair trading practices. Back in August 2017, he ordered the Section 301 investigation while simultaneously voicing frequent support on

Twitter for the US to cut trade deficits with many countries.

The initial tariffs set the stage for a summer of harsh rhetoric, mutual retaliatory actions, and a stalemate in the US-China trade relationship. On June 16, Chinese Ministry of Commerce spokesperson Gao Feng accused the US of “capriciously initiat[ing] the trade war” that both sides once seemed desperate to avoid. In a separate press release, he [announced](#) that “[China] will impose tariffs with the same size and force and all the trade and economic achievements reached by [China and the US] will be invalid at the same time.” The US responded in a press release by Ambassador Lighthizer [announcing](#) that the president ordered 10 percent tariffs on an additional \$200 billion of Chinese goods due to “China’s retaliation and failure to change its practices.” By Aug. 1, this threat [escalated](#) from 10 percent to a proposed 25 percent tariff level. In direct response, China quickly [threatened](#) to tax an additional \$60 billion of US imports including aircrafts and liquefied natural gas.

While many observers criticized what was quickly evolving into a full-blown trade war, President Trump voiced a different perspective on Twitter on Aug. 4, exclaiming: “Tariffs are working far better than anyone ever anticipated. China market has dropped 27% in last 4 months, and they are talking to us. Our market is stronger than ever, and will go up dramatically when these horrible Trade Deals are successfully renegotiated.”

Trade negotiations resumed in Washington DC on Aug. 22-23 between US Treasury Undersecretary Davis Malpass and Vice Commerce Minister Wang Shouwen, but offered little hope for a truce. President Trump [prefaced](#) the meeting by telling the media that he did not “anticipate much” to come from it. As the [meeting](#) concluded, matching 25 percent tariffs on an additional \$16 billion of each other’s imports went into effect. On Aug. 27, Trump seemed unconcerned by the lack of progress, [telling](#) reporters: “It’s not the right time to talk, but eventually I’m sure that we’ll be able to work out a deal with China.”

Beijing’s unwillingness to make concessions persuaded Trump that the US had not yet inflicted enough pain on Beijing. On August 30 Bloomberg reported that the administration was preparing to proceed with tariffs on \$200 billion

in Chinese imports at the end of the public-comment period in early September. Asked to comment on the veracity of the report, Trump [told](#) *Bloomberg News* in an interview that it was “not totally wrong.”

Throughout the summer, intense debates raged in Beijing about the Trump administration’s intentions toward China. A minority group believed that the US sought a trade deal that would level the playing field. The majority group maintained that the trade demands were part of a larger strategy to thwart China’s rise. On Aug. 28, a [commentary](#) in the Chinese Communist Party’s mouthpiece *People’s Daily* suggested that the debate was over, and a judgment had been reached in favor of the majority view. The commentary’s author, Long Guoqiang, vice-president of the State Council’s Development Research Center wrote that “The trade war is not just a measure for the US to gain more economic benefits, it is also an important strategy to contain China.” Long called for “strategic confidence” and strategic patience” in the face of mounting pressure from Washington.

The resuscitation of ZTE

After the US Department of Commerce’s seven-year ban on Chinese smartphone and telecommunications manufacturer ZTE, which would block the company from purchasing crucial materials for its products from the US and effectively shutter its operations, President Trump intervened, apparently following a request from President Xi Jinping. Trump announced on Twitter that supported finding a solution for ZTE, lamenting the likely impact of “too many jobs in China lost.” Secretary Ross was specifically instructed to “get it done,” though Trump appeared to take the lead on finding a compromise as part of what he described as a “larger trade deal [the US is] negotiating with China and my personal relationship with President Xi.”

The decision was harshly criticized by members of the US Senate Banking Committee. They quickly [passed](#) an amendment with a 23-2 vote to stop President Trump from removing sanctions from ZTE without verifying to Congress that ZTE was in full compliance with US laws (the initial ban was the result of revelations that ZTE lied to US investigators about its business with Iran and North Korea). Upholding the ban on ZTE found support across the aisle in Congress in a rare display of

bipartisanship, with both Democrats and Republicans cautioning that bailing out ZTE would signify an unacceptably soft approach to China. President Trump pushed back, asserting that the ZTE rescue came with intense scrutiny including “high-level security guarantees, change of management and board” and other stipulations.

On June 7, Secretary Ross [announced](#) a settlement with ZTE for \$1.4 billion to clear it from the Department of Commerce’s Bureau of Industry and Security (BIS) Denied Persons List. The settlement marked the “most severe penalty BIS has ever imposed on a company.” The removal of the ban on ZTE was conditional and could be overturned if the company is found to be in violation of US laws. The decision seemed designed to ward off Congressional action.

As the US and China began implementing tit-for-tat tariffs, the ban on ZTE was quietly [lifted](#) on July 13 after the company paid the penalty and agreed to close monitoring of their activities. Congress redirected its efforts toward the National Defense Authorization Act, which sought to limit Chinese influence, investment, and initiatives in the US in other ways.

Observers expected that Trump’s goodwill gesture to save ZTE would be reciprocated by President Xi in the form of paving the way for a merger between Qualcomm and Netherlands-based NXP. However, the deal fell through when Chinese regulatory approval failed to materialize. Some experts [speculated](#) that US-China trade tensions made it impossible for Xi to give a green light to the acquisition.

CFIUS expands its domain

The Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), a bill designed to reform the Committee on Foreign Investment in the United States (CFIUS), was passed into law on Aug. 13 as part of the NDAA. The act, originally introduced as a separate bill in 2017, allows CFIUS to increase its scrutiny of foreign investments, with its [goal](#) being “to address growing national security concerns over foreign exploitation of certain investment structures which traditionally have fallen outside of CFIUS jurisdiction.” While FIRRMA does not specifically name China, there was little doubt that the act was specifically aimed to combat China’s use of US intellectual property

and scrutinize Chinese investments in the US in particular.

As FIRRMA made its way through Congress, the White House documented its own concerns about Chinese investments. In June, the White House Office of Trade and Manufacturing Policy headed by Peter Navarro, [published](#) a damning report on China’s economic policy and motivations titled “How China’s Economic Aggression Threatens the Technologies and Intellectual Property of the United States and the World.” The report pointedly accused China of “direct[ing] and unfairly facilitat[ing] the systematic investment in, and acquisition of, US companies and assets by Chinese companies.” Such economic aggression, as stated in FIRRMA, plainly warranted a new and improved CFIUS structure that could shut down China’s harmful investment practices. The Chinese Ministry of Commerce coolly [commented](#) that they had “noticed” the plan to tighten investment and were monitoring the issue, but did not take concrete actions in response.

In July House Permanent Select Committee on Intelligence Chairman Devin Nunes [called](#) on Congress to “give CFIUS the ability to ensure China is not posing a national security risk through acquisition of sensitive US assets.” The bill passed through the House and Senate just days later with broad bipartisan support.

New developments affect US-China cooperation on North Korea

As the US-China trade war went into high gear, US-China cooperation on North Korea faltered. In early May, Xi Jinping met North Korean leader Kim Jong Un for the second time in two months, this time in Dalian. Soon after their talks, preparations for Trump’s summit with Kim hit a speed bump, and the US president pinned blame on Xi. In [remarks](#) to the press alongside South Korean President Moon Jae-in on May 22, Trump voiced his frustration: “I will say I’m a little disappointed, because when Kim Jong Un had the meeting with President Xi in China . . . I think there was a little change in attitude from Kim Jong Un. So I don’t like that. I don’t like that from the standpoint of China,” Trump said. He also expressed irritation that the China-North Korea border had “been opened up a little bit lately,” implying that Beijing was backing off its commitment to implement UN sanctions.

It is possible that Trump's suspicion that Xi's conversations with Kim Jong Un resulted in shifts in both North Korean and Chinese policies was correct. Kim's decision in April to unilaterally suspend nuclear and missile tests, without demanding a concomitant suspension of US-ROK military exercises likely miffed the Chinese, who have long pushed for a "dual freeze." Cutting back on US-South Korean military drills, along with driving a wedge in the alliance and weakening US military presence on the Peninsula, have been longstanding Chinese goals. Just weeks after the Dalian summit, Kim called for a halt to US-ROK military drills. According to at least one [source](#), Kim issued the demand after being prodded to do so personally by Xi Jinping.

In the wake of the second Xi-Kim summit, there were also numerous reports suggesting that China was easing up on sanctions enforcement along the porous China-North Korea border. For example, a *Nikkei Asian Review* article [cited](#) greater availability of banned seafood from North Korea in Chinese markets, the reopening of two North Korean restaurants in Dandong, and more North Korean workers successfully using workarounds to get jobs as evidence that Beijing wasn't clamping down as tightly.

Trump signaled his dissatisfaction with China's more relaxed sanctions enforcement in a tweet on May 21: "China must continue to be strong & tight on the Border of North Korea until a deal is made. The word is that recently the Border has become much more porous and more has been filtering in. I want this to happen, and North Korea to be VERY successful, but only after signing!"

Immediately following his summit with Kim, Trump seemed less bothered by China's alleged sanctions violations. At his press conference in Singapore, Trump [said](#) that Xi Jinping had closed the border, but noted "maybe a little less . . . over the last couple of months, but that's okay." That statement was at odds with US policy, however, as demonstrated a week later during Secretary of State Pompeo's visit to China to provide a readout of the summit and to discuss other issues in US-China relations. Pompeo [insisted](#) that Xi reaffirmed China's commitment to honoring UN sanctions on North Korea and agreed that the sanctions should remain in place until denuclearization is completed.

Increasingly greater divergence between the US and China on policy toward North Korea was further evidenced in July when Beijing and Moscow blocked US efforts to punish North Korea for smuggling in refined petroleum products in violation of UN sanctions and take action to prevent illicit ship-to-ship transfers. The Russians and Chinese asked for more time to review the US charges, effectively delaying the US request for six months. A joint effort by Pompeo and US Ambassador to the United Nations Nikki Haley to persuade China and Russia failed. After meetings in New York, Haley [told](#) the press that "We put pressure today on China and Russia to abide and be good helpers through this situation and to help us continue with denuclearization."

China collaborated with Russia again on Aug. 9 to [block](#) a US request to add a Russian bank, a North Korean official, and two entities to a UN sanctions blacklist. One of the companies was China-based Dandong Zhongsheng Industry and Trade Company Ltd, which the US Treasury Department claimed is a front company.

In mid-August, the Trump administration sanctioned both Chinese and Russian firms for their alleged role in facilitating illicit trade with North Korea in violation of international sanctions. The US Treasury charged China-based Dalian Sun Moon Star International Logistics Trading and its Singapore-based affiliate, SINSMS, with falsifying shipping documents to enable illicit shipments of alcohol, tobacco, and cigarette-related products to North Korea. "Treasury will continue to implement existing sanctions on North Korea, and will take action to block and designate companies, ports, and vessels that facilitate illicit shipments and provide revenue streams to the DPRK," Treasury Secretary Steven Mnuchin said in a statement, adding that "Consequences for violating these sanctions will remain in place until we have achieved the final, fully verified denuclearization of North Korea."

On the eve of Secretary of State Pompeo's departure for negotiations in Pyongyang on Aug. 24, President Trump suddenly canceled the trip, announcing his decision on Twitter. Pinning blame again on Beijing, Trump tweeted that "because of our much tougher Trading stance with China, I do not believe they are helping with the process of denuclearization as they once were (despite the UN Sanctions which are in place)..." In a follow-on tweet, Trump linked

the resumption of US–North Korea negotiations with US–China trade talks, saying that Pompeo would travel to North Korea “in the near future, most likely after our Trading relationship with China is resolved.”

A solution of the US–China trade dispute seemed very far off, however, leaving observers to wonder what President Trump meant. Meanwhile, China’s Foreign Ministry spokesperson denied that China’s policy toward the nuclear issue on the Korean Peninsula had changed. Without naming Trump, he charged that the US accusations were “irresponsible” and “contrary to basic facts.”

Mattis focuses on talks during visit to Beijing

In late June, Secretary of Defense Mattis visited Beijing for two days on the first stop of an Asia tour that also included South Korea and Japan. Although US–China military ties have been stable and made some achievements in recent years, this was the first visit to China by a US defense secretary since 2014. On the eve of his departure from Washington, Mattis told reporters that he planned to “do a lot of listening” on the trip and would try to avoid “poisoning the well.”

Mattis’ trip took place less than a month after he [delivered](#) a speech at the annual Shangri-La Dialogue in Singapore that criticized China’s militarization of the South China Sea, but also declared US willingness “to support China’s choices if they promote long-term peace and prosperity for all this dynamic region.”

During his visit to China, Mattis focused on dialogue, opting to skip visits to Chinese military installations, unlike most of his predecessors. While in Beijing, Mattis met President Xi Jinping, Central Military Commission Vice Chairman Xu Qiliang, Minister of Defense Wei Fenghe, and State Councilor Yang Jiechi.

According to China’s Defense Ministry spokesperson, Mattis’ visit “achieved positive, constructive, results,” including the reaching of an “important consensus” on promoting mutual understanding between their militaries, deepening practical cooperation, and controlling risks. The Pentagon’s readout said that Mattis and Gen. Wei “openly and candidly” discussed a broad range of issues important to

the US–China relationship.” Those issues included Korea, Taiwan, and maritime security.

The South China Sea featured prominently in Mattis’ discussion with Xi. Apparently, the US defense secretary maintained that China’s deployment of weapons on artificial islands in the Spratlys was contrary to President Xi’s statement alongside President Obama in the White House Rose Garden that he had no intention to militarize the islands. Xi countered that China’s stance on sovereignty and territorial integrity is “steadfast . . . any inch of territory passed down from ancestors cannot be lost while we want nothing from others.”

Both Xi and Mattis had positive messages as well. “I’m here to keep our relationship on the right trajectory,” Mattis told Xi. *Xinhua* also reported the US defense secretary saying that “the United States is willing to strengthen strategic communication, expand mutually-beneficial cooperation, manage and control differences and risks, and prevent conflicts and confrontations, so as to enable military relations to be a constructive factor in promoting the development of bilateral ties.” Xi said he “hoped the two militaries will strengthen communication, increase mutual trust, deepen cooperation, manage and control risks and promote military ties to be a stabilizer of bilateral relations.”

Mattis’ interlocutors pressed him about the meaning of the label “strategic competitor” and the intentions behind the Trump administration’s *National Security Strategy* and *National Defense Strategy*. Acknowledging the competitive aspects of the bilateral relationship, Mattis said that “competitor” is not the same as “adversary,” and insisted that the US continues to seek areas of potential cooperation. The Chinese side also raised Taiwan, objecting to US moves to strengthen ties with Taiwan, including the Taiwan Travel Act (TTA), which calls for higher-level exchanges between officials from Washington and Taipei. The TTA was signed into law by President Trump on March 17. In what was likely a signal of US dissatisfaction with Beijing’s growing military and political pressure on Taiwan, two US Navy ships transited the Taiwan Strait one week after Mattis wrapped up his talks in Beijing.

Wei Fenghe accepted Mattis’ invitation to pay a reciprocal visit to the United States, possibly later this year. The tentative plan is to convene

a round of the US–China Diplomatic and Security Dialogue in the fall, which would include Mattis, Wei, Yang Jiechi, and Secretary Pompeo.



Figure 2 U.S. Secretary of Defense James N. Mattis meets with China's Minister of Defense Gen. Wei Fenghe at the People's Liberation Army's Bayi Building in Beijing, China, on June 28, 2018. Photo: US Department of Defense

Speaking at the Heritage Foundation on July 18, Assistant Secretary of Defense Randy Schriver described the results of the Pentagon's policy review of the US–China military relationship. In addition to examining bilateral activities to ensure that they are permissible under the 2019 National Defense Authorization Act, which bars cooperation in 12 areas, the Department of Defense (DoD) has assessed whether exchanges are advancing US interests and objectives. As a result, Schriver noted, the US has “skinned down” slightly areas that the US military is working with China.

In mid–August, the DoD released its annual report to Congress on “Military and Security Developments Involving the People's Republic of China 2018.” The report [described](#) DoD's contacts with the PLA as focused on three objectives in 2017: (1) building sustained and substantive dialogue through policy dialogues and senior leader engagements; (2) promoting risk reduction and risk management efforts that diminish the potential for misunderstanding or miscalculation; and (3) building concrete, practical cooperation when possible.

FY19 NDAA and China

On Aug. 13, President Trump signed into law the \$717 billion annual defense policy bill, the FY19 National Defense Authorization Act. The [law](#) contains many provisions that pertain to China. Endorsing the Trump administration's labeling of China as a strategic competitor, the NDAA

requires the president to develop a whole-of-government strategy toward China, including how to respond to China's influence operations, cyber activities, Belt and Road Initiative (BRI), and use of economic tools to gain access to sensitive US industries. The NDAA also bans the US government from contracting with ZTE and Huawei, or companies that do business with them. It prohibits the use of DoD funds for Chinese language programs at universities.

The NDAA forbids China's participation in the *Rim of the Pacific (RIMPAC)* naval exercise until China 1) ceases all land reclamation in the South China Sea; 2) establishes a four-year track record of taking actions toward stabilizing the region; and 3) removes all weapons from its military outposts in the Spratlys and the Paracels. The law allows the secretary of defense to waive those requirements in the interests of national security, which is probably the only circumstance in which China could be invited back to the exercises in the foreseeable future. The NDAA also requires the Pentagon to submit reports to Congress and the public on any new Chinese reclamation or militarization, or the assertion by China of any new claims in the South China Sea.



Figure 3 Flanked by troops from the Army's 10th Mountain Division at Fort Drum, N.Y., President Donald Trump signed the fiscal 2019 National Defense Authorization Act. Photo: Associated Press

Congress also added requirements for new sections in the Pentagon's annual report on military and security developments involving the PRC. The new sections include assessments of: 1) China–Russia relations with respect to security and military matters; 2) Chinese efforts to influence media, cultural institutions, business and academic and policy communities of the US to be more favorable to China; 3) connections between Chinese overseas investments and China's security and military strategy objectives; and 4) Chinese efforts to use

various nonmilitary tools in other countries to support their security and military objectives.

China's Foreign Ministry spokesperson criticized the NDAA, saying China was strongly dissatisfied that the bill passed despite strong Chinese opposition. He urged the US to discard its "Cold War" and "zero-sum" mentality, and refrain from implementing the negative China-related provisions, "lest it should undermine China-US relations and cooperation in key areas between the two countries. The spokesperson also voiced objections to the law's provisions regarding Taiwan, which include assessments of ways to enhance Taiwan's self-defense capability, and a DoD plan to expand senior military-to-military engagement and joint training by the US Armed Forces with Taiwan's military.

China's Taiwan Affairs Office (TAO) and Ministry of National Defense (MND) also condemned the NDAA. The TAO spokesman said that China "resolutely opposes any form of official or military contact between the United States and Taiwan, including US arms sales to Taiwan." The MND spokesman also highlighted China's objections to the Taiwan-related portions of the NDAA, saying that they interfered with China's internal affairs. He also maintained that the China-related portions of the NDAA "advocate confrontation between the two countries."

US pushes back against China's bullying of Taiwan

On April 25, the Civil Aviation Administration of China sent a [letter](#) to 44 foreign air carriers demanding that they follow Chinese law and remove all references to Taiwan, Hong Kong, and Macau as countries independent from China from their websites and promotional material. The letter set a deadline for making changes and threatened punishment for noncompliance. Incensed by China's demands, the Trump White House issued a [statement](#) calling the ultimatum "Orwellian nonsense" that is "part of a growing trend by the Chinese Communist Party to impose its political views on American citizens and private companies." US officials began consultations with the US airlines affected to find a solution that would avert a negative impact on their business, while not caving in to Chinese demands.

In late May, the US State Department requested consultations with China on the issue, but Beijing refused. Asked about China's unwillingness to talk to the US about the matter, Chinese Foreign Ministry spokesman Lu Kang told a daily news briefing that foreign companies operating in China must respect China's laws as well as the country's sovereignty and territorial integrity. As the final July 25 deadline neared, a State Department official [said](#) that US airlines should not be forced to comply with China's requirements. But the four US airlines affected by China's demands – United Airlines, American Airlines, Delta Airlines, and Hawaiian Airlines – are all private companies and the final decision on how to respond was left up to them.

To avoid adverse repercussions, US carriers opted to adjust their websites, although unlike most other international airlines, none of them adopted the nomenclature "Taiwan, China." The changes made by the four US carriers were not consistent, but each tried to implement a solution that would be tolerated by Beijing. In some cases, airlines removed references to Taiwan, listing Taipei as a destination city but not associating it with China. United Airlines opted to use currency to denote China, Taiwan, and Hong Kong on its website. It wasn't clear whether China would take punitive actions. China's Foreign Ministry spokesperson refrained from criticizing the steps taken by US airlines as falling short of Beijing's demands. Instead, the spokesperson [said](#) that "No one can step away from the basic principle of one China, no matter how hard they try to be flexible."

Tensions flared again on an issue related to Taiwan in late August. On the heels of a trip by Taiwan's President Tsai Ing-wen to Paraguay and Belize, which included transits through Los Angeles and Houston, El Salvador announced that it intended to break diplomatic ties with the Republic of China (Taiwan) and establish diplomatic relations with the People's Republic of China. It marked the third time Beijing had poached a diplomatic ally from Taiwan in 18 months. The move left Taipei with only 17 official diplomatic partners. The US representative office in Taipei, the American Institute in Taiwan, condemned the action as a unilateral effort by Beijing to alter the status quo, which it maintained is harmful to regional stability. Using unusually harsh [language](#), the Trump White House called out China both for destabilizing the cross-strait relationship and

for politically interfering in the Western Hemisphere. The statement warned that “China’s economic inducements facilitate economic dependence and domination, not partnership.”

Bleak prospects for near-term progress

The US-China trade dispute is likely to remain stalemated for many months to come, at least until after the US mid-term elections. The prevailing view in China that the US is not simply seeking a fair trade deal but is attempting to thwart China’s reemergence as a great power makes it highly unlikely that concessions will be tabled by Beijing. President Trump appears to be patient, anticipating that China will eventually cave in once tariffs take their toll. In an interview with *Reuters* on the eve of the August trade talks, Trump [indicated](#) that resolving the dispute would “take time because China’s done too well for too long, and they’ve become spoiled.”

Friction is also likely to grow in other areas of the bilateral relationship as the US confronts China on Taiwan, the South China Sea, China’s BRI predatory development financing, and Beijing’s alleged uptick in assistance to North Korea. Unlike Trump’s approach to Iran, Russia, and his treatment of US allies, his China policy has widespread bipartisan support in Congress. A face-to-face meeting could break the logjam, but no meeting is scheduled between Presidents Trump and Xi until the end of November at the G20 Summit in Argentina.

CHRONOLOGY OF US-CHINA RELATIONS

MAY – AUGUST 2018

May 1, 2018: In an interview with *CNBC*, Commerce Secretary Wilbur Ross [claims](#) the US-China trade deficit is “inspired by evil practices.”

May 1, 2018: President Donald Trump [tweets](#) “Delegation heading to China to begin talks on the Massive Trade Deficit that has been created with our Country. Very much like North Korea, this should have been fixed years ago, not now. Same with other countries and NAFTA ... but it will all get done. Great Potential for USA!”

May 2, 2018: President Trump [tweets](#) “Our great financial team is in China trying to negotiate a level playing field on trade! I look forward to being with President Xi in the not too distant future. We will always have a good (great) relationship!”

May 3, 2018: The Pentagon [files](#) a complaint and claims that two US pilots had been injured by Chinese military-grade laser pointers at the US base in Djibouti.

May 3-4, 2018: A delegation of senior US economic advisers travels to Beijing and [meets](#) President Xi Jinping and Vice President Wang Qishan.

May 4, 2018: President Trump [tweets](#) “Our high level delegation is on the way back from China where they had long meetings with Chinese leaders and business representatives. We will be meeting tomorrow to determine the results, but it is hard for China in that they have become very spoiled with U.S. trade wins!”

May 4, 2018: In a conference call to reporters, Deputy Assistant Defense Secretary for South and Southeast Asia Joe Felter [states](#) concern regarding “China’s predatory economic activities” in the Indian Ocean and insists their activities are not “consistent with the interests of those individual states.”

May 5, 2018: State Councilor Yang Jiechi [talks](#) by phone with Secretary of State Mike Pompeo and discusses bilateral US-China trade relations.

May 5, 2018: In a [statement](#), the US press secretary criticizes China’s demand that foreign air carriers change the way they refer to “Taiwan,” “Hong Kong,” and “Macao” on their websites, calling it “Orwellian nonsense.”

May 8, 2018: President Trump [tweets](#) “I will be speaking to my friend, President Xi of China, this morning at 8:30. The primary topics will be Trade, where good things will happen, and North Korea, where relationships and trust are building.”

May 8, 2018: President Trump talks by phone with President Xi to [discuss](#) recent developments on the Korean Peninsula and Xi’s meeting with Kim Jong Un.

May 13, 2018: President Trump [tweets](#) “President Xi of China, and I, are working together to give massive Chinese phone company, ZTE, a way to get back into business, fast. Too many jobs in China lost. Commerce Department has been instructed to get it done!”

May 13, 2018: President Trump [tweets](#) “China and the United States are working well together on trade, but past negotiations have been so one sided in favor of China, for so many years, that it is hard for them to make a deal that benefits both countries. But be cool, it will all work out!”

May 13, 2018: President Trump [asks](#) Commerce Secretary Ross to revisit US restrictions placed on Chinese company ZTE, calling the limits “an issue of high concern for China.”

May 14, 2018: President Trump [tweets](#) “ZTE, the large Chinese phone company, buys a big percentage of individual parts from US companies. This is also reflective of the larger trade deal we are negotiating with China and my personal relationship with President Xi.”

May 14, 2018: Acting Assistant Secretary of State for East Asian and Pacific Affairs Susan Thornton [visits](#) Beijing for bilateral consultations with Chinese officials.

May 15–19, 2018: Chinese trade delegation led by Chinese Vice Premier Liu He [visits](#) Washington for consultations with US counterparts. He meets President Trump.

May 15, 2018: President Trump [tweets](#) “Trade negotiations are continuing with China. They have been making hundreds of billions of dollars a year from the U.S., for many years. Stay tuned!”

May 16, 2018: President Trump [tweets](#) “The *Washington Post* and *CNN* have typically written false stories about our trade negotiations with China. Nothing has happened with ZTE except as it pertains to the larger trade deal. Our country has been losing hundreds of billions of dollars a year with China...We have not seen China’s demands yet, which should be few in that previous U.S. Administrations have done so poorly in negotiating. China has seen our demands. There has been no folding as the media would love people to believe, the meetings...haven’t even started yet! The U.S. has very little to give, because it has given so much over the years. China has much to give!”

May 17, 2018: House Intelligence Committee [holds](#) a hearing on “China’s Worldwide Military Expansion.”

May 18, 2018: China [ends](#) its anti-dumping investigation into US imports of sorghum, calling it an act of goodwill.

May 21, 2018: President Trump [tweets](#) “I ask Senator Chuck Schumer, why didn’t President Obama & the Democrats do something about Trade with China, including Theft of Intellectual Property etc.? They did NOTHING! With that being said, Chuck & I have long agreed on this issue! Fair Trade, plus, with China will happen!”

May 21, 2018: President Trump [tweets](#) “China has agreed to buy massive amounts of ADDITIONAL Farm/Agricultural Products - would be one of the best things to happen to our farmers in many years!”

May 21, 2018: President Trump [tweets](#) “On China, Barriers and Tariffs to come down for first time.”

May 21, 2018: President Trump [tweets](#) “China must continue to be strong & tight on the Border of North Korea until a deal is made. The word is that recently the Border has become much more porous and more has been filtering in. I want this to happen, and North Korea to be VERY successful, but only after signing!”

May 21, 2018: President Trump [tweets](#) “Under our potential deal with China, they will purchase from our Great American Farmers practically as much as our Farmers can produce.”

May 22, 2018: Senate Banking Committee [approves](#) an amendment with a 23–2 vote that would block President Trump from easing sanctions on ZTE without first certifying to Congress the company is complying with US law.

May 22, 2018: President Trump puts blame on Xi Jinping for the delay or cancellation of his summit with Kim Jong Un, saying “I will say I’m a little disappointed, because when Kim Jong Un had the meeting with President Xi in China . . . I think there was a little change in attitude from Kim Jong Un. So I don’t like that.”

May 23, 2018: President Trump [tweets](#) “Our Trade Deal with China is moving along nicely, but in the end we will probably have to use a different structure in that this will be too hard to get done and to verify results after completion.”

May 23, 2018: United States [launches](#) a national security investigation under Section 232 of the Trade Expansion Act of 1962 on whether vehicle and parts imports threaten the US industry’s health and ability to research and develop new advanced technologies.

May 23, 2018: In response to China’s continued militarization of islands in the South China Sea, the Pentagon [disinvites](#) the PLA Navy from the 2018 *Rim of the Pacific (RIMPAC)* exercise.

May 23, 2018: Secretary of State Pompeo and Chinese Foreign Minister Wang Yi meet and [discuss](#) cooperation on North Korea, the militarization of the South China Sea, and US-China bilateral relations and trade.

May 23, 2018: House Foreign Affairs Subcommittee on Europe, Eurasia, and Emerging Threats [holds](#) a hearing on “Chinese Investment and Influence in Europe.”

May 27, 2018: Two US Navy destroyers, the *USS Higgins* and the *USS Antietam*, [conduct](#) a freedom of navigation operation (FONOP) near Tree, Lincoln, Triton, and Woody Islands in the Paracels.

June 1, 2018: Secretary of Defense Jim Mattis [criticizes](#) China's militarization in the South China Sea and accuses China of "intimidation and coercion" in his remarks at the plenary session of the 2018 Shangri-La Dialogue in Singapore.

June 2, 2018: Secretary of Commerce Ross [meets](#) Vice Premier Liu He in Beijing to discuss China's willingness to buy US exports. The meeting follows US threats of raised tariffs toward exports from China.

June 3, 2018: Secretary of State Pompeo [releases](#) annual remarks commemorating the 29th Anniversary of Tiananmen Square, urging China to make a "full public accounting" of the demonstrators killed.

June 4, 2018: President Trump [tweets](#) "Farmers have not been doing well for 15 years. Mexico, Canada, China and others have treated them unfairly. By the time I finish trade talks, that will change. Big trade barriers against U.S. farmers, and other businesses, will finally be broken. Massive trade deficits no longer!"

June 7, 2018: Secretary of Commerce Ross [announces](#) a \$1.4 billion settlement with ZTE Corporation, which also requires ZTE to undergo monitoring by the US Commerce Department's Bureau of Industry and Security.

June 12, 2018: US Department of Commerce [launches](#) an investigation into steel propane tank imports from China to determine whether China illegally dumps the tanks in US markets and if Chinese tank producers receive unfair state subsidies.

June 13-16, 2018: Vice Chairman of the Standing Committee of the National People's Congress Wang Chen [visits](#) the US. He discusses US-China ties with congressional members, including Speaker of the House Paul Ryan and House Minority Leader Nancy Pelosi.

June 14, 2018: Secretary of State Pompeo [meets](#) President Xi, Politburo Member Yang Jiechi, and Foreign Minister and State Councilor Wang Yi in Beijing. In a press availability, Pompeo [states](#) that the US wants a "constructive relationship" with China.

June 14, 2018: Chief of Naval Operations Adm. John Richardson has a video teleconference (VTC) with Vice Adm. Shen Jinlong, People's Liberation Army (Navy) Commander. They exchange views on Navy-to-Navy and bilateral military relations.

June 15, 2018: Trump administration [announces](#) plans to impose a 25 percent tariff on \$50 billion worth of Chinese goods that are considered "industrially significant technologies" in response to concerns about US intellectual property rights.

June 15, 2018: China's Ministry of Commerce [announces](#) that China will impose tariffs on \$34 billion of US goods, including soybeans and other agricultural products.

June 15, 2018: Secretary of Defense Mattis [compares](#) China's "One Belt, One Road" to the Ming Dynasty in his remarks at the US Naval War College commencement, stating that China is "demanding other nations become tribute states, kowtowing to Beijing" and "attempting to replicate on the international stage their authoritarian domestic model."

June 18, 2018: Secretary of State Pompeo [criticizes](#) China's economic expansion in his remarks at the Detroit Economic Club, calling China's push for globalization a "joke."

June 21, 2018: Ministry of Commerce spokesperson Gao Feng, in a regular press briefing in Beijing, [remarks](#) that the US has been "capricious" and is responsible for provoking a trade war. He states, "The US is accustomed to holding 'big sticks' for negotiations, but this approach does not apply to China."

June 27-28, 2018: Secretary of Defense Mattis visits Beijing and [meets](#) separately with President Xi, Defense Minister Gen. Wei Fenghe, Central Military Commission Vice Chairman General Xu Qiliang, and State Councilor Yang Jiechi.

June 28, 2018: Secretary of State Pompeo [makes](#) a phone call to Chinese State Councilor and Foreign Minister Wang Yi to discuss denuclearization in North Korea.

July 3, 2018: US Department of Commerce [announces](#) an affirmative preliminary anti-dumping duty determination on imports of sodium gluconate and gluconic acid from China.

July 6, 2018: Chinese Ministry of Commerce spokesperson [issues](#) a press release stating that “[China] will impose tariffs with the same size and force and all the trade and economic achievements reached by the two sides [China and the US] will be invalid at the same time.”

July 7-8, 2018: Two US Navy warships, the *USS Mustin* and *USS Benfold* guided-missile destroyers, [sail](#) through the Taiwan Strait.

July 9, 2018: President Trump [tweets](#) “I have confidence that Kim Jong Un will honor the contract we signed &, even more importantly, our handshake. We agreed to the denuclearization of North Korea. China, on the other hand, may be exerting negative pressure on a deal because of our posture on Chinese Trade-Hope Not!”

July 10, 2018: US Trade Representative Robert Lighthizer [states](#) in a press release that “As a result of China’s retaliation and failure to change its practices, the President has ordered USTR to begin the process of imposing tariffs of 10 percent on an additional \$200 billion of Chinese imports.”

July 11, 2018: US House of Representatives Foreign Affairs Subcommittee on Asia and the Pacific and the Subcommittee on Terrorism, Nonproliferation and Trade [hold](#) a joint hearing titled, “China’s Predatory Trade and Investment Strategy.”

July 12, 2018: US House of Representatives [passes](#) the Matthew Young Pollard Intelligence Authorization Act for Fiscal Years 2018 and 2019 (H.R. 6237), a bill that requires intelligence personnel to brief Congress if an “adversary foreign government,” including China, attempts to meddle in US federal elections.

July 13, 2018: US Department of Commerce [lifts](#) a ban that prevented US companies from selling goods to Chinese telecommunications manufacturer ZTE Corporation.

July 16, 2018: In an interview with *Reuters* in Johannesburg, OPIC CEO Ray Washburne [warns](#) that China’s Belt and Road strategy is creating a debt trap for many poor nations.

July 16, 2018: United States [launches](#) a case against China, as well as four other cases against the EU, Canada, Turkey, and Mexico, formally challenging tariffs that those countries imposed on more than \$20 billion worth of US exports in retaliation for US duties on China’s steel and aluminum exports to the US.

July 18, 2018: Director of the National Economic Council Larry Kudlow, in [remarks](#) about a proposed US-China trade deal, states, “I don’t think President Xi at the moment has any intention of following through on the discussions we made, and I think [Trump] is so dissatisfied with China on these so-called talks that he is keeping the pressure on, and I support that.”

July 18, 2018: At the Aspen Security Forum in Colorado, FBI Director Christopher Wray [remarks](#), “I think China, from a counterintelligence perspective, represents the broadest, most challenging, most significant threat we face as a country.”

July 18, 2018: Director General of the Department of Treaty and Law of the Ministry of Foreign Affairs Xu Hong and Department of State Legal Advisor Jennifer Gillian Newstead [conduct](#) the Annual Consultation to discuss the Belt and Road Initiative, the United Nations, maritime law, the international cyberspace law, humanitarian law, and the law on consular relations.

July 19, 2018: Chinese Ambassador to the US Cui Tiankai [publishes](#) an article in *USA Today*, entitled “Trade War Against China is Unjustified.”

July 19, 2018: Deputy Secretary of State John Sullivan and Ambassador to the US Cui [meet](#) in Washington, DC, to discuss bilateral and regional issues.

July 19, 2018: US House of Representatives Permanent Select Committee on Intelligence [holds](#) a hearing titled, “China’s Threat to American Government and Private Sector Research and Innovation Leadership.”

July 20, 2018: President Trump [tweets](#), “China, the European Union and others have been manipulating their currencies and interest rates lower, while the U.S. is raising rates while the dollars gets stronger and stronger with each passing day – taking away our big competitive edge. As usual, not a level playing field...”

July 21, 2018: At the Aspen Security Forum in Colorado, Michael Collins, deputy assistant director of the CIA's East Asia Mission Center, [says](#) that China seeks to replace the US as the dominant global power and is waging a Cold War.

July 24, 2018: Senate Foreign Relations Subcommittee on East Asia, the Pacific, and International Cybersecurity Policy [holds](#) a hearing titled, “The China Challenge, Part 1: Economic Coercion as Statecraft.”

July 25, 2018: President Trump [tweets](#): “China is targeting our farmers, who they know I love & respect, as a way of getting me to continue allowing them to take advantage of the U.S. They are being vicious in what will be their failed attempt. We were being nice – until now! China made \$517 Billion on us last year.”

July 26, 2018: Foreign Ministry spokesperson in response to Trump's tweet that China's tariffs target US farmers, [states](#), “The current situation is entirely caused by the US side by pursuing unilateralism and trade protectionism and insisting on provoking trade wars against China.”

July 26, 2018: Congressional-Executive Commission on China [holds](#) a hearing titled, “Surveillance, Suppression, and Mass Detention: Xinjiang's Human Rights Crisis.”

July 27, 2018: Undersecretary of Defense for Acquisition and Sustainment Ellen Lord [states](#) that the Pentagon has created a “do not buy” list of software products from certain Chinese and Russian companies.

July 26, 2018: Report by US National Counterintelligence and Security Center [states](#) that “China continues to steal intellectual property and trade secrets from U.S. companies for its own economic advancement and the development of its military but ‘at lower volumes’ since the two countries forged an agreement in 2015.”

July 31, 2018: At the PLA's 91st anniversary reception in Washington, DC, Chinese Ambassador to the US Cui Tiankai [states](#), “[US-China] competition should be healthy and positive, aiming to improve ourselves, not to replace the other side.”

Aug. 1, 2018: Congress [passes](#) legislation authorizing \$716 billion in total defense spending for the coming fiscal year. It includes provisions aimed at countering Chinese activities in the South China Sea, its illicit pursuit of cutting-edge US technology, and the spread of Communist Party propaganda at American institutions.

Aug. 1, 2018: President Trump [directs](#) US Trade Representative Lighthizer to consider increasing the proposed tariff level on \$200 billion worth of Chinese goods from 10 percent to 25 percent.

Aug. 1, 2018: US Department of Commerce Bureau of Industry and Security [publishes](#) a Federal Register notice, adding 44 Chinese companies to the “Entity List” of the Export Administration Regulations over concerns about US national security.

Aug. 2, 2018: At a political rally in Wilkes-Barre, Pennsylvania, President Trump [states](#), “Pennsylvania lost 300,000 manufacturing jobs and China joined the WTO. Right now, China is not too happy with me. But I have great respect for President Xi and I have great respect for China. It's not their fault that our leaders were stupid.”

Aug. 3, 2018: China [says](#) it will impose new tariffs on \$60 billion worth of imports from the US, including aircraft and liquefied natural gas, in response to Trump's threat to raise US tariffs on Chinese goods on \$200 billion worth of Chinese exports to 25 percent.

Aug. 3, 2018: Secretary of State Pompeo and Foreign Minister Wang Yi [meet](#) on the sidelines of the ASEAN Regional Forum in Singapore.

Aug. 3, 2018: US Department of the Treasury [announces](#) sanctions on Chinese-owned Dandong Zhongsheng Industry & Trade Co, along with Russian-owned Agrosoyuz Commercial Bank, Ltd., for handling transactions for North Korea and violating UN sanctions.

Aug. 4, 2018: President Trump [tweets](#), “Tariffs are working far better than anyone ever anticipated. China market has dropped 27% in last 4 months, and they are talking to us. Our market is stronger than ever, and will go up dramatically when these horrible Trade Deals are successfully renegotiated.”

Aug. 4, 2018: President Trump [tweets](#), “...China, which is for the first time doing poorly against us, is spending a fortune on ads and P.R. trying to convince and scare our politicians to fight me on Tariffs- because they are really hurting their economy. Likewise other countries. We are Winning, but must be strong!”

Aug. 8, 2018: President Trump [tweets](#), “As long as I campaign and/or support Senate and House candidates (within reason), they will win! I LOVE the people, & they certainly seem to like the job I’m doing. If I find the time, in between China, Iran, the Economy and much more, which I must, we will have a giant Red Wave!”

Aug. 8, 2018: US Navy P-8A Poseidon reconnaissance plane [flies](#) over the Spratly Islands and receives six radio warnings from the Chinese military to “Leave immediately and keep out to avoid any misunderstanding.”

Aug. 13, 2018: At the signing ceremony for the FY 2019 National Defense Authorization Act, President Trump [states](#), “China even launched a new military division to oversee its warfighting programs in space. Just like the air, the land, the sea, space has become a warfighting domain. It is not enough to merely have an American presence in space. We must have American dominance in space.”

Aug. 15, 2018: Department of the Treasury [sanctions](#) Chinese firm Dalian Sun Moon Star International Logistics Trading Co., Ltd. and its Singapore-based affiliate, SINSMS Pte. Ltd. for illegal exports of alcohol, tobacco, and cigarette-related products to North Korea.

Aug. 16, 2018: US Department of Defense [releases](#) Annual Report to Congress, titled, “Military and Security Developments Involving the People’s Republic of China.”

Aug. 18, 2018: President Trump [tweets](#), “All of the fools that are so focused on looking only at Russia should start also looking in another direction, China. But in the end, if we are smart, tough and well prepared, we will get along with everyone!”

Aug. 20, 2018: President Trump [tweets](#), “It is outrageous that Poisonous Synthetic Heroin Fentanyl comes pouring into the U.S. Postal System from China. We can, and must, END THIS NOW! The Senate should pass the STOP ACT – and firmly STOP this poison from killing our children and destroying our country. No more delay!”

Aug. 22-23, 2018: US Treasury Undersecretary David Malpass [meets](#) Chinese delegation led by Vice Commerce Minister Wang Shouwen in Washington, DC to discuss bilateral trade issues.

Aug. 23, 2018: US and China [levy](#) 25 percent duties on an additional \$16 billion of each other's imports.

Aug. 23, 2018: China [files](#) complaint with the World Trade Organization against US tariffs on \$16 billion worth of Chinese goods under the Section 301 investigation, according to the Ministry of Commerce.

Aug. 24, 2018: President Trump [tweets](#), “...Additionally, because of our much tougher Trading stance with China, I do not believe they are helping with the process of denuclearization as they once were (despite the UN Sanctions which are in place)...”

Aug. 24, 2018: President Trump [tweets](#), “...Secretary Pompeo looks forward to going to North Korea in the near future, most likely after our Trading relationship with China is resolved. In the meantime I would like to send my warmest regards and respect to Chairman Kim. I look forward to seeing him soon!”

Aug. 27, 2018: President Trump tells reporters he is rejecting overtures from China to negotiate. “They want to talk,” Trump [said](#). But “it’s just not the right time to talk right now, to be honest.”

Aug. 27, 2018: US Commerce Department [announces](#) a preliminary determination that imports of certain steel wheels from China were subsidized at rates ranging from 58.75 percent to 172.51 percent, and that it would impose duties on the product.

Aug. 28, 2018: President Trump [tweets](#), “Report just out: “China hacked Hillary Clinton’s private Email Server.” Are they sure it wasn’t Russia (just kidding!)? What are the odds that the FBI and DOJ are right on top of this? Actually, a very big story. Much classified information!”

Aug. 29, 2018: President Trump [tweets](#), “STATEMENT FROM THE WHITE HOUSE President Donald J. Trump feels strongly that North Korea is under tremendous pressure from China because of our major trade disputes with the Chinese Government. At the same time, we also know that China is providing North Korea with...” “... [considerable](#) aid, including money, fuel, fertilizer and various other commodities. This is not helpful! Nonetheless, the President believes that his relationship with Kim Jong Un is a very good and warm one, and there is no reason at this time to be spending large amounts...” “...[of money](#) on joint U.S.-South Korea war games. Besides, the President can instantly start the joint exercises again with South Korea, and Japan, if he so chooses. If he does, they will be far bigger than ever before. As for the U.S.-China trade disputes, and other...” “... [differences](#), they will be resolved in time by President Trump and China’s great President Xi Jinping. Their relationship and bond remain very strong.”

Aug. 29, 2018: In a [letter](#) to Secretary of State Pompeo and Treasury Secretary Steven Mnuchin, Sen. Marco Rubio and 16 other members of Congress from both parties call for sanctions on seven Chinese officials and two businesses related to camps in Xinjiang.

Chronology by CSIS intern Julia Wiczorek

COMPARATIVE

C O N N E C T I O N S

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

US-KOREA RELATIONS

SINGAPORE SLING TO STALEMATE

STEPHEN NOERPER, KOREA SOCIETY AND COLUMBIA UNIVERSITY

In contrast to last summer's hot rhetoric and spiking tensions, the United States and North Korea moved to a June thaw with the dramatic Singapore summit. After some heavy lifting from South Korea, Donald Trump and Kim Jong Un produced a vague commitment to denuclearization. By summer's end there was little progress as North Korea and the US appeared at odds on next steps, with North Korea insisting on a peace regime and the US insisting on visible steps toward denuclearization. South Korea has emerged as the mediator. The US finally saw a new ambassador in Seoul with the appointment of Harry Harris. USFK Commander Gen. Vincent Brooks agreed with ROK defense plans for reducing posts along the DMZ, while joint US-ROK military exercises remained on hold, although Defense Secretary James Mattis hinted at their resumption next year. President Moon's poll numbers declined, as concerns over slow progress and fissures with the US grew.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: Stephen Noerper, "US-Korea Relations: Singapore Sling to Stalemate" *Comparative Connections*, Vol. 20, No. 2, pp 37-42.

June 12 takeaways

Proponents of the Trump-Kim summit argue that a process now exists that may ultimately produce fundamental change on the peninsula. The South Korean public approved of the perceived initial progress in strong numbers, and half of Americans polled supported President Trump's handling of North Korea. Trump and Secretary of State Pompeo have since argued for time and patience. The Singapore agreement centered on four areas: new relations, a new peace regime, denuclearization, and the return of US war remains. By the end of August, only the latter saw progress, which supporters argue is both symbolic of a new process and substantive in bringing solace to descendants of those who perished.

Critics argue that Trump was too focused on the theater of the meeting and gave way too quickly on halting joint military exercises. They point to the lack of progress on the other essential areas, especially the issue of denuclearization.



Figure 1 US President Donald Trump and North Korea's leader Kim Jong Un shake hands after signing documents during a summit at the Capella Hotel on the resort island of Sentosa, Singapore June 12, 2018. Photo: Reuters

What is clear is that the takeaways were perceived differently by Washington and Pyongyang. The US argues that the commitment, in Pompeo's word, is to "complete denuclearization." South Korea too has argued that North Korea has assured it of the essential nature of this drive. But it is clear the North Korean priority is different and focused on establishing a peace regime. Specifically, Pyongyang wants an end-of-war declaration prior to further movement on denuclearization. It has argued that the self-imposed test moratorium and destruction of its nuclear test site and its missile test facility were enough to

demonstrate a firm commitment. This essential difference in definition and priorities (as well as the lingering question of whether North Korea would ever give up its nuclear capability) leaves the US, ROK, and DPRK at the current impasse.

Carrying the torch

The eyes of the world were on Singapore in June – as warranted given seven decades of distrust between Washington and Pyongyang. President Trump broke from tradition in meeting North Korean leader Kim Jong Un, bedeviling critics and those accustomed to more steady processes that work from the bottom up with increasingly senior-level meetings leading to agreements that culminate in a meeting of the heads-of-state for closure.

But the real focus, and one that ultimately bodes well for the US-Korea alliance, should be on the efforts of South Korea's Moon Jae-in. With patience and quietude, the South Korean president and his team – the latter of which conveyed the initial proposal for a summit to the White House – persisted in pushing forward the Trump-Kim summit. Moon built on his commitments to improve the situation with North Korea and to build on the success of the 2018 Pyeongchang Winter Olympics, pushing both Trump and Kim toward self-interests. Kim, facing down strict and unified sanctions and seemingly moving beyond nuclear development to economic sustainability, saw the summit as a way to bring the DPRK (and himself) onto the global stage. Trump envisioned his role as the president who finally sat down with the enemy, making himself not only transactional but (in his view) a transitional president. That it provided entertainment, a score in advance of the contested US midterm elections, and created a legacy were also important factors.

Moon saw the advantage (some might say the vanity) in both Kim's and Trump's leanings, as well as the essential nature of achieving a summit for his own political viability. His approval ratings plunged from the 80s to the 50s in the period from the April 27 inter-Korean summit to the end of the summer. The ROK played the steady rudder to the listing ships of its northern neighbor and its great ally. Trump canceled the summit at one point, only to have Moon coordinate a meeting with Kim in a day (a second summit and one in what the ROK has described as a new approach with frequent meetings of the leaders of the South and North).

A day after canceling, Trump spoke of negotiations to reinstate the meeting.

These dynamics make South Korea's new role different from that of prior decades, even during the rounds of initial sunshine. Seoul's centrality in the process provides a buffer to potential blunder, and to date, it has shown an adroitness in managing the personalities and parts of the processes around Trump and Kim.

The role is not without challenges. As torchbearers, Seoul has been out front and may be vulnerable to stumbles on untread paths. Political splits in Seoul among supporters and skeptics may be a drag on momentum. The new realities mean that there will have to be some give-and-take at strategic and tactical levels when it comes to strategic management.

Joint exercises and drawdowns

At no point in the period was this need for flexibility more clear than in the announced cancelation of joint exercises between ROK and US forces. Some saw the move as a nod to Moon's efforts at lowering tensions and drawing North Korea into the fold. Others were startled and thought Trump was giving something for nothing by announcing the cessation unilaterally in Singapore. The angst was magnified when the US president borrowed North Korean words and characterized the joint exercises as "war games" and reminded his audience that they were expensive. By the end of August, Defense Secretary Mattis announced that this path was not open-ended as a good faith gesture, and that there has been no cancelation of exercises that were planned for next year.

Another challenge to US-ROK coordination is the pacing of movements to lessen tensions along the DMZ. Seoul's progress earlier in the year in establishing military hotlines and around the April 27 Moon-Kim summit in establishing direct lines between leaders led to ROK efforts toward further tension reduction. The first step after the inter-Korean summit was a shutdown of loudspeakers used for propaganda; by August the two sides had agreed on plans for a decrease in guardposts and personnel along the DMZ.

The difficulty for Gen. Brooks and US forces was aligning with Blue House efforts, measures that he admitted might create security

vulnerabilities. Therein lies a fundamental challenge for the alliance. As with the cancellation of joint exercises, both the US and the ROK need to make adaptations to security (and political) relationships. It will be increasingly important for political communication to be as open as possible, for complications over security relations and economic inclinations – be they bilateral or by way of the timing and back-off or rigor of sanctions – will demand patience.

Secretary of State Pompeo has argued for patience in the negotiation process with North Korea, and understandably since only a short time has passed since the summit. Experts argue that denuclearization will be a complex and lengthy process, if achieved.

Patience and flexibility should be the new guiding principles in the US-ROK relationship writ large. In Gen. Brooks and Ambassador Harris, the US has steady rudders at the senior leadership level on the ground, to match those of Defense Secretary Mattis and Secretary of State Pompeo. Some argue over discord and disparities in US proclivities and processes; others point to relatively good coordination and instincts among those making Korea policy in Washington. The concern is that the US need project greater steadiness to its ally, lest the torchbearer find himself in the rain, and the situation moves backward toward the heated rhetoric and tensions of last year. Some, like former Defense Secretary Perry, argue for hope in the process; but, he points out, that process will not be easy.

CHRONOLOGY OF US-KOREA RELATIONS

MAY – AUGUST 2018

May 1, 2018: South and North begin dismantlement of border speakers in accord with April 27 inter-Korean leaders summit; ROK President Moon Jae-in asks UN for verification of DPRK nuclear site shutdown.

May 2, 2018: ROK says it wants US troops to stay regardless of any treaty with the DPRK.

May 2, 2018: US intelligence detects DPRK actions at its nuclear test site.

May 3, 2018: White House says US prisoner release would be a goodwill move by the DPRK.

May 3, 2018: US National Security Advisor John Bolton meets ROK National Security Adviser Chung Eui-yong in Washington, DC.

May 4, 2018: *New York Times* reports that President Trump has ordered the Pentagon to consider reducing US troops in ROK.

May 6, 2018: DPRK denies US sanctions pressure is behind its denuclearization pledge.

May 7, 2018: *Wall Street Journal* reports that US troops represent “potential bargaining chip.”

May 8, 2018: Kim Jong UN meets Chinese President Xi Jinping.

May 9, 2018: Three US detainees freed by DPRK, head home, thank Trump.

May 10, 2018: President Trump announces he will meet DPRK leader Kim Jong UN in Singapore on June 12.

May 11, 2018: US Secretary of State Mike Pompeo meets ROK Foreign Minister Kang Kyung-wha and suggests DPRK future “brimming with prosperity,” though he cautions denuclearization will require “robust” oversight.

May 12, 2018: DPRK details plans to dismantle nuclear test site.

May 13, 2018: Secretary Pompeo says US ready to lift sanctions if DPRK dismantles its nuclear weapons program.

May 15, 2018: Satellite images show buildings removed from DPRK nuclear test site.

May 15, 2018: DPRK casts doubt on Trump summit, suspends talks with South; Trump says “we’ll see.”

May 16, 2018: DPRK says it doesn’t want US summit focused only on denuclearization.

May 17, 2018: DPRK says it won’t hold talks with “incompetent” ROK; Trump says “if we make a deal, I think Kim Jong Un is going to be very, very happy.”

May 18, 2018: DPRK “declines,” then later permits ROK media to attend nuclear test site closure.

May 18, 2018: President Trump nominates former Pacific Command commander Harry Harris as US ambassador to ROK.

May 21, 2018: *New York Times* reports Trump grappling with risks of Singapore summit; *Wall Street Journal* reports Moon fighting for Trump-Kim summit.

May 22, 2018: President Trump meets President Moon at White House; Trump says June summit with Kim should be called off, but suggests it may work out over period of time.

May 23, 2018: Trump blames China for summit problems; DPRK launches tirade against “stupid” US officials, calling Vice President Pence a “political dummy” and threatening to call off summit.

May 24, 2018: DPRK carries out demolition of nuclear test site; Trump cancels summit with Kim Jong Un, citing “hostility.”

May 25, 2018: Trump says US in “productive talks” to reinstate summit.

May 26, 2018: Moon and Kim hold surprise summit in Panmunjom.

May 27, 2018: US team in DPRK for talks on summit, says Trump; ROK says DPRK committed to Trump summit and complete denuclearization, and calls for more impromptu meetings.

May 29, 2018: Trump says DPRK's Kim Yong Chol heading to US for talks; White House says Trump is prepared for June summit.

May 31, 2018: Trumps says he expects letter from Kim Jong Un; US and DPRK working groups meet in Singapore, Secretary Pompeo meets Kim Yong Chol in New York City.

May 31, 2018: Kim Jong Un says DPRK's will for denuclearization is "unchanged."

June 1, 2018: Trump announces summit with Kim is back on, confirms June 12 date.

June 6, 2018: 38 North website reports DPRK is razing Ilha-ri, a key ballistic missile test site.

June 12, 2018: Trump-Kim summit held in Singapore. As summit begins, Trump says "we're going to have a great discussion, and I think tremendous success." Kim Jong Un says "there were fetters and wrong practices that at times covered out eyes and ears, but we overcame everything to come this far."

June 13, 2018: *Reuters/Ipsos* poll says half of Americans polled support Trump's handling of North Korea.

June 14, 2018; Secretary Pompeo says North Korea sanctions to remain until DPRK completes denuclearization, says US prepared to offer security guarantees.

June 15, 2018: Gallup poll shows 66 percent of ROK respondents approve of US-DPRK summit outcome.

June 17, 2018: Trump says his agreement with North Korea will be good for China; ROK Blue House says US forces in ROK not subject to US-DPRK talks; Trump says he gave Kim his direct number.

June 18, 2018; US and ROK agree to suspend joint military exercises scheduled for August.

June 20, 2018: ROK Foreign Minister Kang says DPRK sanctions to remain until denuclearization; Kim and Xi discuss "true peace" and denuclearization in Beijing.

June 21, 2018; Trump announces DPRK has returned remains of 200 US war dead and that "total denuclearization" has begun; Pompeo plans DPRK meeting at "earliest possible date."

June 22, 2018: Pentagon indefinitely suspends some US training exercises with the ROK.

June 25, 2018: Pompeo says he won't put a timeline on DPRK denuclearization.

June 27, 2018: Pompeo says DPRK understands US on "complete denuclearization."

June 28, 2017: Defense Secretary Mattis meets former ROK Defense Minister Song Young-moo and says US troop commitment in ROK is "ironclad."

June 28, 2018: 38 North website reports that satellite imagery shows infrastructure improvements at DPRK's Yongbyon nuclear plant.

June 30, 2018: US marks departure of military presence in Seoul with opening of new headquarters facilities at Camp Humphreys.

June 30, 2018: US intelligence reportedly believes DPRK making more bomb fuel despite talks.

July 2, 2018: *Wall Street Journal* reports Middlebury Institute imagery shows DPRK expanding key missile manufacturing plant

July 7, 2018: Secretary Pompeo meets Kim Yong Chol in Pyongyang to "clarify" and says progress made; DPRK condemns US tactics as "gangster-like" after Pompeo's departure.

July 8, 2018: DPRK calls US stance "regrettable;" Pompeo urges DPRK to follow Vietnam's example.

July 9, 2018: Trump suggests China is interfering in US-DPRK talks.

July 12, 2018: Moon says US-DPRK talks are "on track," dismisses criticism.

July 13, 2018: US accuses DPRK of UN sanctions breach and demands end to illicit fuel sales.

July 15, 2018: Pompeo announces that US and DPRK to resume search for war remains.

July 18, 2018: Trump tweets he received “very nice note” from Kim Jong Un; Pompeo says DPRK deal “may take some time” and sanctions to remain in place.

July 19, 2018: US Director of National Intelligence Dan Coats says denuclearization in a year not likely.

July 20, 2018: Secretary Pompeo and US Ambassador to the UN Nikki Haley urge strict UN sanction remain in place until DPRK acts on denuclearization.

July 23, 2018: ROK Defense Ministry announces plans to reduce number of guard posts along DMZ.

July 26, 2018: DPRK hands over 55 boxes of US war dead remains.

July 27, 2018: Trump thanks Kim for transfer of US war dead remains.

July 30, 2018: *Washington Post* reports that US intelligence agencies believe DPRK is working on new missiles.

Aug. 1, 2018: White House reports Trump received letter from Kim Jong Un.

Aug. 3, 2018: Pompeo says DPRK weapons work counter to denuclearization pledge; confidential UN report says DPRK has not stopped its nuclear and missile programs.

Aug. 4, 2018: DPRK Foreign Minister Ri Yong Ho says it is alarming that the US is returning to hostile ways “far from its leaders’ intentions.”

Aug. 6, 2018: US backs guidelines in UN Security Council for streamlining delivery of humanitarian aid to the DPRK.

Aug. 9, 2018; DPRK criticizes US sanctions pressure on denuclearization process

Aug. 15, 2018: US targets Chinese and Russian firms over DPRK sanctions breaches.

Aug. 17, 2018: DPRK presses demands for end-of-war declaration ahead of Pompeo visit.

Aug. 20, 2018: Divided family reunions begin at Mount Kumgang.

Aug. 21, 2018: US Treasury sanctions Russian firms for violating sanctions on the DPRK.

Aug. 22, 2018: USFK commander Gen. Brooks acknowledges security risks in defense scale-down at DMZ, but is dealing with “change and uncertainty in stride.”

Aug. 22, 2018: Satellite imagery shows DPRK halted work to dismantle Sohae satellite launch site in the first part of August.

Aug. 25, 2018: Trump cancels Pompeo visit to the DPRK with new special representative for North Korea, Stephen Biegun.

Aug. 26, 2018: DPRK’s *Rodong Sinmun* accuses US of “double dealing” and “hatching a criminal plot” against Pyongyang with drill preparations.

Aug. 28, 2018: Secretary Mattis announces that the US and ROK have no plans to suspend military exercises that are planned next year.

Aug. 29, 2018: Trump says he thinks US is “doing well” in its diplomacy with North Korea, hails his relationship with Kim, and says there are no reasons to resume US-ROK military exercises at the present though, if he elected, they would be “far bigger than ever before.”

Aug. 30, 2018: US State Department extends ban on US citizens’ travel to North Korea for another year.

COMPARATIVE

C O N N E C T I O N S

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

US-SOUTHEAST ASIA RELATIONS

CAUGHT IN THE CROSSROADS OF MAJOR POWER TENSIONS

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Southeast Asian governments have warmed to the Indo-Pacific concept being promoted by the US, which reinforces their own inclination to expand the cast of regional powers to balance China's rise. However, they are still wary that a disorganized Trump administration will not be able to translate its rhetoric into policies. In the meantime, they fear being caught between Washington and its Northeast Asian adversaries. Apart from possible clashes between regional powers, Southeast Asia itself offers a number of challenges to smooth relations with the US. Recent elections in Malaysia and Cambodia are two of them, albeit for different reasons. In Indonesia, candidates have been declared for the 2019 presidential elections that could feed growing religious nationalism and anti-Americanism. The Rohingya refugee crisis has ratcheted up tensions between the West and Myanmar over the impact of the 2017 crackdown.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: Catharin Dalpino, "US-Southeast Asia Relations: Caught in the Crossroads of Major Power Tensions" *Comparative Connections*, Vol. 20, No. 2, pp 43-52.

Selling the Indo-Pacific vision

For the past decade, Southeast Asian leaders have generally been amenable to a larger role for India in the region in principle, so long as it does not diminish ASEAN's role in the region and does not overly rile China. New doubts about the reliability of the United States as a security partner coupled with a growing perception that China's militarization of features in the South China Sea is all but irreversible, give added impetus to the idea of expanding the region's power base. Thus, Washington's tag team to sell the Indo-Pacific concept – Secretary of Defense James Mattis at the Shangri-La Dialogue in June and Secretary of State Mike Pompeo at the ASEAN Regional Forum in August – was well-received by Southeast Asians, although major questions about its implications for both security and trade are still outstanding.

On the podium at Shangri-La, Mattis outlined the primary tenets of the US Indo-Pacific vision: (1) support for naval and law enforcement capacity building in regional partners; (2) promoting interoperability with allies; (3) strengthening the rule of law, civil society and transparency across the region; and (4) encouraging economic development led by the private sector.

Every administration attempts to refashion foreign policy through its own paradigm, but the security aspects of the policy that Mattis articulated showed strong continuity with the administrations of Presidents George W. Bush and Barack Obama. The Trump administration maintains that the economic aspects of the Indo-Pacific policy are new; it fell to Secretary Pompeo to explicate those aspects at the ASEAN Regional Forum.



Figure 1 US Secretary of State Mike Pompeo attends an ASEAN-US Ministerial Meeting in Singapore. Photo: Reuters

Before then, Pompeo outlined the plan at an address to the Indo-Pacific Business Forum of the US Chamber of Commerce in Washington. The administration has pledged \$113 million in new funds for the second half of 2018 the administration. In addition, it will include a \$25 million project to improve digital connectivity in “partner countries” of the Indo-Pacific and a \$50 million program to improve energy security in the region. The administration will also create a new investment stimulation and financing mechanism, the United States International Development Finance Corporation, which will be empowered to guarantee investment loans; provide some funding for projects as a minor investor; provide insurance and reinsurance for projects; and offer technical assistance. Lastly, the administration has signaled that it would double the current amount that the Overseas Private Investment Corporation earmarks for the Indo-Pacific (about \$3.6 billion) in the next few years.

For the most part, Southeast Asian leaders welcome this new initiative, although they are inclined to view it as modest at best. Washington has not identified the “partner countries” that would figure in the new investment program. Some Southeast Asian officials have expressed fears that the White House will use the new investment program as a condition to force Southeast Asian governments to modify or abandon trade practices that Trump believes are unfair. They also fear that India will get preferential treatment, at the expense of ASEAN and individual Southeast Asian countries. They note that thus far, the administration's Indo-Pacific campaign has focused more on elevating India within in the region – and in US policy – than in defining a new regional framework. For example, in concert with the announcement of new economic programs, the Commerce Department granted New Delhi strategic trade authorization status with the US, which will enable India to import sensitive US military equipment without obtaining a license.

Additional concerns are broader. The region is still unclear on the Trump administration's position on new trade agreements; to date, it has focused more on unraveling existing ones. Some Southeast Asian leaders point out that Washington's opposition to multilateralism does not prepare it to launch a new regional framework. And they worry that the new US Indo-Pacific economic plan may be whistling in the wind: a tariff war between the United States

and China has the potential to create greater instability in the regional and global markets than could be countered by trade assistance that may be meager after it has been widely distributed.

These concerns in Southeast Asia about the US vision of an Indo-Pacific community should be noted but not overstated. With or without the United States, many Southeast Asian countries have growing reasons to support an Indo-Pacific community. First, three regional powers – Japan, Australia, and India – also support it, and Southeast Asians are attempting to forge closer relations with all three, to balance against China but also to compensate for a perceived lack of interest in the region on the part of the United States.

Second, many Southeast Asian leaders (particularly in Myanmar, Singapore, Indonesia, and Malaysia) fear that the Chinese strategic focus is expanding beyond the South China Sea to the Bay of Bengal and the Indian Ocean, and that maritime conflict will spread southwest. Stronger relations with India, as well as having regional powers pay closer attention to this new threat through the Indo-Pacific framework, will help reduce the risk of conflict for Southeast Asia.

Lastly, although connectivity within Southeast Asia is designed in large part to connect China to economic markets and strategic waterways, is it also intended to connect to India. An Indo-Pacific strategic and economic paradigm will support Southeast Asia's own infrastructure development, despite the fact that some Southeast Asian leaders feel that their region is being overlooked at present.

Brokers in a bind

When President Trump and North Korean Chairman Kim Jong Un agreed to meet, Prime Minister Lee Hsien Loong was quick to propose Singapore as the meeting ground. As the current chair of ASEAN, the suggestion had a ring of “ASEAN centrality,” or the belief that ASEAN is a foundation for regional frameworks in the Asia-Pacific. Although ASEAN played no part in bringing Trump and Kim into contact with one another, they can claim some pride of authorship, if only indirectly: by including Pyongyang in the ASEAN Regional Forum in 2000, they provided the only dialogue

mechanism for North Korea to engage the region.



Figure 2 Singaporean Prime Minister Lee Hsien-Loong and US President Donald Trump confer following the June 12 US-North Korea Summit, held in Singapore. Photo: Reuters

But Lee's motivations for offering Singapore as a summit site likely went beyond upholding the ASEAN imperative. Apart from the obvious implications for regional security, Southeast Asia has a vested interest in the success of the US-North Korea dialogue process and denuclearization of the Korean Peninsula. If the dialogue process fails, regional leaders fear that Washington will return to its “maximum pressure” policy, demanding that the ASEAN states sever all contact with Pyongyang. Under such pressure for the past two years, only Singapore and Malaysia have taken significant measures to downgrade relations with North Korea, although Prime Minister Mahathir Mohamed signaled that he may restore them to their previous levels.

Electoral upsets (or not)

A reversal in North Korea policy in Kuala Lumpur is one of many question marks hanging over the new Mahathir government in Malaysia. His electoral victory – as the head of a loose opposition coalition and a surrogate for Anwar Ibrahim, who was imprisoned during the campaign – was significant, in overturning the country's only ruling party since independence. The defeat of the United Malay National Organization (UMNO) was due in part to lingering scandals in the administration of Najib Razak, but also to worsening economic conditions. However, Mahathir's roots are in UMNO, and he has struggled to assemble a strong working Cabinet. Also at issue is Anwar's future role in leading the country. Mahathir, who turned 93 after the election, has said that he will transfer the reins to Anwar in two years, marking his own administration as an interim one.

Mahathir has signaled that he would like to roll back China's role in developing infrastructure in Malaysia, and has moved to void the Eastern Rail agreement. However, true to his maverick nature, he has also speculated on withdrawing from the Comprehensive and Progressive Trans-Pacific Partnership, which would please Beijing. However, for Washington and Malaysia's other major partners, the difficulty in relations with Kuala Lumpur will likely be that the administration will be focused more on domestic than foreign affairs. Mahathir has launched a criminal process against Najib related to the 1MDB scandal. Beyond that, he will be focused primarily on reducing the deficit in the national budget, which was revealed to be larger than estimated.

If the outcome of the Malaysian elections was a surprise, the Cambodian polls in late July were not. Prime Minister Hun Sen declared that the Cambodian People's Party (CPP) had won all 125 available seats. This turned out to be an exaggeration, but the CPP secured 114, or 77 percent, of seats, which by any definition is an electoral landslide. This was a considerable gain (46 seats) for the CPP over the 2013 elections. The royalist party FUNCINPEC won 6 seats, the next largest number, or 6 percent. The remaining seats were divided among 18 small and inconsequential parties, most of whom won less than 1 percent of the total vote.

Hun Sen's thorough and deliberate elimination of any effective political opposition over the past year, which culminated in the dissolution of the Cambodian National Rescue Party (CNRP) by the courts and the imprisonment of CNRP leader Kem Sokha, made the CPP electoral sweep all but inevitable. Longtime opposition leader Sam Rainsy remains in exile, contemplating his next move, but he has few entry points through which to influence Cambodian politics in the near term.

Because Hun Sen had so thoroughly scrubbed the electoral landscape of any real opposition, Western governments and democracy promotion NGOs – particularly in the United States and the European Union – had withdrawn electoral support for the 2018 elections. Significantly, China, which had professed not to intervene in the domestic politics of its regional partners, stepped into this breach. Beijing provided some assistance to the July elections, primarily in the form of voting machines, and sent observers to monitor the July polls. Chinese

observers were joined by a ragged group of election monitors from rightwing, nationalist parties in Europe (from the UK, Hungary, the Czech Republic, and Italy). The Cambodian government housed this group in a 5-star hotel; the monitors declared the elections to be “free and fair.” No major Western or Asian election monitoring groups observed the polls, a departure from past general elections in Cambodia.

Western reaction to the elections was sharp, but with an outcome that is far from conclusive. The White House issued an unusually long condemnation of the polls and made clear that the results were not acceptable. The US, EU, Canada, and Australia all threatened sanctions, but it is not clear what the conditions for those would be, with the elections now complete. The EU has threatened to cancel its tariff preferences for Cambodia, which would negatively affect tens of thousands of garment workers and threaten Cambodia's nearly \$4 billion trade with the EU. Thirty percent of the garments produced in Cambodia are destined for the EU; 25 percent go to the US. US-Cambodia trade, which is roughly \$3 billion, is also vested primarily in the garment trade. In the recent past, both the US and the EU have been reluctant to impose broad trade sanctions on Cambodia, which would likely hurt ordinary Cambodians more than the leadership.

In contrast to previous years when it took a keen interest in preserving the political system introduced in Cambodia by the United Nations in 1993, US Congressional interest in the elections was tepid at best. This could be because of the Hill's own internal distractions, or because of a more intense focus on the Rohingya refugee crisis. It is also a function of dwindling interest in Cambodia for most of this decade, not only because of Hun Sen's intransigence on political opposition but also because of the perception that Cambodia has been drawn fully into China's orbit. Indeed, stronger Western sanctions on Myanmar or Cambodia would create an opening for both China and Russia to strengthen political and economic ties with those countries. China's current \$1.5 billion in infrastructure projects with Cambodia cushioned the impact of the West's pre-election sanctions on Phnom Penh; if further sanctions are applied, Beijing would expand its aid accordingly.

Washington will likely view presidential elections in Indonesia next year as more

significant. Aug. 1 was the deadline for candidates to register for the polls, to be held in April 2019. A broad consensus holds that the two main contenders are President Joko Widodo and former military leader (and former son-in-law of late President Suharto) Prabowo Subianto, who is on the US visa blacklist for his role in *Kopassus*, the Indonesian special forces unit accused of human rights abuses in East Timor. Joko and Prabowo were also the top two candidates in the 2014 election. At the time, Joko ran as a populist outsider; Prabowo represented the business and military elite. Joko is a moderate who has attempted, with mixed success, to implement a reform agenda. Prabowo is a nationalist with strong links to Islamists.

The key result from this registration process was that candidates were compelled to declare their running mates, which provides insight into how closely they want to identify with (or distance themselves from) Muslim groups. Both candidates are also hoping to balance their tickets by selecting vice presidents with credentials that complement their own. Joko chose Ma'ruf Amin, head of the Indonesian Ulema Council, the country's leading clerical body, as his running mate. He is also head of Nadhlatul Ulama (NU), the world's largest independent Muslim organization. Prabowo selected Sandiaga Uno, deputy governor of Jakarta. (Joko was governor of Jakarta before becoming president.) The logic behind each of these selections is fairly obvious. Joko is hoping to strengthen his Islamic credentials; Prabowo already has those, but is hoping to balance his ticket by attracting more of the urban vote, particularly among the younger generation who have little experience with the Suharto years.

The election campaign will be a delicate period in US-Indonesian relations. The composition of these two tickets suggests that religion will be a major issue. Joko has reasonably positive relations with Washington, but Amin will be tempted to exploit Islamist resentments of the United States – public opinion surveys show that President Trump's anti-Muslim remarks and his immigration policy have had a negative impact on the US image. On the other hand, Prabowo's reputation as a human rights abuser and his current status with the US government will make US relations with that ticket awkward. If Prabowo wins, the Trump administration will have to decide whether to remove him from the blacklist. In the meantime, US human rights

groups have objected publicly to both Amin and Prabowo, which could create short-term tensions with Jakarta.

Rohingya crisis

On Aug. 27 the United Nations released a report on the crisis involving nearly 1 million Rohingya refugees from Rakhine State in Myanmar, focusing on crimes related to the *Tatmadaw's* (military) crackdown on Muslims in August 2017. Several thousand Rohingya were reportedly killed by the military, and nearly 700,000 fled or were forced across the border into Bangladesh. Despite an agreement between the governments of Myanmar and Bangladesh for the repatriation of the Rohingya, few have elected to return.



Figure 3A Rohingya refugee and child in refugee camp in Cox's Bazar, Bangladesh. Photo: bdnews24.com

The UN report states that the military's 2017 actions in Rakhine had "genocidal intent" and recommends that military leaders involved in violent repression of the Rohingya be investigated and prosecuted. It further advocated that Min Aun Hlaing, the *Tatmadaw* commander-in-chief, also be held to account. The word "genocide" is very important, because it requires that signatories to the 1948 Convention on the Prevention and Punishment of the Crime of Genocide take action if they believe that a genocide has occurred. Beyond an accountability exercise, the UN urges an arms embargo on Myanmar.

The institutional framework for a tribunal for the Rohingya could be difficult to convene, and the US is not likely to take a leading role. Washington is not a member of the International Criminal Court; nor is Myanmar. Legal scholars believe that Bangladesh, an ICC member, could bring Myanmar to account through that court because it hosts the Rohingya

refugees. Any such exercise would be strongly resisted by Nay Pyi Taw – including State Counselor Aung Sang Suu Kyi. Within the US policy community, sufficient support for Aung Sang Suu Kyi remains to view her as unable rather than unwilling to affect the Rohingya crisis, and this will soften US policy on accountability.

In lieu of a formal accountability exercise, targeted sanctions on parts of the *Tatmadaw* are all but inevitable. Since the August 2017 crackdown, the US, EU, and Canada have imposed sanctions on individuals within the Myanmar military associated with atrocities against the Rohingya, or in the line of command. These include visa bans and financial sanctions, targeting the assets of these individuals. On Aug. 17, the Trump administration extended these sanctions to include 4 more individuals.

More significantly, the administration has also sanctioned two divisions of the *Tatmadaw* associated with the crackdown: the 33rd and 99th Light Infantry Divisions. Sanctioning an entire military division is a major step forward, in that it targets an institution rather than an individual. It is rarely done, and tends to be difficult to undo. For example, US sanctions imposed against *Kopassus*, the special forces unit in the Indonesian military, in the 1990s are still in place, despite considerable normalization in US-Indonesian relations.

Equally important is an anticipated report from the State Department, based on interviews of over 1,000 Rohingya refugees in Bangladesh camps in the spring of 2018. Although Secretary of State Pompeo indicated that he would release the report in late August, the State Department has yet to do so, and no new target date for a release has been announced. The delay is due primarily to internal debate within the Trump administration over whether to designate the *Tatmadaw*'s actions against the Rohingya in 2017 as genocidal. US Ambassador to the United Nations Nikki Haley has said publicly that the State Department report is “consistent” with the UN report, but she has not signaled whether Washington agrees that genocide has occurred. In the past, the United States has been reluctant to label large-scale human rights abuse as genocide.

Without doubt, however, the findings of the US report are grim. According to information released by the State Department, of the

refugees who were interviewed 82 percent witnessed a killing or their home or village destroyed by the military; 65 percent witnessed an abduction of a Rohingya; 64 percent saw a family member or fellow villager injured by the military; more than 50 percent witnessed sexual violence committed by military personnel; and 20 percent witnessed more than 100 Rohingya killed or injured by the military in a single event.

Bringing it back home: immigration issues

Southeast Asia has not come under direct fire from the Trump administration's immigration policies. Although Indonesia is the world's largest Muslim-majority country, it has not been singled out in executive orders for visa restrictions. However, below high-profile public battles over immigrants from Muslim countries or from the US southern border, the Trump administration is moving to remove other current residents in the US, either because of illegal immigration status or because they have been convicted of a felony. Illegal immigrants can be deported, but repatriation of legal immigrants who have committed felonies requires that their countries of origin agree to accept them, unless a court agrees to forcibly return them. The United States has consistently attempted to return immigrants who are convicted felons. Over the past decade, several Cambodians who were brought to the US by their parents as children but never became citizens were forcibly returned to Cambodia after convictions.

In May the Trump administration decided to move against Myanmar for its refusal to enter into an agreement to accept nationals in the United States under order for removal. Officials from two ministries – the Ministry of Labor, Immigration and Population and the Ministry of Home Affairs – are banned from receiving B1 or B2 visas to enter the United States.

The administration has also signaled that it may forcibly return as many as 8,000 Vietnamese immigrants under these conditions. Previous administrations had not targeted Vietnamese, because the refugee flow after 1975 was created by defeat of an ally by a communist force. The optics of forcing Vietnamese back while Washington continues to protest Hanoi's human rights policies are unfortunate, and could spark opposition to this action in the human rights community and in Congress.

Looking ahead

Southeast Asian leaders were encouraged by the increased diplomatic activity with the United States in the summer months, and view Washington's promotion of its Indo-Pacific vision as an attempt to remain engaged in the region. However, solid conclusions about the Trump administration's position and presence in Southeast Asia have been deferred into the fall. Potential changes in Congress with the November midterm elections are unlikely to affect US policy in Southeast Asia but could turn the administration further inward. Another short-term marker for the region will be President Trump's recently announced decision to not participate in the APEC meeting in Papua New Guinea and the East Asia Summit in Singapore.

CHRONOLOGY OF US-SOUTHEAST ASIA RELATIONS

MAY – AUGUST 2018

May 5, 2018: State Department issues a statement in concert with calls from the Netherlands and Australia to hold Russia accountable for its role in the July 2014 downing of Malaysian Airlines Flight 17 over eastern Ukraine, causing the deaths of 298 civilians. Despite urging from the Washington, ASEAN declines to join efforts to hold Moscow accountable.

May 17, 2018: US Treasury's Office of Foreign Assets Control (OFAC) removes seven state-owned enterprises and three state-owned banks in Myanmar from the Specially Designated Nations (SDN) list, leaving few Myanmar banks under OFAC sanctions. At the same time, six companies linked to the former regime are added to the list. On balance, these measures reflect US acknowledgement of progress in administrative reform in Myanmar.

May 17, 2018: The 22nd US-Vietnam Human Rights Dialogue is convened in Washington. Although the two countries continue to disagree on a number of issues, including an appropriate role for political dissidents, the dialogue has continued uninterrupted since its inception.

May 19, 2018: The Trump administration bars officials from Myanmar's Ministry of Labor, Immigration and Population and the Ministry of Home Affairs from receiving B1 or B2 visas to enter the US because of Myanmar's refusal to accept the return of their nationals under final order of removal from the US.

May 29, 2018: US Secretary of Defense Jim Mattis meets Indonesian Defense Minister Ryamizard Ryacudu in Honolulu, on the margins of the change of command ceremony at US Pacific Command.

June 1-2, 2018: Secretary of Defense Mattis meets with several counterparts from Southeast Asia (Malaysia, the Philippines, Singapore, and Vietnam) at the Shangri-La Dialogue in Singapore. Mattis also meets Singapore Prime Minister Lee Hsien Loong. Conspicuously lacking from the agenda was a bilateral meeting with Thailand, an acknowledgement that security relations have not been normalized after the 2014 coup in Bangkok.

June 5, 2018: Secretary of State Mike Pompeo meets Indonesian Foreign Minister Retno Marsudi when she visits Washington.

June 12, 2018: Singapore hosts high-profile summit meeting between President Trump and North Korean Chairman Kim Jong-un. Singapore was selected as a venue, in part because the island city-state could provide a high degree of security.

June 19-20, 2018: Pentagon hosts fifth US-Vietnam Dialogue on Maritime Issues and Law of the Sea in Washington. Washington and Hanoi will rotate in as new co-chairs of the ASEAN Defense Ministers Meeting-Plus Working Group on Maritime Security in 2020.

June 21, 2018: The 13th Annual Pacific Partnership Mission concludes after several weeks. Among the participants were the United States and five Southeast Asian countries (Indonesia, Singapore, Malaysia, Thailand, and Singapore). Focusing on humanitarian aid, the mission completed 765 host country activities.

June 27-Aug. 2, 2018: Vietnam makes its debut in the 26-nation *Rim of the Pacific Exercises (RIMPAC)*, which also included Indonesia, Malaysia, Singapore, the Philippines and Thailand.

June 28, 2018: State Department releases the 2018 Trafficking in Persons Report. Thailand is upgraded from the Tier 2 Watch List to Tier 2, while both Malaysia and Myanmar are downgraded (to the Tier 2 Watch List and Tier 3, respectively).

July 8-9, 2018: Secretary of State Pompeo visits Vietnam and meets senior officials, including Nguyen Phu Trong, secretary general of the Vietnamese Communist Party.

July 9, 2018: US and Philippine naval forces conduct maritime training activity *Sama Sama* at Naval Station Ernesto Ogbinar in the Philippines. The engagement features fast transport ship USNS Millinocket and includes air defense, diving, and search and rescue.

July 10, 2018: Leading an international rescue team, Thai officials in Chiang Rai province evacuate the last of 12 members of a youth soccer team, with their coach, who had been trapped in an underground cave for 17 days. The US Department of Defense provided 42 military personnel, who assisted in planning and logistics and helped transport the evacuees through the final chambers of the cave system.

July 29, 2018: White House issues a statement heavily criticizing general elections in Cambodia, calling them “neither free nor fair.”

July 30, 2018: Secretary of State Pompeo delivers speech before the Indo-Pacific Forum of the US Chamber of Commerce in Washington, outlining the economic aspects of the US vision of an Indo-Pacific community.

Aug. 2-3, 2018: Secretary Pompeo visits Kuala Lumpur in advance of the ASEAN Regional Forum in Singapore and meets Prime Minister Mahathir Mohamed.

Aug. 3-4, 2018: Secretary Pompeo attends his first ASEAN Regional Forum in his new capacity, and co-chairs the US-ASEAN Ministerial meeting.

Aug. 4, 2018: The 11th Ministerial Meeting of the Lower Mekong Initiative (LMI) is held on the margins of the ASEAN meetings in Singapore.

Aug. 4-5, 2018: Secretary Pompeo visits Jakarta; he meets President Joko Widodo and discusses bilateral cooperation under the US-Indonesia Comprehensive Partnership.

Aug. 10, 2018: US and Malaysian navies open the 24th annual Cooperation Afloat Readiness and Training Exercises.

Aug. 17, 2018: Trump administration announces new sanctions on Myanmar related to the August 2017 crackdown on Muslim Rohingyas in Rakhine State.

Aug. 27, 2018: United Nations releases a report on the Rohingya refugee crisis, which maintains that the *Tatmadaw* had “genocidal intent” in the 2017 crackdown on Muslims in Rakhine State.

Aug. 28, 2018: Indonesian Minister of Defense Ryamizard Ryacuda visits the Pentagon to discuss expansion of bilateral cooperation on maritime domain awareness.

PACIFIC FORUM

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A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

CHINA- SOUTHEAST ASIA RELATIONS

ASSESSING CHINA'S EXPANDING INFLUENCE AMID STRONG COUNTERCURRENTS

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China's supporters and detractors tend to agree that China has made substantial gains in recent years in advancing Beijing's influence in relations with Southeast Asian countries and with ASEAN. Nevertheless, the main countercurrent comes from the United States and its allies and regional partners, along with some ASEAN member states at times showing growing opposition to Chinese policies and practices. At bottom, China's rise remains contested, the balance of influence in Southeast Asia is in flux, and the outlook is uncertain.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: Robert Sutter and Chin-Hao Huang, "China-Southeast Asia Relations: Assessing China's Expanding Influence amid Strong Countercurrents" *Comparative Connections*, Vol. 20, No. 2, pp 53-60.

Background

Beginning in 2013, China's rapid island building and infrastructure development in the South China Sea surprised other claimants and concerned powers, including the United States. President Barack Obama's rebalance policy of greater US engagement was welcomed as it was implemented in the region, but it proved ineffective in the face of China's expanding territorial hold. The economic centerpiece of the US policy, the Trans-Pacific Partnership trade and investment framework, fell prey to populist anti-globalization backlash and bipartisan attacks on such economic deals from both Democratic and Republican candidates during the 2016 presidential election campaign.

When an international arbitral tribunal constituted under provisions of the UN Convention on the Law of the Sea ruled against China's wideranging South China Sea claims on July 12, 2016, Beijing worked strenuously and generally successfully to compel official silence on the decision in ASEAN and among its members. The United States, Japan, Australia, and others continued to support the ruling but usually avoided rhetoric and actions that risked strong Chinese countermeasures. Developments since that time feature Chinese officials with increasing public confidence using hard and soft tactics to advance Beijing interests and influence while previously common criticism of China's approach or support for policies Beijing opposes have become rare, both among Southeast Asian states and within ASEAN.

This year's gathering of regional security leaders at the Shangri-La Dialogue in June and meetings of ASEAN foreign ministers and their dialogue partners in August, along with commentary marking the second anniversary of the July 2016 decision of the arbitral tribunal, provide evidence useful in assessing China's gains. One gauge involves the degree of support Beijing receives in its official narrative of China ever more confident as it wields levers of power, both carrots and sticks, to have its way in Southeast Asia. A contrasting gauge involves challenges and competition led by the United States opposing China on a broad range of issues in Southeast Asia and elsewhere.

China's avowed confidence and ascendance

ASEAN's inclination to defer to China over South China Sea issues was seen in the results of the

ASEAN leaders' annual summit in Singapore in late April. The leaders avoided mention of differences with China over the South China Sea and China's militarization of recently built land features was ignored, while they were upbeat regarding progress among the ASEAN states and China over a proposed Code of Conduct in the South China Sea.

A flurry of official Chinese commentary related to the Shangri-La Dialogue in June emphasized what the rising stature of China's new security concept, which solves problems through consultation rather than setting rules and "imposing" them on other countries, a negative allusion to the rules-based international order supported by the US and its allies. An [assessment](#) by CSIS specialists Bonnie Glaser and Greg Poling demonstrated that Beijing in 2018 pressed its advantage against both Vietnam and the Philippines regarding their disputes with China over the South China Sea, while the [Economist](#) seemed to sum up the situation with the title "China has militarized the South China Sea and got away with it."

State Councilor and Foreign Minister Wang Yi told the ASEAN secretary general on June 12 that the South China Sea "has stabilized" and progress on the Code of Conduct will increase, barring troubles caused by countries outside the region. He also foresaw growing synergy between China's Belt and Road Initiative and ASEAN's development plans.

Exuding confidence about China's rise amid flux and uncertainty elsewhere in the world, President Xi Jinping told the Central Conference on Work Relating to Foreign Affairs in Beijing on June 23 that China's recent robust development was "the best in the modern period," and "profound" changes among other powers favor China's growing influence in foreign affairs. In line with his emphasis in the speech on safeguarding China's sovereignty and security, Xi told visiting Secretary of Defense James Mattis on June 27 that China will not allow the loss of even "one inch" of its claimed territory.

The announcement on Aug. 2 that China and ASEAN countries agreed on a draft text as they negotiate the Code of Conduct in the South China Sea was the highlight of Wang's meeting with ASEAN counterparts in Singapore. Chinese official media argued that it would be unrealistic to expect a swift conclusion to negotiations as they involve complex and sensitive issues.

Indeed, informative [assessments](#) of the [draft](#) by Carl Thayer reminded readers that the first discussions involving China and ASEAN over a code of conduct in the South China Sea began over 20 years ago. Benchmarks included China and ASEAN concluding negotiations on the Declaration on the Conduct of the Parties in the South China Sea (DOC) in 2002 which affirmed time for reaching a Code of Conduct on the South China Sea. Very slow progress followed for many years, with more rapid movement over the past year.



Figure 1 ASEAN and China conducts first joint table-top maritime exercise in Singapore on Aug. 3. Photo: Nikkei Asian Review

Meanwhile, Chinese security relations with ASEAN advanced as 40 naval officers from ASEAN and China held a table-top exercise in Singapore on Aug. 2-3 to prepare for a larger exercise in October dealing with search and rescue operations and medical evacuation.

Countercurrents

Beijing reacted with measured language to US statements and actions challenging China's militarization of the South China Sea and taking critical aim at China's Belt and Road Initiative (BRI) and other economic and political practices seen serving China's expansion at the expense of others in Southeast Asia and elsewhere. In his address to the Shangri-La Dialogue in June, Secretary Mattis criticized China for deploying antiship missiles, surface-to-air missiles, and electronic jammers on its recently constructed facilities in the disputed Spratly Islands and for landing a bomber aircraft on a previously constructed airfield in the Paracel Islands. China took issue with the US disinviting Beijing to participate in the 2018 *Rim of the Pacific (RIMPAC)* exercise, which called militarization a contradiction of President Xi Jinping's 2015

public reassurance in the White House Rose Garden that China would not militarize the land features it was building in the South China Sea.

Beijing focused criticism on the US freedom of navigation operation patrols challenging Chinese territorial claims in the South China Sea, which have been much more frequent in the Trump administration as opposed to the Obama administration; and on the related more active US warship presence and B-52 bomber patrols contesting China's claims and influence. It charged that the US and not China is militarizing the South China Sea, thereby underlining its emphasis in discussions with ASEAN countries on a Code of Conduct that the South China Sea disputes should be addressed by the countries concerned and not "outside" powers.

Beijing media criticized the emerging US-backed Indo-Pacific strategy involving allies Japan and Australia and close partner India. Regional observers, including officials in China, saw US-led pushback against Chinese expansion in the annual *Malabar* naval exercises of US, Japanese, and Indian forces in the Pacific Ocean near Guam in June; speeches in the US and in Singapore by Secretary of State Mike Pompeo in late July and early August detailing \$113 million in new US economic initiatives and \$300 million in security assistance to regional states; the announcement of an Australia-US-Japan trilateral partnership to invest in projects in the Indo-Pacific; and France, Great Britain, and Japan deploying naval forces in the South China Sea.

It was obvious to China and others that the US interest in competing with China in Southeast Asia and the South China Sea was lower than its concern with North Korea and other issues. The Aug. 31 announcement that President Donald Trump would skip the annual Asian leaders meetings this fall and send Vice President Mike Pence instead underlined this priority. Chinese commentaries and remarks by some Southeast Asian leaders advised that the Trump administration's punitive tariffs and other trade and investment policies complicated US leadership in the region and opened opportunities for China. On the other hand, Wang Yi seemed anxious in meeting with Secretary Pompeo on Aug. 3 to show agreement with the US in the midst of an escalating trade war and strong differences over the South China Sea, China's Belt and Road Initiative, and other problems. He avowed that he and Pompeo

“reached an agreement on major direction,” adding that Pompeo approved of that direction and hoped that the current friction would not continue.

Unfortunately for those in Beijing and elsewhere seeking an easing of US pushback against China, the 2019 National Defense Authorization Act FY, the most important foreign policy and national security legislation of 2018, passed the Congress and was signed by the president in August replete with provisions making US challenges to China, including several involving countering Chinese expansion in the South China Sea, a matter of law. The legislation showed the depth and breadth of congressional antipathy toward China on economic matters, Chinese espionage and influence operations in the US, and military affairs, reinforcing the Trump administration’s security strategy that views China as the principal danger to US national security. For many Chinese commentators, the outlook was a new Cold War in which intensified competition in Southeast Asia figured prominently.

In addition to push-back against Chinese expansion from the US and other powers outside Southeast Asia, Singapore took aim at overt and covert Chinese influence operations in the country. A highlight was Ambassador-at-Large Bilahari Kausikan’s [commentary](#) in the *Straits Times* on July 1 providing a primer to the Singapore public on how China tries behind-the-scenes manipulation of opinion in its favor and often not in ways favored by the Singapore government. The Chinese ambassador published a rebuke of Kausikan’s charges.

Bilateral relations

Malaysia

A challenge to China’s ambitions in Southeast Asia came with newly elected Malaysian Prime Minister Mahathir Mohamad’s decision to halt the \$20 billion East Coast Rail Link China was building in Malaysia and two energy pipelines worth \$2.3 billion being constructed there by Chinese firms. The new Malaysian government said Malaysia could not afford these projects and criticized the alleged corrupt practices of the previous government, whose prime minister is under arrest, for responsibility for such overreach.

Prime Minister Mahathir visited China for five days in August and met President Xi and Prime

Minister Li Keqiang. Chinese reports of the meetings were positive and did not mention the halted Chinese projects. Mahathir and his Chinese hosts emphasized the longstanding cooperative Sino-Malaysian relationship. Routine Chinese commentary on the visit played down the importance of the halted projects while highlighting new economic cooperation agreements signed during Mahathir’s visit. Mahathir told the media that Chinese leaders “understand our problem” of too much debt. He highlighted that Malaysia would pay a “quite substantial” amount for ending the railway project and added that Malaysia could revive the projects if they become viable in the future. As he left China, there was no announced understanding or agreement on how the halted projects would be handled by the two countries.

The Philippines: Duterte on the defensive over tilt toward China

Anniversaries of the July 12, 2016 decision of the arbitral panel against China’s South China Sea claims in a case brought by the former Philippines government and of President Rodrigo Duterte’s inauguration of June 30, 2016 prompted demonstrations against and substantial media criticism of Duterte. He was seen as misguided and inept in pursuing close relations with China at the expense of the Philippines’ victory in the arbitral decision. A widely reported public opinion survey in late June showed that 87 percent said it was important that the Philippines regain control of islands occupied by China in what the Philippines calls “the West Philippines Sea.” [Bloomberg](#) reported in July that almost two years after China pledged \$24 billion in investments in the Philippines, barely any projects had materialized, prompting deepening concern that Duterte has undermined the country’s sovereignty with little to show in return. It reported that of 27 deals signed during Duterte’s October 2016 visit to China, the Philippines completed only one loan agreement with China worth \$73 million to fund an irrigation project. Commentary in reaction stressed various causes for the delays in China’s following through with promised assistance. The impact of this mix of views on optics in the Philippines regarding Duterte’s turn toward China remain uncertain.

The president’s Cabinet members came to his defense, however. Foreign Affairs Secretary Alan Peter Cayetano in late May depicted Duterte as resolute in defending Philippines sovereignty

against China. He claimed the president had drawn “red lines” in the South China Sea that if crossed by China would result in war with the Philippines. They included China engaging in island building in Scarborough Shoal, attempting to remove the grounded Philippine warship on Second Thomas Shoal, or harassing Filipino soldiers resupplying outposts in the South China Sea.

Defense Secretary Delfin Lorenzana told the media in July that as a result of Duterte’s interchange with President Xi, Philippine fishermen have returned to Scarborough Shoal, Philippines troops on island outposts are supplied without interference, and an agreement was made that both parties cannot occupy new features in the disputed South China Sea. He added that tourism and trade flourish and there is the possibility of joint development of gas and oil resources in the area. Meanwhile the Philippines renovation of an airfield runway for military aircraft on one of its outposts in the South China was brought to the attention of the Chinese Defense Department spokesperson at a news conference in late May, who offered a reminder that the two countries should “work in the same direction to jointly maintain peace and stability.”

In August, the announcement by the Philippines Armed Forces chief of staff that Chinese security forces routinely harass Philippines patrol missions in the Spratly Islands was followed by strong statements from Duterte warning against possible armed conflict with China. The Chinese Foreign Ministry spokesperson responded that Beijing was justified in taking “necessary steps to respond to foreign aircraft and ships that deliberately get close to or make incursions into the air and waters near China’s relevant islands.” Duterte averred on Aug. 21 that “one day” he would assert Philippine rights against China under the terms of the July 2016 arbitral panel decision.

On the positive side, China reacted calmly to the grounding of a Philippine Navy frigate on a shoal in the South China Sea on Aug. 29. The Foreign Ministry spokesperson said on Aug. 31 that China and the Philippines were in communication and Chinese Coast Guard vessels were “at the scene” as Philippine ships worked to retrieve the frigate. Earlier in the month, the Philippines foreign minister said that President Xi is expected to visit the Philippines later in the

year and the two governments were working to fix a date for the trip.

Vietnam: continuing tensions in China relations

Vietnam reportedly remains the most active ASEAN member seeking to get ASEAN to take positions on the South China Sea in line with Vietnam’s claims and opposed by China. In June, the CSIS Asia Maritime Transparency Initiative reported that Vietnam continued modest expansion of its outposts in the Spratly Islands. In early July, Vietnamese media disclosed that the Hanoi government made a complaint to Facebook over a map it used depicting disputed South China Sea islands claimed by Vietnam as Chinese territory. In response, Facebook changed the map with the islands no longer marked as Chinese territory. In late July, the Chinese Foreign Ministry spokesperson said that the Chinese government had pressed Vietnam to “correct the mistake” of allowing Taiwan firms in the country to fly the Taiwan flag to distinguish them from mainland companies that were targeted by anti-China protesters. In the widespread anti-China riots that followed China’s placing an oil rig in Vietnam-claimed waters in 2014, many Taiwan businesses were erroneously attacked and damaged by Vietnamese protestors seeking to damage China’s businesses in the country.

The most serious anti-China protests in Vietnam since 2014 came in mid-June, caused by a proposed Vietnamese law on special economic zones that provides a legal basis for three special economic zones (SEZs) allowing foreign investors to lease land for up to 99 years. The demonstrators feared the law would open the way to Chinese investors’ domination of SEZs and control Vietnamese land. Under public pressure, the Vietnamese government decided to delay a vote on the draft law until the next session of the National Assembly in October. It was reported that 100 protestors were arrested and dozens of police were injured.

In contrast and emphasizing the positive, Xi Jinping was upbeat in greeting a top Vietnamese Communist Party leader visiting China in August. He said that the past decade has seen “great progress” in China-Vietnam relations, “the good momentum” has been consolidated, and China was ready to work with Vietnam in talks on “major issues of overall strategic important” in the process of moving relations forward “on the right track.”

Australia: signs of improved China relations

China continues measured criticism of Canberra's strong support for US-backed initiatives to compete with China, contest Beijing's claims and actions in the South China Sea, and strengthen relations with Southeast Asia as part of the Trump administration's developing Indo-Pacific strategy. And it has reacted negatively to the Australian debate over the past year on covert Chinese influence operations in the country, leading to major legislation to protect against adverse foreign penetration. The decline in relations affected trade in Australian commodities, academic exchanges, tourism, and other areas, prompting Beijing to rebuff ministerial visits from Australia.

Chinese officials and media commentary put the onus on Australia to improve the relationship. Meeting with Australian Foreign Minister Julie Bishop on the sidelines of the G20 foreign minister meeting in Argentina on May 28, Foreign Minister Wang Yi urged Canberra to take a proactive approach to improve the relationship. Official Chinese media reporting on the meeting viewed the visit of the Australian trade minister to Shanghai earlier that month as an effort to mend ties with China. It said that Bishop told Wang that Australia "is willing to show goodwill, rationally manage bilateral disputes, avoid misjudgments and continue to promote bilateral ties."

The so-called "reset" in the Australian government's approach to China reached a highpoint in a conciliatory speech by Prime Minister Malcolm Turnbull on Aug. 7 to an academic audience including the Chinese ambassador and a large delegation from China. Chinese official media positively noted the speech. Ruan Zongze from the Foreign Ministry-affiliated China Institute of International Studies publicly commended the speech, urging a "course correction" in Australia's China policy. Concurrent Chinese reports said that trade in Australian wines, which fell markedly during the past year, rebounded. And on Aug. 1 the Australian defense minister said China would join 26 other countries in military exercises hosted by Australia later in the month.

Australia's China policy reset is contending with a new set of problems in the South Pacific. Heightened concern in Australia over the

negative strategic implications of Chinese-supported development of a new wharf in Vanuatu and a proposed undersea cable installed by the Chinese company Huawei (viewed as a security danger by the Australian government) for the Solomon Islands prompted Canberra to install the cable, to increase aid by 18 percent in this year's budget, and to increase diplomatic attention to the region. Foreign Minister Bishop and Labor Party shadow minister Penny Wong visited three Pacific Island states in June. Bishop told the media that China's construction of roads, ports, airports, and other infrastructure in the region had triggered concern that Pacific Island nations may be saddled with unsustainable debts. She said that Australia, long the largest aid provider in the Pacific Islands, wanted to remain "the main partner of choice."

The durability of the Australian reset with China was in question as a result of a contentious power struggle within the ruling coalition in August that overthrew the government of Prime Minister Turnbull and prompted the resignation of Foreign Minister Bishop. A decision of the Australian government on Aug. 23 to ban Chinese companies Huawei and ZTE from providing technology for Australia's 5G network because of security concerns prompted the Foreign Ministry's spokesperson's "serious concern," marking a new hurdle to restoring better Sino-Australian ties.

Myanmar: more uncertainty ahead

Relations between China and Myanmar were marked by greater uncertainty over the summer months as a result of the ongoing border conflict, a review of key economic bilateral deals, and the latest UN report on the Rohingya crisis.

In early May, following fresh conflict between Myanmar armed forces and the armed militia of the Kachin Independence Army and the Ta'ang National Liberation Army in Muse, northern Myanmar, the Chinese embassy in Myanmar intervened and called for all sides to exercise restraint and an immediate ceasefire. In its strongest statement to date, China indicated its firm opposition to any attempt to undermine peace and stability along the China-Myanmar border and any act deliberately obstructing the Myanmar peace process.

In June and July, there were at least four senior-level meetings between the Chinese and Myanmar government that were held in either Beijing or Nay Pyi Taw. This included in early June Myanmar's State Councilor Aung San Suu Kyi's discussion with Chinese Defense Minister Wei Fenghe on bilateral strategic and security relations. Subsequently, Chinese Foreign Minister Wang Yi also met senior Myanmar officials to discuss Myanmar's peace dialogue process and national reconciliation efforts. In July, senior officials discussed cooperation on law enforcement along the border and increasing security ties and communication. Chinese Politburo members also traveled to Nay Pyi Taw to meet Suu Kyi in early July to strengthen party-to-party ties and the peace process in Myanmar. Ensuring border security and stability has been at the forefront of bilateral security discussions, especially as the Chinese government presses its counterparts in Myanmar to increase restraint and to prevent humanitarian crises along the two countries' borders.

The [Financial Times](#) reported that the Myanmar government is reviewing a number of large-scale infrastructure projects tied to the Chinese government, including a \$9 billion port project in Kyaukpyu, located in Myanmar's western Rakhine state and home to hundreds of thousands of displaced Rohingya. Myanmar officials reviewing the deal fear the high costs associated with the project, and that a default on its debt could cede control of the port to China. The port is a critical gateway for China to engage in a direct trading route to the Indian Ocean, bypassing the Malacca Strait. It would also decrease Beijing's strategic vulnerabilities as it diversifies its transport and energy supply routes, a key consideration of the BRI in Myanmar.

According to the report, sources within Suu Kyi's government have indicated that Myanmar is seeking to pare down costs since the risk of defaulting on the debt would turn the project into a "Chinese-owned port." Similar concerns have manifested elsewhere in the region. For instance, the Sri Lankan government ceded control over its strategic port at Hambantota to the Chinese government in 2017 on a 99-year lease after defaulting on its debts. More recently, Malaysia has raised similar concerns over the sustainability and cost-effectiveness of large-scale projects backed by the Chinese government. The Myanmar government has

been attempting to wean itself from China's excessive economic influence. It suspended the \$1.5 billion Myitsone dam project in northern Myanmar in 2011, citing the project's environmental and social impact.

But, the latest UN human rights report on the state of the Rohingya in Myanmar could change Myanmar's calculus in assessing relations with China, especially when international condemnation has put a negative spotlight on Myanmar. The report condemned and held Myanmar's military leaders responsible for genocidal acts and crimes against humanity in the crisis.

China and Russia have scuttled previous UN Security Council efforts to condemn and punish Myanmar for the crisis. Following the release of the report, China again urged caution in the Security Council and called for more time and diplomacy for the Myanmar government to resolve the humanitarian conflict, rather than referring Myanmar's military leaders to the International Criminal Court. China has attempted to broker talks between Bangladesh and Myanmar to resolve the crisis but has made limited headway. While China may have less at stake in the Rohingya crisis, it is keen to minimize external involvement in the crisis, with concerns that a precedent may be set for international intervention in other border conflicts, including the unrest along the China-Myanmar border.

It remains to be seen the extent to which China-Myanmar ties may change, but developments in this reporting period suggest both sides have concerns and interests that may require pragmatic adjustments as bilateral ties evolve.

Outlook

Broad China-US rivalry on trade, espionage, influence operations, and strategic competition seems likely to continue to complicate China's rising influence in Southeast Asia. Meanwhile, President Trump's avowed unpredictability, disruptive use of punitive tariffs, and episodic commitment to advancing US interests in the region add to an uncertain outlook regarding the impact of strategic competition on China and its influence on and relationship with Southeast Asia.

CHRONOLOGY OF CHINA-SOUTHEAST ASIA RELATIONS

MAY – AUGUST 2018

May 5, 2018: Philippine news media report Manila's concerns over China's installation of antiship and surface-to-air defense systems in the Spratly Islands. Officials in Manila indicate they are monitoring and verifying the situation and confident the missiles are not directed against the Philippines.

May 7, 2018: Chinese Premier Li Keqiang meets Indonesian President Joko Widodo in Bogor, Indonesia. They discuss bilateral relations as the two countries mark the fifth anniversary of the establishment of a comprehensive strategic partnership. Areas of cooperation include areas of complementarity between China's Belt and Road Initiative and Indonesia's Global Maritime Fulcrum concept to strengthen bilateral and regional economic ties.

May 9, 2018: China's Ministry of Foreign Affairs issues a statement congratulating Malaysia's Prime Minister-elect Mahathir Mohamad, indicating that the Malaysian leader made many "important contributions" in the development of relations and that it hopes to consolidate and further enhance the bilateral comprehensive strategic partnership with Malaysia.

May 30-31, 2018: Yi Xianliang, director general of the Department of Boundary and Ocean Affairs of the Chinese Ministry of Foreign Affairs, leads a delegation to Manila to discuss the South China Sea. Both sides agree to manage maritime disputes through continued and sustained dialogue and diplomatic negotiation.

June 18, 2018: Chinese State Councilor and Defense Minister Wei Fenghe visits Phnom Penh and meets Prime Minister Hun Sen. The discussion focus on key areas of pragmatic cooperation in the military, defense, and security sectors.

June 30, 2018: Chinese Vice Premier Han Zheng meets Singapore's Deputy Prime Minister Teo Chee Hean in Beijing to discuss deepening bilateral business, trade, and economic ties within the regional Belt and Road Initiative framework.

July 11, 2018: China Railway No. 8 Engineering Group, a state-owned enterprise responsible for the construction of the China-Laos railway, marks a milestone in completing two cross-Mekong bridges in Laos. The railway is expected to be fully operational in December 2021.

Aug. 1, 2018: Chinese State Councilor and Foreign Minister Wang Yi visits Kuala Lumpur to convey Beijing's priority for deepening bilateral cooperation.

Aug. 2, 2018: Chinese and ASEAN foreign ministers agree to a draft code of conduct for the disputed South China Sea. Singapore's Foreign Minister Vivian Balakrishnan chairs the meeting and indicates that the draft is a collective first step in aligning regional priorities and preferences in reducing conflict in the maritime dispute and to ensuring greater stability in the region.

Aug. 1-4, 2018: Regional leaders and foreign ministers meet in Singapore for the ASEAN Plus One (China), ASEAN Plus Three (China, Japan, and Korea), East Asia Summit, and the ASEAN Regional Forum.

Aug. 17-21, 2018: Malaysian PM Mohamad visits Beijing and meets senior leadership, including President Xi and Premier Li. Mahathir reiterates his position that a number of large scale infrastructure projects with China will be canceled or subject to further review as they are not financially sustainable.

COMPARATIVE

CONNECTIONS

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

CHINA- TAIWAN RELATIONS

TSAI FIRM IN THE FACE OF PRESSURE

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Beijing has ratcheted up pressure on President Tsai Ing-wen, while also promoting Taiwan's integration with China. In response, Tsai has strengthened ties with major powers and modestly increased support for defense. Despite Chinese and domestic pressures, Tsai has adhered to her cross-strait policy. Taiwan's November local elections could have implications for the 2020 presidential election and future cross-strait relations. Beijing remains concerned about US policy toward Taiwan. The Trump administration has taken steps to support Taiwan, but the president appears at times to see Taiwan as an element useful in US-China negotiations. The American Institute in Taiwan (AIT) dedicated its new office building in Taiwan, but no Cabinet official participated.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: David G. Brown and Kyle Churchman, "China-Taiwan Relations: Tsai Firm in the Face of Pressure" *Comparative Connections*, Vol. 20, No. 2, pp 61-70.

Beijing increases pressure

The big picture has changed little since the fall of 2016. Cross-strait relations remain stuck in an unproductive impasse. President Tsai Ing-wen is not prepared to accept a One-China framework despite Beijing's increasing pressure, and Beijing is unwilling to be flexible on this core principle. In the absence of dialogue, problems arise that strain relations and deepen mutual suspicions. Nevertheless, the past four months have seen significant developments.

Beijing continues to ratchet up diplomatic, commercial, and social pressure to deter independence and induce President Tsai to accept the 1992 consensus on One China. The PLA has continued to conduct military exercises near Taiwan, often publicizing them for propaganda purposes. In May, CCTV streamed footage of an amphibious training exercise near the Strait. PLA aircraft continued "island encircling exercises" and Navy ships transited the Strait. In July, the PLA conducted a large but routine six-day joint service exercise along the Zhejiang coast.

Once again this year, Beijing blocked Taipei's receiving an observer invitation to the World Health Assembly (WHA) in May and blamed the Democratic Progressive Party's (DPP) refusal to accept the 1992 Consensus for this outcome. Taipei's allies again presented a resolution calling for Taiwan to be invited, which received somewhat broader support, but was defeated. Taipei's health minister, Chen Shih-chung, traveled to Geneva to advance Taiwan's case, met extensively with other representatives, and received an award from the private World Federation of Public Health Associations for his work supporting the WHO's Global Health Charter. Despite being banned, Taipei announced May 26 a donation of \$1 million to the WHO to fight the Ebola virus.

Beijing significantly increased efforts to persuade Taipei's remaining diplomatic allies to recognize the PRC. On April 30, the Dominican Republic established diplomatic relations with Beijing. On May 24, Burkino Faso announced it was terminating relations with Taipei. Two days later, Ouagadougou established diplomatic relations with Beijing. In a break with past practice, at the accompanying press conference, Foreign Minister Wang Yi publicly called for Taiwan's one remaining ally in Africa, eSwatini

(formerly Swaziland), to follow suit by joining the international trend to accept Beijing's One China principle.

This quick succession of events particularly angered President Tsai. She lashed out at "China's serial acts of suppression" and China's use of dollar diplomacy to lure away Taiwan's allies. She said China's actions challenge Taiwan's bottom line and damage cross-strait relations. There is ample evidence of further efforts to undermine Taiwan diplomatically. On Aug. 21, Taipei unilaterally severed its diplomatic relations with El Salvador, saying that San Salvador had asked Taipei for an astronomical sum of foreign aid and support for the ruling party's election expenses. This step occurred hours before El Salvador established diplomatic relations with Beijing. Tsai again harshly criticized China, charging that its actions violated Taiwan's bottom line, which she defined as the sovereignty of the Republic of China (Taiwan).

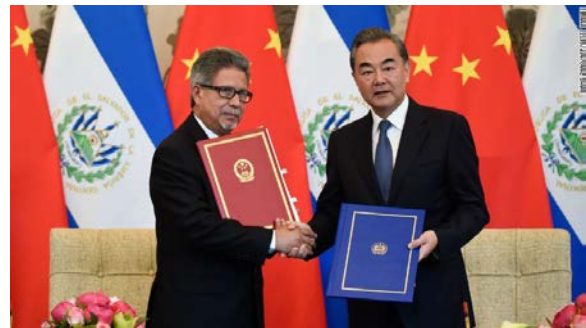


Figure 1 El Salvador's Foreign Minister Carlos Castaneda shakes hands with China's Foreign Minister Wang Yi in Beijing on August 21. Photo: CNN

Beijing has significantly increased pressure on foreign businesses to comply with Beijing's views about Taiwan. Social media pressures in China forced the GAP company to apologize for a T-shirt with a map of China that did not include Taiwan. In April, the Civil Aviation Administration (CAA) sent letters to some 40 foreign airlines with instructions on how they should refer to Taiwan. It would no longer be sufficient to avoid listing Taiwan as a country; firms must use language that indicates Taiwan is part of China. Some have speculated that netizen pressure forced the government's hand; the specificity in the CAA instruction indicates official commitment to this course. The White House condemned this "political correctness" as "Orwellian nonsense." The Taiwan Affairs Office (TAO) explained that companies doing

business in China must respect China's sovereignty and territorial integrity. Conscious of the China market, most airlines complied. The US government publicly and privately objected to Beijing's requiring private companies to accept its views. The main US airlines initially chose to only designate their destination in Taiwan as Taipei (TPE), which the CAA characterized as an incomplete response. In late August, United Airlines used currency names to refer to China, Taiwan and Hong Kong and Macau. How this issue will end is not yet clear.

While transiting Los Angeles in August, President Tsai stopped at an 85°C Bakery Café, a Taiwanese chain with outlets also in China. Netizens in China accused Café of supporting Taiwan independence. The chain issued a statement supporting the 1992 Consensus, which disappointed some Taiwanese clients without satisfying those in China. The netizen campaign continued, the company was hacked and delivery services dropped Café from their platforms. The company's stock plunged. In this instance of pressure on companies, the netizens were the driving force.

Sports was another area in which Beijing significantly increased pressure on Taiwan. At a meeting of the East Asia Olympic Committee (EAOC) convened by Beijing in July, the EAOC decided to revoke its 2014 decision designating Taichung as host for the 2019 East Asian Youth Games. The TAO said this step was justified because the DPP administration had allowed a proposal to have a referendum advocating that Taipei participate in the 2020 Olympics under the name Taiwan to proceed through the required signature collection phase. Taichung, now led by a DPP mayor who had spent nearly \$20 million on the required facilities, appealed the decision. The appeal was rejected. Beijing also sought to have the Asia Rugby Council cancel Taipei's hosting of the Asia Under-19 tournament in Taipei, but this was rejected. And, Beijing pressured organizers of the first Gay Games in Paris to require Taipei not to use the name Taiwan. When the games opened Aug. 6, however, Taiwan's team entered carrying the ROC flag and a banner proclaiming Taiwan the first country in Asia to legalize equal marriage.

Beijing's policy framework

These pressures are in keeping with policies enunciated at the 19th Party Congress in October

2017, though specific punitive actions are never mentioned in policy statements. General Secretary Xi Jinping has left implementation to others. His one recent engagement with respect to Taiwan was a meeting with former KMT Chairman Lien Chan in July. Xi predictably emphasized the centrality of one China and the 1992 Consensus and reiterated Beijing's determination to oppose and deter Taiwan independence. Pressure on Taiwan is to further those interests, with the military exercises described as underlining opposition to independence.

Xi also reiterated the peaceful development of cross-strait relations, particularly Beijing's new incentives to facilitate Taiwanese living and working on the mainland. These United Front measures are designed to further integrate Taiwan with the mainland. Various cities and provinces have announced the steps they have taken to implement the "31 Incentives." In June, Beijing convened its annual Straits Forum, which brought some 8,000 participants from Taiwan, many at Beijing's expense, to Fujian for programs about Beijing's peaceful development programs. In August, Fujian province began supplying water through a pipeline to Kinmen under a 30-year contract. Also in August, Beijing announced that Taiwanese, along with people from Hong Kong and Macau, would no longer have to obtain a work permit to hold a job in China. From Sept. 1, Taiwanese, again along with those from Hong Kong and Macau, will be eligible to obtain PRC residence cards. These new cards will make it easier for holders to perform a host of daily tasks in China. However, the cards are an element in China's domestic surveillance system containing the holder's photo, fingerprints, and 18-digit identification number.

TAO Director Liu Jieyi has recently taken particular care to show his loyalty to General Secretary Xi. For example, when the TAO announced the new residence card, the first point made was that the policy would "sincerely carry out the important views of General Secretary Xi Jinping concerning Taiwan affairs work." In July, Liu authored a lengthy article entitled "Thoroughly Study Xi Jinping's Thought on Party Building; Comprehensively Implement Party Building in the Taiwan Affairs System." Liu clearly is attuned to Beijing's political winds.

Tsai's policy and domestic pressures

President Tsai has reacted to Beijing's pressure by asserting that Taipei will not succumb to coercion. She has reiterated her commitment to preserve the status quo of peace and stability, which she charges Beijing is undermining. She has called for both sides to work to restore trust and urged talks without political preconditions. Premier Lai Ching-te has repeated the commitment to conduct relations according to the Constitution and Cross-Strait Statute. However, he continued at times to refer to himself as a worker for Taiwan independence.

Beijing's offensive has kept Taipei in a defensive posture. Tsai's strategy in response has been to improve relations with major powers, particularly the US and Japan. The administration has expressed appreciation for US support. Taipei has also persisted in strengthening regional ties through its New Southbound Policy (NSP). Concerned about further diplomatic setbacks, Tsai visited diplomatic allies Paraguay and Belize in August and invited other allies to Taiwan. She has also continued her attention to Taiwan's defense, attending events to highlight Taiwan's indigenous defense programs. She supported a modest (5.6 percent) increase in defense spending in the 2019 budget. Premier Lai has taken the lead in pursuing efforts to strengthen the economy, with particular attention to cooperation with US high-tech firms and preparations for possible negotiations to join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).

Taipei took steps to counter Beijing's United Front efforts. The Mainland Affairs Council (MAC) has more carefully scrutinized PRC official visitors and has denied travel by some TAO and United Front personnel. Taipei prosecutors have investigated the China Unification Promotion Party (CUPP), led by ex-gangster Chang An-lo, to determine whether it is receiving financial support from China. In June, prosecutors indicted New Party spokesman Wang Bing-chung on espionage, alleging cooperation with convicted PRC spy Zhou Hongxu and accepting financial support from the TAO to operate a website. Premier Lai has urged the public to beware of fake news and United Front efforts to hack or influence the November elections.

Beijing's pressure on Taiwan has stimulated domestic pressures on President Tsai. The KMT opposition has faulted the DPP for its diplomatic failures and urged adoption of the 1992 Consensus, but it has also criticized Beijing for suppressing Taiwan internationally. The New Power Party (NPP) too criticized Beijing, but attacked Tsai for being too soft on China. The NPP urged Tsai to drop support for the status quo, to promote the island internationally as "Taiwan," and to revise the ROC constitution. Beijing's canceling of Taichung's hosting of the 2019 East Asia Youth Games has fired up the Team Taiwan 2020 campaign to garner signatures for its proposed referendum on using the name Taiwan at the 2020 Olympic Summer Games. This is a quixotic campaign because the IOC has informed Taipei that it must continue using the name "Chinese Taipei." But the effort will be politically important. The Formosa Alliance, whose leaders include former presidents Lee Teng-hui and Chen Shui-bian and NPP Chairman Huang Kuo-chang, held its first meeting in June to promote a separate referendum campaign to amend the Referendum Act to permit a referendum on Taiwan independence in 2020.

At the DPP Congress in July, one delegate proposed to delete the Independence Clause in the 1991 DPP Charter. This is a step that had been given some consideration in the past and that many in Beijing would see as positive. However in this period of hostile actions by Beijing, the proposal was promptly and unanimously defeated.

President Tsai has not changed her cross-strait policy but adjusts her language to circumstances. When being careful, she speaks of Mainland China. In her, at times, angry responses to diplomatic setbacks, she speaks of China and Taiwan. Beijing sees such words as reflecting her pro-independence views. Tsai and MAC Chairman Chen Ming-tong have repeatedly contrasted Taiwan's democracy with Beijing's authoritarianism. Tsai did this in a tough statement on June 4 that also contrasted Beijing's unwillingness to confront the Tiananmen tragedy with Taiwan's current transitional justice process examining Taiwan's authoritarian period. In a subsequent interview with *AFP*, Tsai called for democracies to unite in resisting China. The MAC continued appealing for the release of imprisoned Taiwanese democracy activist Lee Ming-che. And, the MAC has been more active in criticizing Beijing's

action toward Hong Kong and in expressing support for democratic and localist politicians in Hong Kong. To a large extent, these are feel-good actions, but ones that resonate with the DPP base.

November local elections

On Nov. 24, voters in Taiwan will elect candidates for thousands of municipal, county, and township posts as part of island-wide “9-in-1” local elections. The mayoral races for Taiwan’s six most populous municipalities are the most significant and hotly contested, with campaigning already underway. While each candidate’s local appeal will have the largest bearing on the outcome of individual races, the overall results will be an important indicator of DPP, KMT, and third-party support in the lead-up to the 2020 presidential and legislative elections just 14 months later.

The DPP is seeking to defend its historic gains from the 2014 local elections and, in the most optimistic outcome, capture New Taipei City. The party is confident most of its incumbents will win re-election. Opinion polls indicate popular DPP Taoyuan mayor Cheng Wen-tsan will coast to victory in a three-way race against his KMT opponent and an independent still smarting over her narrow loss in the KMT primary. In Taichung, DPP mayor Lin Jia-long’s handling of the East Asian Youth Games incident appears to have boosted his popularity as he heads into a tight re-election race. DPP candidates in the party’s strongholds of Tainan and Kaohsiung face no serious KMT opposition as they seek to replace outgoing DPP mayors.

The KMT is endeavoring to reverse its recent electoral failures and win back the Taipei mayor’s office from independent Ko Wen-je, maintain its hold on New Taipei City, and perform well in central Taiwan. The party nominated New Taipei Deputy Mayor Hou You-yi and Legislative Yuan legislator Lu Shiow-yen as its mayoral candidates for New Taipei and Taichung, respectively. Both are perceived as strong candidates. Meanwhile, the KMT has sought to consolidate support among its base by opposing the Tsai administration’s pension cuts for military personnel, teachers, and civil servants that went in effect in July.

The DPP decided not to back independent Taipei mayor Ko Wen-je in his reelection bid. The DPP party chapter in Taipei opposed supporting Ko

because he had repeatedly voiced support for Xi Jinping’s slogan “one cross-strait family.” Although the party leadership feared running a separate candidate risked throwing the race to the KMT, it agreed to nominate the DPP’s Pasuya Yao. Some DPP officials in the Taipei city government, however, support Ko’s reelection. Despite the DPP’s abandonment of him, Ko has garnered robust grassroots support for his campaign and continues to lead his closest rival, KMT candidate Ting Shou-chung, in most polls. A decisive win could whet Mayor Ko’s interest in the 2020 presidential election.

The DPP’s local candidates have embraced President Tsai’s reform program and welcomed her at campaign events. At the DPP’s national congress in July, Tsai framed the election as a battle between proponents and opponents of reform. Some DPP candidates, however, have quietly expressed concern that the party’s pension, labor, and agricultural reforms will rally the KMT base and make the election significantly tighter than in 2014. An outcome in which the party’s candidates win in four major cities and most counties would consolidate Tsai’s position and avoid internal dissension. Nevertheless, given the magnitude of the DPP’s 2014 victory, some slippage is to be expected.

The KMT is hoping to capitalize on the Tsai government’s low approval ratings, but the party continues to be plagued by low popularity, factional infighting, and financial difficulties. Former KMT candidates have also decided to run as independents in competitive races for Chiayi mayor and Hsinchu county commissioner due to their unhappiness with the party’s primary selection process. The KMT continues to face cash flow problems thanks to the freeze of its assets by the Ill-gotten Party Assets Settlement Committee.

The pro-reform, pro-independence New Power Party, which did not exist at the time of the 2014 local elections, is running 34 city and county council candidates, competing with the DPP for younger voters. Should the party elect a large proportion of its candidates, that would be a step toward consolidating its position as the third largest party, but far behind the DPP and KMT.

US-Taiwan relations

As Beijing has ratcheted up pressure on the Tsai government, the Trump administration has

taken steps to demonstrate US support for Taiwan. State Department officials responsible for Taiwan policy denounced China's poaching of Burkina Faso and the Dominican Republic in April and May, charging these actions upset the cross-strait "status quo." In July, two US Navy destroyers passed through the Taiwan Strait in the first such transit since 2007, an action that was interpreted as a reaction to PLA exercises. The White House, on Aug. 23, issued an unusually pointed statement excoriating El Salvador's decision to establish relations with Beijing and declaring that "The United States will continue to oppose China's destabilization of the cross-Strait relationship and political interference in the Western Hemisphere."

Congress also has been active in its efforts to shore up support for Taiwan. In July and August, the House and Senate passed the FY 2019 National Defense Authorization Act (NDAA), which includes a number of provisions aimed at strengthening US-Taiwan defense ties. The law requires DOD to conduct a comprehensive review of Taiwan's defense capabilities and provide specific recommendations to Congress on how the United States can help to improve the island's military preparedness. The NDAA also recommends, *inter alia*, the timely sale of US military equipment to Taiwan and exchanges between senior military officials. Senate language recommending US military personnel participate in Taiwan's annual *Han Kuang* exercises was removed from the final version of the bill. In addition to the NDAA, Sen. Cory Gardner, chairman of the Senate Foreign Relations Committee's Asia subcommittee, announced after Taiwan's loss of El Salvador, that he was preparing legislation to discourage Taiwan's remaining diplomatic allies from switching ties. The proposed legislation would give the State Department authority to downgrade ties with those countries that abandon Taipei.

The American Institute in Taiwan (AIT) dedicated its new \$250 million building complex in Taipei on June 12. President Tsai, former President Ma, and several members of the current DPP Cabinet attended the ceremony. The Trump administration dispatched Assistant Secretary of State for Educational and Cultural Affairs Marie Royce, who joined AIT Chairman James Moriarty and Representative Gregg Harper at the ceremony. In his remarks, Moriarty called the building "a testament to the

strong U.S. commitment to Taiwan, the close and cooperative ties between our people, and the enduring friendship between the United States and Taiwan."



Figure 2 Remarks by Chairman James Moriarty at the Dedication Ceremony of AIT's New Office Complex. Photo: AIT

There was speculation in the lead-up to the ceremony that the Trump administration might send a senior executive branch official such as National Security Advisor John Bolton or even a Cabinet member, especially in light of passage of the Taiwan Travel Act in March. Why the administration did not send a high-ranking official is unclear. The week prior to the ceremony, the *South China Morning Post* reported that Treasury Secretary Steven Mnuchin, when in Beijing for trade negotiations in May, notified his Chinese interlocutors that President Trump would refrain from sending a Cabinet member. Separately, Trump would be meeting with Kim Jong Un in Singapore, also on June 12. The president's desired optics surrounding that summit may have influenced his decision to not send a high-profile representative for the AIT building dedication on the same day. Either way, it was Trump who decided not to send a Cabinet official.

The State Department arranged for President Tsai to receive exceptionally courteous treatment when transiting Los Angeles and Houston en route to and from Taiwan's diplomatic allies Paraguay and Belize in August. As usual, Beijing opposed Tsai being allowed such transits. In southern California, she delivered her first public remarks in the US at the Ronald Reagan Presidential Library. In Houston, Tsai became the first sitting Taiwan president to enter a US federal building when she toured NASA facilities. Throughout these visit-like "transits," the Taiwan press was able to report on Tsai's activities in real time, a benefit recommended in the Taiwan Travel Act.

The courtesies were extended as a response to Beijing's actions against Taiwan.

There are indications that the Trump administration sees a place for Taiwan within its unfolding Indo-Pacific regional strategy. At a Heritage Foundation event in July, Assistant Secretary of Defense for Asian and Pacific Affairs Randy Shriver called Taiwan a "partner" that "can make valuable contributions" in promoting a free and open Indo-Pacific. Reflecting longstanding US concerns that Taiwan is spending too little on defense, Principal Deputy Secretary of Defense for Asian and Pacific Affairs David Helvey remarked at a think tank event in June that Taiwan's role in the Indo-Pacific strategy is maintaining the "right type of investment" in military capabilities to ensure the "right type of deterrence and balance" across the Taiwan Strait.

Looking ahead

While cross-strait issues are not significant factors in local elections, the results in November will have implications for future cross-strait relations. Significant DPP losses would likely trigger a challenge to Tsai's leadership and further complicate cross-strait relations. The KMT's results may indicate whether it can continue as a constructive counterpart for the CCP. A big Ko Wen-je win in Taipei would inject him into the 2020 presidential contest, and that would be a significant new element.

The steps Beijing may take to further isolate Taiwan and pressure Tsai bear watching. How Taiwan may be affected by the US-China trade confrontation is an open question.

CHRONOLOGY OF CHINA-TAIWAN RELATIONS

MAY – AUGUST 2018

April 30, 2018: China and Dominican Republic establish diplomatic relations.

May 5, 2018: White House criticizes Beijing's pressure on airlines as "Orwellian nonsense."

May 7, 2018: Beijing states Democratic Progressive Party (DPP) is responsible for Taipei not being invited to World Health Assembly (WHA).

May 10, 2018: US-Taiwan Defense Business Forum is held in Kaohsiung.

May 11, 2018: PLA aircraft encircle Taiwan in both directions with first *SU-35* participation.

May 20, 2018: Solomon Islands Prime Minister Rick Houenipwela visits Taiwan.

May 21, 2018: Taiwan Health Minister Chen Shih-chung holds press conference in Geneva during WHA.

May 22, 2018: The proposal concerning Taiwan as an observer is rejected at WHA.

May 24, 2018: Burkino Faso terminates diplomatic relations with Taipei.

May 26, 2018: President Tsai announces \$1 million donation to WHO to fight Ebola virus.

May 26, 2018: Sen. Cory Gardner visits Taipei and meets President Tsai.

May 29, 2018: Haitian President Jovenel Moise meets President Tsai in Taipei.

June 1, 2018: Sen. David Perdue makes brief stop in Taipei.

June 4, 2018: President Tsai issues strong statement on Tiananmen anniversary.

June 5, 2018: PRC convenes Tenth Straits Forum in Fujian.

June 6, 2018: King Mswati III of eSwatini visits Taipei.

June 12, 2018: AIT dedicates new office building in Taipei.

June 25, 2018: In [AFP interview](#), President Tsai calls for democratic countries to unite in resisting China.

July 1, 2018: Phased pension reductions for civil servants and military personnel take effect in Taiwan.

July 7, 2018: Two US Navy *Aegis* destroyers transit Taiwan Strait.

July 9, 2018: Taipei announces donation of \$1 million to Global Anti-ISIS coalition for demining.

July 11, 2018: US Environmental Protection Agency Principle Deputy Assistant Secretary Jane Nishida visits Taiwan.

July 13, 2018: [Xi Jinping](#) receives Lien Chan and reiterates current cross-strait policy.

July 13, 2018: Foreign Minister Joseph Wu visits El Salvador, meets President Salvador Sanchez Ceren.

July 15, 2018: DPP holds annual congress.

July 17, 2018: President Tsai presides at commissioning of *Apache* helicopters.

July 18, 2018: Mainland Affairs Council (MAC) Minister Chen Ming-tong speaks at Heritage Foundation in Washington.

July 23, 2018: Six-day PLA live-fire exercise begins off Zhejiang coast.

July 24, 2018: East Asia Olympic Committee (EAOC) revokes the right of Taichung to host 2019 East Asia Youth games.

July 26, 2018: Marshall Islands President Hilda Heine visits Taiwan.

July 28, 2018: Beijing blocks Vienna performance by Taiwan youth choir.

Aug 5, 2018: Kinmen marks start of Fujian-Kinmen water supply project.

Aug. 11, 2018: New AIT Director Brent Christensen arrives in Taipei.

Aug. 13, 2018: President Tsai transits Los Angeles.

Aug. 13, 2018: Taiwan Curriculum Review Commission decides to include Chinese history in East Asia history curriculum.

Aug. 15, 2018: President Tsai attends inauguration of President Mario Abdo Benítez in Paraguay.

Aug. 16, 2018: Beijing announces program to issue residence cards to residents from Taiwan, Hong Kong and Macau.

Aug. 17, 2018: President Tsai meets Prime Minister Dean Barrow in Belize.

Aug. 19, 2018: President Tsai visits Johnson Space Center during transit of Houston.

Aug. 20, 2018: KMT holds national congress, vowing to “hit a home run” in local elections.

Aug. 21, 2018: Taipei severs diplomatic relations with El Salvador.

Aug. 22, 2018: International panel reviews Taiwan’s first report related to the UN Convention Against Corruption.

Aug. 23, 2018: White House issues [statement](#) on El Salvador severing ties with Taiwan.

Aug. 30, 2018: Taipei hosts an Indo-Pacific Security Dialogue conference.

COMPARATIVE

CONNECTIONS

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

NORTH KOREA-SOUTH KOREA RELATIONS

SUNSHINE 2.0: GOOD START— BUT HOW FAR CAN IT GO?

AIDAN FOSTER-CARTER, LEEDS UNIVERSITY, UK

This summer's flurry of inter-Korean activity has revived but hardly transcended the kinds of interaction already achieved a decade ago during the "Sunshine" era. There was the return of inter-Korean sports competition and several joint Korean teams competed at the 18th Asian Games in Indonesia. Family reunions in Kumgangsan also returned, which are ultimately a sad commentary on the restrictions placed on personal interactions. Transportation corridors were surveyed and there was talk about future modernization, although hopes of more robust utilization for commerce is hampered by existing sanctions imposed on the DPRK. Military exchanges showed promise with several rounds of talks, but not much action to show for it. With the third inter-Korean summit scheduled, both sides will likely try to find ways to further reduce border tensions while President Moon struggles with his role as mediator between the US and the DPRK.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: Aidan Foster-Carter, "North Korea-South Korea Relations: Sunshine 2.0: Good Start—But How Far Can It Go?" *Comparative Connections*, Vol. 20, No. 2, pp 71-82.

To begin, if I may, with a small toot on our collective trumpet. A year like this one, especially the action-packed recent months covered in this article, brings home the value of *Comparative Connections*. The global public will be broadly aware of changes in and around Korea, yet the full picture can be hard to grasp – depending, in part, who and where you are. For 80 million Koreans, April’s North-South summit, at – of all places – Panmunjom in the Demilitarized Zone (DMZ), which we covered in detail in our last issue, was probably the year’s defining event. Its cleverly made-for-TV pageantry impressed many outside the peninsula too. But to most people on the planet, including all Americans, the really big deal was the extraordinary spectacle in Singapore in June – the first ever encounter between a North Korean supreme leader and an incumbent US president. That is covered elsewhere in this journal.

In the months since Donald Trump met Kim Jong Un, most mass media coverage has focused on US-DPRK relations, and on the nuclear issue central to that fragile new relationship. While such an emphasis is understandable, this is far from the whole story. The indispensable value (toot toot) of *Comparative Connections* is to remind us – this merits capitals – that There Is More Than One Thing Going On. This journal’s bilateral focus makes it impossible to ignore other key relationships. Effective analysis begins with seeing and grasping the whole picture; the challenge then is to work out how it all fits together, in a rapidly developing situation.

So, I may briefly step beyond my own inter-Korean brief here. Kim Jong Un’s unexpected diplomatic outreach this year has transformed not one but [three](#) of the Asia-Pacific’s key bilateral relationships which this journal tracks. Mending fences with China after a long icy stretch was important in its own right; that too, of course, is covered elsewhere in this issue. And zeroing in on our own patch, the third – chronologically first as this was where it all started – much-changed relationship is the one between the two Koreas, our subject in this article.

Of course, all three bilaterals (and others) [interact](#), adding further layers of complexity to ongoing processes whose ultimate outcome is far from clear. Unlike the almost content-free statement signed by Kim and Trump, which

unsurprisingly has delivered very little solid since, the two Koreas have accomplished much in the past four months toward implementing the many specific pledges stipulated in the Panmunjom Declaration. Commendable as that is, two big questions persist. First, Kim Jong Un’s true intentions remain ambiguous. This summer’s flurry of inter-Korean activity, described below, has essentially revived but hardly transcended the kinds of interaction already achieved a decade ago during the “Sunshine” era (1998–2007). On the granular detail of that earlier episode, *Comparative Connections*’ archives and chronology may be the most comprehensive resource available in English. Toot toot.

Then there is Trump. The second question, posed in this article’s title, is whether the ROK’s new Sunshine 2.0 – the term is ours, not Seoul’s – can survive, let alone thrive and progress, should Washington and Pyongyang stop smiling and start snarling again, as they well might. President Moon Jae-in’s declared aim is to put South Korea back in the driver’s seat; that is his metaphor, though North Korea [sneers](#) at it. Moon has achieved much, yet he might begin to feel more like a chauffeur with two tiresome passengers. He persuaded them to get into the limo, but now they are bickering – about the destination, how to get there, everything. Where this road-trip will end grows ever harder to figure; some scenarios are beyond [apocalyptic](#).

So let us look back and enjoy while we can. The real summer in Korea broke heat [records](#). Inter-Korean weather, by contrast, was nicely warm. As we noted last time, implementation of the Panmunjom Declaration began when the ink was barely dry. That pattern continued.

Sport: joint teams at the Asian Games

Let us begin with the easier stuff, as the two Koreas themselves did, namely sport. Without downplaying the significance of North Korea’s last-minute decision to join the Pyeongchang Winter Olympics, fully analyzed in our last issue, inter-Korean sports cooperation in various forms and forums is not new. Indeed, it has a long (if sporadic) history, as veteran readers of this journal will recall. Moreover, it poses no great logistical or security issues. In this regard, the past four months resembled the “Sunshine” decade, albeit more concentrated, with several teams crossing the DMZ in each direction. In July, ROK [basketball](#) players flew to

Pyongyang in two military planes – some 100 people made the trip, including officials and press – to play together for the fourth time, although the last occasion was as long ago as 2003. “Together” is *le mot juste*. Besides and before the North faced off against the South (no national flags were on display), they also fielded mixed teams named “Peace” and “Prosperity.” Unification Minister Cho Myoung-gyon led the Seoul delegation, perhaps in hopes that Kim Jong Un, a known basketball fan – remember Dennis Rodman – would show up, but he did not.

In mid-August, a 64-strong team of DPRK trade unionists came south to play [soccer](#) friendlies with their ROK counterparts. Historically this too was the fourth event of its kind, after earlier encounters in 1999 (Pyongyang), 2007 (Changwon, ROK) and 2015 (Pyongyang again – a rare such event under Park Geun-hye, before inter-Korean ties froze totally in 2016). Changwon – South Korea’s ninth city, west of Busan – also hosted the world shooting championships this September. A 22-strong DPRK squad participated, bagging two silver and two bronze medals.

The Northern shooters flew to Changwon direct from Indonesia, where they competed in the Asian Games in Jakarta and Palembang Aug. 18–Sept. 2. Building on the pan-Korean women’s ice hockey squad hastily formed for Pyeongchang, this 18th Asiad saw joint Korean teams in three sports and six [events](#): women’s basketball, men’s and women’s dragon boat racing, and three lightweight rowing events (men’s four, men’s eight and women’s double sculls). Lightweight here is a technical term, but metaphorically too it is apt – in the sense of rather marginal. Although they marched together in the opening and closing ceremonies, as at Pyeongchang the two Koreas mostly competed as separate states. Both performed creditably – South Korea finished third in the medals [table](#) behind China and Japan, while North Korea placed tenth. And ‘Korea’ came in at 28th – unified [teams](#) took gold in the women’s dragon boat, silver in women’s basketball, and a couple of bronzes in rowing. All this is laudable, but hardly lifts the spirits or takes the peninsula forward as happened back in 1991 when ‘Korea’ [won](#) the women’s doubles at the world table tennis championships in Chiba, Japan – a one-off which sadly did not lead to sustained collaboration. Many athletes in this year’s joint teams were not even born in 1991. In this as in

other areas of inter-Korean endeavor, the \$64,000 question is whether we see cumulative progress or not. Often, alas, the answer is negative.

Family reunions: same old sad show

That also applies to another event revived this summer – reunions of separated families. Here again the two sides have long experience of organizing such events. The first was held in 1985, though regular yet still all too infrequent reunions began only in this century. The pattern was set long ago, and persists despite blatant [inadequacies](#) and asymmetries. The venue nowadays is always North Korea’s Mount Kumgang resort, rather than alternating between North and South – let alone the ancestral villages that mean so much in Korean culture. Kumgangsan has its own issues. In happier times Hyundai and other Southern companies poured in money to develop the area as a venue for Southern tourists. No fewer than 1.8 million visited – at first by boat, later overland – during the decade from 1998 until July 2008, when one such visitor was shot dead after straying and then-ROK President Lee Myung-bak suspended the program.

A decade later, suspended it remains and the facilities are [decaying](#) badly. South Korea had to send in repair squads weeks before the latest reunions were held in late August; no doubt at its own expense, even though in 2010 the North retaliated for the ending of Southern tourism by formally confiscating Hyundai’s and other ROK [assets](#) in the zone, worth almost half a billion dollars (\$443 million). Whether the new inter-Korean thaw allows such issues to be raised is unclear; but if they are not, then how is this progress? And yet *malgré tout* Hyun Jeong-eun, chairwoman of the rump Hyundai Group, now a shadow of its former might – crown jewels Hyundai Auto and the world’s largest shipbuilder Hyundai Heavy Industries were spun off long ago – is upbeat. Although Hyundai Asan – the division dealing with North Korea – has bled red ink for a decade, Hyun [said](#) after a visit to Kumgangsan to mark the 15th anniversary of her husband’s [suicide](#) that she expects tourism to resume this year. That sounds optimistic, despite a fulsome – not to say bizarre – [tribute](#) on the DPRK website *Uriminzokkiri* on Aug. 2 (coinciding with Hyun’s visit), which quoted the late Kim Jong Il as having called Hyundai his “first love.” (If this is

how they treat a lover, what do they do to enemies?)

But back to the reunions. Held on Aug. 20–26, these were the first in three years; the hiatus being mainly due to inter-Korean bad blood in the Park Geun-hye era. They were the 20th of their kind, so by now the routine is familiar; everyone knows the rules. There are two rounds, each lasting three days. First, 100 South Koreans (or slightly fewer as some usually drop out due to ill-health), chosen by lottery, meet such relatives as Pyongyang has managed to trace after lists of names have been exchanged. Then in turn 100 North Koreans – how these are chosen is not known – meet their Southern relatives. These one-off encounters for now very elderly persons who have not met for at least 65 years are televised live, with heart-rending scenes before the families get the privacy they should surely be afforded throughout. All too soon they must say tearful goodbyes, never to meet again or even be allowed any further contact by letter, telephone or email. President Moon Jae-in, himself the son of wartime refugees from the North, [said](#) on Aug. 20 that such reunions should be far more frequent – over half of the original Southern applicants have now died, having never met their long-lost relatives even once – with visits and letters permitted. How far his government is actively pushing for this is unclear. Indeed, at this writing no further reunions appear to be scheduled, even though this would be a relatively easy concession for the North to make.

‘Ningbo 12’: delinkage, drama

One tangential matter, however, saw progress. A further reason for the almost three-year gap between reunions was that North Korea was linking their resumption to a separate issue – the return of 12 female employees of a DPRK restaurant in Ningbo, China, who came to the ROK in 2016 and whom the North insists were kidnapped in a plot by South Korea’s spy agency, the National Intelligence Service (NIS). Pyongyang has evidently dropped that conditionality, while continuing to demand the women’s return. Recent months saw dramatic developments apparently supporting the North’s version of events, hitherto widely scorned. In [interviews](#) in May, the restaurant’s former manager, Heo Kang-il, confirmed his NIS ties (though he claims the agency deceived him) and insisted the women did not know their destination was Seoul.

In July the UN special rapporteur, Tomas Ojea Quintana, having interviewed Heo and four of the women, [called](#) them “victims” of, at least, “deceit” and said that Seoul must investigate. Some human rights activists [criticized](#) Quintana’s intervention. Other sources added a [twist](#) to Heo’s story, claiming it was not the NIS but South Korean defense intelligence whodunnit. All this creates a quandary for Moon Jae-in, who inherited the issue – the group arrived during Park Geun-hye’s presidency – and fears it could jeopardize his wider overtures to the North. On Sept. 12, it was reported that all the women now have ROK [passports](#); lawyers argued that denying them this violated their rights. With most of the women understandably media-shy for fear of harming relatives in the North, how this murky affair will end is far from clear.

Transports of delight?

To sum up so far. Revived sporting ties and family reunions are both good to see, yet neither is new as such nor takes inter-Korean relations very far forward. Transport links, a third major topic of recent North-South discussion, are altogether more substantial, at least potentially. This too is not strictly new. As we detailed at the time, the “Sunshine” era saw both road and rail links across the DMZ reconnected and rebuilt (guess who paid). Usage was a different matter. The two roads – a western corridor to Kaesong, and an eastern one to Kumgang – both had a fair amount of crossborder traffic, albeit one-way (i.e. South Koreans came and went; North Koreans didn’t go anywhere), until Lee Myung-bak halted Kumgang tourism in July 2008 and Park Geun-hye closed the Kaesong Industrial Complex (KIC) in February 2016. The railway lines, by contrast, languished. The DPRK only permitted trains to travel as far as the KIC, but most Southern SMEs invested there found road transport more convenient and economical.

Hopes were thus raised when the Koreans scheduled back-to-back talks about railway and road cooperation, on June 26 and 28 respectively. The results of both meetings further heightened expectations. Agreements to conduct joint surveys of existing infrastructure went way beyond crossborder links alone, literally and metaphorically. The western (Gyeonggi) railway line was to be inspected along its entire length, from Kaesong to Pyongyang, then all the way up to the northwestern border city of Sinuiju, facing

Dandong in China across the Yalu River. The less important east coast (Donghae) line too would be examined *in toto*, from Kumgangsán all the way up to Tumen on the Russian border. The joint press [statement](#) explicitly says that the remit is not only reconnection but modernization, “at a high level.” Given the known decrepit condition of most DPRK infrastructure, this would be a major and costly commitment. With [roads](#) it was the same story, if less ambitious at first – surveying the western corridor as far as Pyongyang, and in the east up to Wonsan. (In a separate earlier development, on June 7 South Korea finally succeeded in becoming a full member of the Warsaw-based Organization for Cooperation between Railways (abbreviated OSJD), originally a communist-era coordination body. Pyongyang had long vetoed Seoul’s membership, but significantly did not this time.)

All this would be a definite advance on the “Sunshine” era, and a major step forward. However, although the ROK government has already budgeted for such works next year, as of now it is uncertain how far or fast this can go. Here as in almost any potential new or revived economic cooperation, sanctions imposed on the DPRK – mostly by the UN Security Council (UNSC), but also bilateral measures by the US and in some cases the ROK itself – are a major obstacle, which did not exist during the original “Sunshine” period. Such problems have already, dare one say, caused at least one temporary derailment – though not the UNSC but another notional UN agency was responsible. On Aug. 30, Seoul media [reported](#) that plans to send a train into the North – for how better to inspect the whole length of the DPRK’s western railway line? – on Aug. 23, had been blocked by the UN Command (UNC), which under the 1953 Armistice controls passage across the DMZ. In practice that means Washington, so this was interpreted as a warning to Seoul not to go so fast. Strictly the UNC only asked for more information and notice, so the ROK could have reapplied; but it seems not to have done so. Although at least some other survey work (not requiring transgressive trains) has [proceeded](#), clearly such problems will have to be fully ironed out if transport modernization plans are to go forward in any substantial way.



Figure 1 Officials of South and North Korea check the condition of tracks at Kamho Station in the North. Photo: Unification Ministry

The same applies *a fortiori* to wider economic cooperation, most forms of which are illegal now under UNSC sanctions, which would therefore need revision or (more likely) granting of exemptions. For this reason, transport aside, the only other such topic discussed was [forestry](#), seen as innocuous and indeed ‘green’ (here too there had been cooperation before during the “Sunshine” period). By contrast, even when as discussed below the two Koreas opened a joint liaison office located in the former Kaesong Industrial Complex (KIC) on Sept. 14, the ROK government made it very clear – including to disgruntled businesses formerly invested there – that there was at this time no question of the KIC itself reopening. Nonetheless, throughout the summer local media reported *chaebols*, banks and other companies setting up task forces to examine and be ready for any prospective new business opportunities in North Korea. This preparation indicates skepticism in ROK business circles – not known for their idealism – that the sanctions which categorically forbid almost all such activities will endure indefinitely.

Military talks: hotlines, and more?

One undeniable shortcoming of the original “Sunshine” policy was that security concerns were hardly addressed, much less tackled. Indeed, it was during this period that North Korea tested its first nuclear device, in 2006. Against that backcloth and all that has happened since, it was good that the Panmunjom Declaration devoted one of its three main sections to such issues. *Inter alia* this called for regular military talks, which were duly held several times. What they have achieved is less clear, other than reconnecting military hotlines

– two terrestrial, across the western and eastern sectors of the DMZ, and one in the West (Yellow) Sea, the scene of several fatal skirmishes over the years. Repairing the eastern hotline, damaged on the DPRK side by flooding some years ago, required obtaining an exemption from UNSC sanctions so the South could send in fuel, vehicles and other necessary items.

Beyond this, all is vague. Unlike in other areas like transport or high-level talks, MOU seems not to issue press releases, which suggests a lack of accord. Several kites have been flown regarding the agenda. In July, military talks were said to have reached “broad agreement” in three areas: disarming the Joint Security Area at Panmunjom, reducing the number of guard posts in the DMZ, and excavating MIA remains there. But there was no joint statement. The latest military talks, on Sept. 13, reportedly discussed “operational arms control” to reduce the risk of accidental skirmishes, and a peace zone for joint fishing in the West Sea – an idea first floated at the inter-Korean summit in 2007, but like most of its provisions never implemented after Lee Myung-bak took over in 2008. The most radical rumor, mentioned by South Korea’s prime minister yet denied by the ROK Defense Ministry (MND), was a suggestion that KPA heavy artillery be pulled back 30-40 km from the front line, so Seoul would no longer be within range. That would certainly signal a genuine will for peace in Pyongyang, but on past form nothing so drastic would ever be done without a *quid pro quo*. To be sure, military issues are sensitive and take time. Or maybe something big has been agreed, but is under wraps so that Kim and Moon can produce it with a dramatic flourish at their third summit in Pyongyang on Sept. 18-20.

Permanent liaison

On the eve of that third summit, and as agreed at the first one, the two Koreas took a big step forward by opening a permanent liaison office at Kaesong on Sept. 14. Headed by the ROK vice-minister of unification and a DPRK official of comparable rank, this has 15-20 resident staff from each side. The South Koreans are billeted there, though Kaesong is a relatively short commute from Seoul. The new office will be operational around the clock, enabling instant communication between the two sides. It will be interesting to see how this works out in practice. The opening had been expected earlier, in August; but it was delayed, seemingly again

because Washington did not want Seoul to press ahead at a time when its own peace process with Pyongyang was experiencing turbulence. In another indication of the need to tread carefully, South Korea at first said it would apply to the UNSC for exemptions to send supplies (such as fuel) for the liaison office, but in the event decided it was not obliged to do so.

What next?

Comparative Connections is above all a journal of record which looks back. Yet it would be perverse not to speculate at least briefly what the third Moon-Kim summit may bring. Their first meeting set a detailed agenda, much of it since implemented as discussed above. 2018’s second summit, a surprise one at Panmunjom again on May 26, seems to have been an *ad hoc* meeting requested by Kim at a wobbly moment in the US-DPRK process after Trump briefly cancelled their Singapore confab – only to reinstate it almost immediately.

No doubt Kim and Moon will reaffirm the Pyongyang Declaration. They are also expected to announce a formal end to the Korean War in some form, though to have legal force this would need to involve all signatories to the Armistice, including the UN (or the US on its behalf) and China. As mentioned above, the two Koreas may also take concrete bilateral military steps to reduce border tensions. Beyond that lie hurdles, not least the sanctions regime which currently thwarts the sort of economic co-operation Moon Jae-in has long dreamed of. What leeway he can get from the UN, or the US, on this front is yet to be tested.

All diplomacy includes unpublicized elements. Smiling in public, Moon Jae-in should also be robust in private. Given doubts as to North Korea’s sincerity, based on both its past record of deceit and Kim Jong Un’s refusal to get specific on denuclearization, Moon is entitled to press for more meaningful steps – some very close to home. On July 5, *Yonhap* carried a telling if paradoxical (and oddly little noticed) headline: “N. Korean hackers suspected of continuing attacks amid friendly inter-Korean relations.” The article quoted local cybersecurity experts as stating that DPRK hacking of ROK entities is continuing unabated, despite the Panmunjom Declaration’s pledge to cease all hostile acts. However, in the new climate of peace they are reluctant to publicize it for fear of rocking the boat. That is both disgraceful and perverse – it

risks rendering détente a sham. While not all problems can be solved at once, there is no conceivable reason to go easy here. Ceasing all hostile acts must mean what it says. Far from covering up behavior that is criminal as well as hostile, Seoul should call Kim out to show it means business and will not be taken advantage of as happened in the past. If that seems a negative note to end on, this kind of sharp detail is the touchstone whereby we shall see if North Korea has really changed, or not; and whether Kim Jong Un is truly sincere, or not.

CHRONOLOGY OF NORTH KOREA-SOUTH KOREA RELATIONS

MAY – AUGUST 2018

May 1, 2018: ROK Unification Minister (MOU) Cho Myoung-gyon [reports](#) Kim Jong Un as saying that President Moon Jae-in's proposal to exchange liaison offices in Seoul and Pyongyang could be discussed. Cho adds that Kim's grip on power is firm, and he has a "strong will" for economic development.

May 1, 2018: As agreed at April 27's North-South summit, South Korea [begins](#) dismantling its propaganda loudspeakers along the Demilitarized Zone (DMZ). The South's Ministry of National Defense (MND) says the North began doing the same earlier that day.

May 1, 2018: In a half-hour phone call to UN Secretary General Antonio Guterres, President Moon [asks](#) the UN to endorse the Pyongyang Declaration issued after the April 27 summit, and to play a role in verifying North Korea's commitment to denuclearization and peace.

May 3, 2018: At the world table tennis [championships](#) in Halmstad, Sweden, the two Koreas, due to face off in the women's quarter finals, instead gain permission to form a [joint team](#). Korea advances to the semi-finals, but is defeated by Japan to take the [bronze](#).

May 3, 2018: South Korean pollster [Realmeter](#) reports that in the week since the summit Moon Jae-In's popularity [surged](#) eight points to 78.3 percent, a record for any ROK leader after almost a year in post. (Moon took office on May 10, 2017; he still has four more years.)

May 7, 2018: The Blue House, South Korea's presidential office, [says](#) Moon and Kim will at last use their new hotline once the date of Kim's summit with Donald Trump is fixed. (So far as is publicly known, this does not happen; indeed, as of Sept. 9 the much-touted hotline has apparently yet to be used at all by the two leaders.)

May 7, 2018: Seoul [reveals](#) that at their summit on April 27 Moon handed Kim a USB stick containing a detailed blueprint for how the South could help rebuild the Northern economy, including new power plants and much more.

May 8, 2018: South Korea's Foreign Ministry (MOFA) says the North is proposing a new international [air route](#), connecting – albeit not directly – the flight information regions (FIR) of their major airports – Sunan near Pyongyang, and Incheon for Seoul.

May 8, 2018: Hyundai Group – rump of the former *chaebol*, no longer connected to the now much larger Hyundai Motor – announces a new [task force](#), headed by its chairwoman Hyun Jeong-eun, to prepare for economic projects with North Korea – especially tourism to Mount Kumgang and Kaesong, suspended since 2008. Affiliate Hyundai Asan ran those businesses, but has struggled financially since their suspension.

May 9, 2018: A propos what it calls "Kim's alarming trip" to meet Xi Jinping again, the center-right Seoul daily *JoongAng Ilbo* editorializes: "The denuclearization game on the Korean Peninsula is like treading on thin ice. Once you stumble, everything falls." In the same issue, by contrast, the *JoongAng*'s influential owner, Hong Seok-hyun, a former ROK ambassador in Washington, has a [column](#) entitled: "My hopes for North Korea," which *inter alia* commends Kim Jong Un for his confidence, dignity and courtesy to Moon Jae-in.

May 11, 2018: MOU says it is trying to verify media reports that 12 North Korean waitresses – hereafter the 'Ningbo 12' – who arrived from China in 2016 may not all have defected voluntarily. Confirming what Pyongyang has long alleged, their manager [claims](#) he made a deal with the ROK's spy agency, the National Intelligence Service (NIS). (See also July 10.)

May 12, 2018: A [press release](#) from the DPRK Ministry of Foreign Affairs (MFA) invites journalists from China, Russia, the US, the UK, and “south Korea” (sic), in that order, to witness the dismantling of the Punggye-ri nuclear test site later this month. MFA explains that space precludes letting more countries attend. Japan is a notable omission. (See also May 24.)

May 12, 2018: Defying the ROK government’s urging, a week after police and local residents blocked their previous attempt, the activist NGO Fighters for a Free North Korea [launches](#) helium balloons towards the DPRK, carrying anti-Kim tracts and with banners reading “Do not be fooled by Kim Jong Un’s fake dialogue offer.”

May 12, 2018: *Yonhap*, South Korea’s quasi-official news agency, [claims](#) that North Korea halved the size of the Korean People’s Army (KPA)’s annual tank firing contest that was held last week. Kim Jong Un had attended in 2016 and 2017, but not this year.

May 16, 2018: Pyongyang abruptly cancels inter-Korean high-level talks due that very day, lambasting US-ROK *Max Thunder* military exercises as “provocative.” The official *Korean Central News Agency (KCNA)* [cites](#) “the prevailing seriously awful situation that a mad-cap north-targeted war and confrontation racket are being kicked up in south Korea.” Further cancellations and diatribes follow during the ensuing week or so, but then cease.

May 24, 2018: After a lengthy trek by train and bus from Wonsan to the DPRK’s remote northeast, selected foreign journalists – but no experts – witness big [explosions](#) which their hosts claim constitute the destruction of the Punggye-ri nuclear test site. (See also May 12.)

May 26, 2018: Moon Jae-in and Kim Jong Un hold a surprise [second summit](#) a month after the first; again at Panmunjom but this time on the Northern side, and two days after President Trump ‘cancels’ his own upcoming summit with Kim. Its swift reinstatement suggests that Kim asked Moon to mediate, and that he did so successfully.

May 28, 2018: A motion supporting the Panmunjom Declaration fails to pass in the ROK National Assembly. According to local [media](#), the ruling Democratic Party (DP) agreed to postpone seeking formal parliamentary ratification, but the opposition Liberty Korea Party (LKP) reneged on an earlier agreement that it would support a more limited resolution.

June 12, 2018: Chairman Kim Jong Un and President Donald Trump meet in Singapore.

June 13, 2018: Local elections in South Korea are a [landslide](#) for President Moon’s ruling liberal Democratic Party. On a 60 percent turnout, the highest ever, the DP wins the mayoral race in seven of eight major cities and the governorship in seven of nine provinces. The opposition LKP’s tally of these major posts is slashed from eight to just two.

June 14, 2018: North and South Korea hold their first high-level military [talks](#) – originally set for May, but Pyongyang cancelled – in over a decade (since Dec. 2007) in the Northern sector of Panmunjom. KPA Lt. Gen. An Ik San quips that ROK Maj. Gen. Kim Do-gyun is the first South Korean in uniform ever to cross the Military Demarcation Line (MDL). They [agree](#) to fully restore all inter-Korean military hotlines, and discuss much else.

June 17, 2018: Citing unnamed ROKG sources, *Yonhap* [claims](#) that at the recent military talks the South proposed that the Korean People’s Army (KPA) move its long-range artillery – thought to number over 14,000 pieces, including 5,500 multiple rocket launchers – back 30-40 km from the DMZ. It does not record the North’s reaction. MND later denies that Seoul made any such proposal (but see June 25).

June 22, 2018: Meeting at Mount Kumgang in the southeastern DPRK, the two Koreas’ Red Cross organizations [agree](#) to hold separated family reunions – the first such since Oct. 2015 – there on August 20-26. They will also hold further meetings to discuss humanitarian issues.

June 25, 2018: ROK Premier Lee Nak-yon [says](#) that asking the DPRK to move its heavy artillery back from the DMZ is under discussion in Seoul, but is not yet a formal proposal.

June 25, 2018: At their first working-level (between colonels) military talks since 2011, held in Paju, the two Koreas [discuss](#) restoration of military hotlines. In 2010 a forest fire in the North destroyed the line in the eastern sector; the western one is in better shape.

June 26, 2018: Two Koreas hold talks at Panmunjom on railway cooperation. The three-strong delegations are led by ROK Vice Transport Minister Kim Jeong-ryeol and DPRK Vice Railways Minister Kim Yun Hyok. They [agree](#) to conduct a joint study on modernizing cross-border railways; starting on July 24 with the northern section of the Seou-Sinuiju west coast line, and thereafter proceeding to the east coast Kumgangsán-Sinuiju line.

June 28, 2018 [MOU's English web [page](#) erroneously gives the date as June 26]

The two Koreas hold talks at Panmunjom on road cooperation. A detailed joint statement agrees to modernize both eastern (Donghae) and western (Gyeongui) corridors, from Goseong as far as Wonsan and from Kaesong to Pyongyang respectively. Joint research teams will be formed, and joint surveys will begin in early August.

July 1, 2018: South Korea's MND says communications between the two Koreas' navies have been restored for the first time since May 2008. At 9:00 an ROKN boat off Yeonpyeong Island (shelled by KPA artillery in 2010, among other clashes) contacted a nearby DPRK patrol vessel, which responded immediately.

July 3-6, 2018: 100 South Korean [basketball](#) players, officials and press, led by Unification Minister Cho Myoung-gyon, fly to Pyongyang in two ROK military planes. On July 4-5 they play four friendlies (Kim Jong Un does not show up) and have talks on sporting cooperation. Cho also holds talks with Kim Yong Chol. The visitors fly home on July 6.

July 3, 2018: ROK Red Cross [says](#) the two Koreas have exchanged lists of candidates for August's family reunions. The South sent 250 names, the North 200. The final 100 from each side will be chosen on July 25, based on their health and whether relatives have been located.

July 4, 2018: Two Koreas meet at Panmunjom to discuss [forestry](#) cooperation. A four-point joint press release envisages working together in areas including modernization of tree nurseries, agroforestry, fighting forest fires, controlling erosion, and scientific exchanges. A site visit is planned for mid-July, and a working group will be set up to implement all of this.

July 6, 2018: MOU [announces](#) that a 22-strong team of officials and workers will enter the North on July 9 to start repairing facilities at Mount Kumgang.

July 10, 2018: United Nations special rapporteur on North Korea, Tomás Ojea Quintana, whose usual beat is DPRK human rights abuses, [calls](#) for an investigation into how the 'Ningbo 12' came to South Korea, saying at least some were unwitting or unwilling.

July 14, 2018: *Kyodo* [reports](#) that the UN Security Council permitted a sanctions exemption for South Korea to send 51 banned items – including fuel, optical cables, buses and trucks – to North Korea for use in restoring military hotlines.

July 17, 2018: Media [report](#) that the two Koreas have fully restored their military hotline in the western sector.

July 20, 2018: In its annual estimate of DPRK macroeconomic data (Pyongyang publishes no regular figures), the Bank of Korea, the ROK central bank, [reports](#) that North Korean GDP fell 3.5 percent in 2007, its worst result for 20 years. BoK attributes this to tighter sanctions.

July 31, 2018: Two Koreas again hold high-level military talks at Panmunjom. No joint statement follows, but some media claim that "[broad agreement](#)" has been reached on areas such as disarming the Joint Security Area (JSA), and fewer guardposts in the DMZ.

Aug. 5, 2018: In a series of articles on inter-Korean issues, the *Korea Herald* highlights the project to compile a comprehensive joint [dictionary](#). Launched in 2005, this met 25 times in the ensuing decade but has been suspended since 2016. With this year's thaw, the South side has faxed the North to try to arrange a meeting, but has yet to hear back.

Aug. 10-12, 2018: A 64-strong team of DPRK trade unionists visits Seoul to play friendly [soccer](#) games against their ROK counterparts. This is the fourth such event; the first was in Pyongyang in 1999, then Changwon (ROK) in 2007, then Pyongyang again in 2015.

Aug. 13, 2018: Fourth round of high-level talks is [held](#) at Panmunjom, in the Northern half. The two Koreas reaffirm the Panmunjom Declaration, and confirm that a third summit this year will be held in Pyongyang in September.

Aug. 18 – Sept. 2, 2018: While mainly competing separately, North and South Korea field [combined teams](#) in six events (mostly aquatic) at the Asian Games hosted by Jakarta and Palembang, Indonesia. ‘Korea’ wins four medals, including [gold](#) in the women’s dragon boat.

Aug. 20-26, 2018: Amid many understandably emotional [scenes](#), two rounds of [reunions](#) of separated families, the first such since Oct. 2015, are held at Mount Kumgang resort.

Aug. 22, 2018: Reigniting a debate that has flared on and off since 1995, *Yonhap* [claims](#) that South Korea is again considering no longer calling North Korea its ‘main enemy’ in the next ROK defense white paper, due later this year.

Aug. 28, 2018: MND [says](#) it is requesting a budget of 46.7 trillion won (\$42 billion) for 2019. If approved this will be an 8.2 per cent increase, the highest hike in a decade. The ROK defense budget is already larger than the DPRK’s entire national income.

Sept. 5, 2018: President Moon’s special envoy, his national security adviser Chung Eu-yong, [flies](#) to Pyongyang heading a five-strong delegation (the same quintet as on [March 5-6](#)). They meet Kim Jong Un, who *inter alia* reaffirms his commitment to denuclearization amid warm words for Moon and for Donald Trump. The delegation [flies home](#) to Seoul the same evening and immediately reports back to Moon, at 21:44 local time.

Sept. 6, 2018: Chung Eui-yong [announces](#) that Moon Jae-in will visit Pyongyang on Sept. 18-20 for his third summit with Kim Jong Un. (Earlier [speculation](#) had predicted Sept. 12-13.)

Sept. 7, 2018: MOU spokesman Baik Tae-hyun [says](#) the two Koreas have reached agreement on all aspects of the planned inter-Korean liaison office in Kaesong. A later report [confirms](#) that this will start work (24/7) on Sept. 14, with 15-20 staff drawn from each side.

Sept. 7, 2018: South Korea’s foreign ministry (MOFA) [reports](#) that on Sept. 6 the two Korean states wrote jointly to UN Secretary-General Antonio Guterres to request that the Panmunjom Declaration, signed at April 27’s summit, be circulated as an official UN document.

Sept. 7, 2018: Blue House [says](#) that on Sept. 11 Moon’s government will submit a bill to the National Assembly to formally ratify April’s Panmunjom Declaration. (Previous efforts to that end have failed; see May 28, above. See also Sept. 10, below.)

Sept. 9, 2018: In Pyongyang, parades and mass displays mark the [70th anniversary](#) of the DPRK’s foundation. No ICBMs appear in the military [parade](#), while the mass games stress economic development and conclude with a giant video of April’s Kim-Moon summit.

Sept. 10, 2018: Citing “multiple sources,” the center-right *JoongAng Ilbo*, Seoul’s leading daily, [claims](#) that the Joint Chiefs of Staff (JCS) have completed a report comparing the two Koreas’ military strengths, which Moon Jae-in ordered ahead of the Pyongyang summit.

Sept. 10, 2018: Floor leaders of South Korea’s three largest political parties reach an [accord](#) that the National Assembly will debate ratification of April’s Panmunjom Declaration after the forthcoming third Moon-Kim summit. The government submits a [motion](#) on Sept. 11.

Sept. 11, 2018: In Vladivostok for the Eastern Economic Forum, ROK Prime Minister Lee Nak-yon [envisages](#) “a new avenue opening for three-way cooperation among South and North Korea and Russia.”

Sept. 13, 2018: Working-level military talks are held at Panmunjom, lasting [17 hours](#). As usual no press statement is released. *Yonhap* [reports](#) that the two sides wrapped up a military agreement, which Kim and Moon will announce at their summit in Pyongyang next week.

Sept. 13, 2018: Seoul press reports [hint](#) at disquiet in the Blue House that North Korea has not yet responded to the South's urgent request for a working-level meeting to fine-tune the practical details of President Moon's summit visit to Pyongyang, now imminent. Logistics and security alike remain to be sorted out. (See next day)

Sept. 14, 2018: Working-level talks at Panmunjom [finalize](#) details of the impending summit. Moon will fly to Pyongyang on Sept. 18 with an almost 200-strong entourage, including business leaders. An ROK advance party will head North overland on Sept. 16.

Sept. 14, 2018: North and South Korea [open](#) their new permanent liaison office at Kaesong.

COMPARATIVE

CONNECTIONS

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

CHINA - KOREA RELATIONS

CHINA'S MULTIPLE ROLES IN THE KOREAN DRAMA

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Building on the first Xi-Kim summit held in March, Kim Jong Un visited China twice on May 7-8 and June 19-20 for talks with President Xi Jinping, before and after the Trump-Kim summit on June 12. The Xi-Kim meetings affirmed Pyongyang's commitments to peninsular peace and denuclearization embodied in the April 27 Panmunjom Declaration, but also raised South Korean uncertainties over China's role and intentions. Although North Korea took its first step toward denuclearization by destroying its Punggye-ri atomic bomb test site, skeptics questioned the significance of the move. Beijing and Seoul forged a favorable environment for regional security cooperation by resuming working-level defense talks. Trilateral talks with Japan also resumed after a three-year deadlock. Despite indications of improving economic and cultural ties, the China-ROK security relationship remains constrained by strategic differences regarding implementation of the peace and denuclearization process.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: Scott Snyder and See-Won Byun, "China-Korea Relations: China's Multiple Roles in the Korean Drama" *Comparative Connections*, Vol. 20, No. 2, pp 83-92.

The revival of a Sino-North Korean special relationship?

While the climactic event of the year thus far was undoubtedly the June 12 Singapore summit between Donald Trump and Kim Jong Un, China's rapid revival of its traditional role as North Korea's staunchest supporter may prove to be the more strategically significant development. Following their first meeting in over six years since the two took their respective positions as leaders, Xi and Kim met on May 7-8 in Dalian, following the April 27 inter-Korean summit and again on June 19-20 in Beijing following the Singapore summit. These two meetings signified the reinvigoration of Sino-North Korean relations and underscored the necessity of respecting China's interests in and role vis-à-vis the Korean Peninsula despite the rush toward an historic Singapore summit between Trump and Kim. The Trump-Kim meeting could not have taken place without Xi's willingness to lend Kim an Air China 747 airplane for his trip from Pyongyang to Singapore.

Xinhua [reported](#) that PRC Foreign Minister Wang Yi visited Pyongyang on May 2-3, less than a week after the April 27 inter-Korean summit at Panmunjom, as part of China's efforts to "strengthen communication . . . with North Korea and continue to play a positive role in seeking a political solution to the Korean peninsula issue." Wang's conversations with his counterpart Ri Yong Ho and other members of the North Korean leadership provided support for Kim Jong Un's visit the following week to Dalian for his second meeting with Xi in the space of 40 days.

The Dalian meeting projected an image of consolidation of the Xi-Kim relationship in preparation for the Trump-Kim meeting. Chinese reports [quoted](#) Kim as reiterating North Korea's longstanding position that "As long as relevant parties abolish their hostile policies and remove security threats against the DPRK, there is no need for the DPRK to be a nuclear state and denuclearization can be realized." But Kim was also quoted as referring to "phased and synchronous measures" to "eventually achieve" a formal peace treaty, suggesting a process more drawn out than US officials were hoping for.

Chinese media coverage of the Dalian meeting featured a walk on the beach by the two leaders. *Xinhua* [reported](#) that Xi emphasized the

restoration of "traditional friendship" as fellow socialist countries, underscored the "irreplaceably significant" role of high-level exchanges to the development of strategic communication, mutual trust, and the safeguarding of common interests, and pledged to strengthen people-to-people exchanges between the two countries: "China is willing to continue to work with all relevant parties and play an active role in comprehensively advancing the process of peaceful resolution of the peninsula issue through dialogue, and realizing long-term peace and stability in the region."



Figure 1 Xi Jinping holds talks with Kim Jong Un in Dalian, northeast China's Liaoning Province, on May 7-8. Photo: *Xinhua*

But the main message of the Dalian meeting, especially following the Panmunjom Declaration referencing a peace treaty among three or four parties, was that Beijing would not be excluded from any process designed to pave the way for new political arrangements on the peninsula. Xi emphasized the geostrategic importance of renewed China-North Korea ties more than he emphasized denuclearization. The change in tone surrounding the Dalian summit did not escape the notice of President Trump, who complained about a change in attitude by the North Koreans after the summit during his May 20 White House meeting with President Moon

Jae-in to discuss preparations for Trump's June 12 summit with Kim in Singapore.

China proved to be the biggest winner of the Singapore summit in the eyes of many international observers. Trump and Kim adopted a peace and denuclearization agreement framed by a de facto dual suspension of North Korean tests and US-ROK joint military exercises similar to proposals that China had promoted for months. Trump also provided public assurance that China would be included in the formal replacement of the armistice with a Korean peace treaty.

Following the Singapore summit, Kim returned to Beijing on June 19-20 for a "candid and in-depth exchange of views" with President Xi. *Xinhua* [reported](#) that the two leaders "agreed to safeguard, consolidate and develop China-DPRK relations, and jointly push forward the sound momentum of peace and stability of the Korean Peninsula to make a positive contribution to safeguarding world and regional peace, stability, prosperity, and development." But there was scarcely a mention of denuclearization. The next step in the consolidation of Sino-North Korean strategic ties involves the high-level representation of China by third-ranking Li Zhanshi, who is expected to attend the 70th anniversary celebration of the DPRK's founding in Pyongyang in September, after Xi pulled back from what would have been the first visit by a Chinese leader to North Korea in over a decade.

Shifting Sino-North Korean Economic relationship

Following reports that China-North Korea trade dropped by as much as 90 percent in the first quarter of 2018, the spring summitry provided a basis for a dramatic recovery in bilateral economic relations. This should help North Korea respond to the apparent economic distress reflected in the Bank of Korea report of an economic contraction of North Korean GDP by 3.5 percent in 2017, following a 3.9 percent expansion the previous year. [China-North Korea trade data](#) for the first half of 2018 show a 59 percent decline in value to 7 million RMB and a 10-month consecutive decline in Chinese imports from North Korea since 2017.

While China remains officially committed to enforcement of UN Security Council sanctions resolutions, a shift in attitude was apparent

after the Singapore summit as the PRC immediately advocated for easing of sanctions and worked with Russia to oppose US efforts to tighten petroleum sanctions against the North. A North Korean economic delegation led by Pak Thae Song, a close aide to Kim Jong Un, visited Xian in May and Air Koryo has reportedly expanded service to include a Xian-Pyongyang route from July.

On the China-North Korea border, anecdotal reports following the Singapore summit suggested that the severity of Chinese Customs inspections at the Dandong-Sinuiju crossing had eased greatly and that strict x-ray inspections of each item had given way to selective scans, that punishments for smuggling restricted goods had eased, and that enforcement of Customs violations had relaxed significantly. In addition, Chinese authorities expanded availability of air and rail routes between China and North Korea and expanded availability of Chinese tour packages to North Korea in measures that would greatly boost foreign exchange flows into North Korea. Finally, China appears to have relaxed restrictions on the flow of North Korean labor into China, enhancing opportunities for North Korea to expand foreign currency earnings. A renewed China-North Korea strategic relationship has opened the door to expanded consultations between senior North Korean economic officials and Chinese counterparts. All these signs suggest that while the US continues to emphasize the need for international enforcement of sanctions against North Korea pending tangible steps toward denuclearization, China has effectively reopened a back door to China-North Korea trade and has eased the unprecedented pressure that accompanied strict Chinese enforcement of sanctions at the start of 2018.

China-ROK coordination on North Korea

A week after issuing the Panmunjom Declaration with Kim Jong-un on April 27, President Moon telephoned Xi Jinping on May 4 to secure China's cooperation on two priorities: establishing a peace treaty to formally end the Korean War, and "complete denuclearization." Moon, Premier Li Keqiang, and Prime Minister Abe Shinzo supplemented their trilateral [Joint Declaration](#) on May 9 with a special [joint statement](#) supporting the outcome of the inter-Korean summit and signaling positive expectations for the US-DPRK summit. In

bilateral talks with Li, Moon praised China's role in facilitating inter-Korean reconciliation. The Chinese Foreign Ministry continued to back Pyongyang's engagement with Seoul and Washington as the two Korean leaders met again on May 27 to reaffirm commitments amid fears that Trump might cancel his June 12 summit with Kim.

The Blue House [claimed](#) that the Xi-Kim summit in June "moved the denuclearization process a step further," and urged China to play a "positive role." Seoul's support for China-DPRK engagement, however, masks enduring concerns about China's willingness to pressure Pyongyang toward complete denuclearization, and its long-term strategy on the peninsula. Such concerns surfaced after Xi and Kim's surprise talks in Dalian in May, when the PRC Foreign Ministry dismissed Trump's [claim](#) that Xi "could be influencing" Kim Jong Un's hostile response to US-ROK military exercises and preconditions for denuclearization.

The issue of reaching a political agreement ending the Korean War was raised during talks between PRC and ROK nuclear envoys Kong Xuanyou and Lee Do-hoon in Beijing on Aug. 6. Although Lee [expressed](#) optimism over a "convergence of views on Korean Peninsula issues," the meeting provided no indication of whether the inter-Korean peace process will proceed trilaterally with the United States or also involve China's participation. In recent exchanges with visiting South Korean lawmakers, China has emphasized the importance of China's role in concluding a peace treaty.

While Beijing has emphasized inter-Korean and US-DPRK engagement as preconditions for achieving permanent peace, South Korea and the US continue to seek substantive progress on denuclearization. Skeptics dismissed Pyongyang's dismantling of its Punggye-ri test site on May 24 for having limited impact on its nuclear program. Presidents Trump and Xi in telephone talks on May 8 [agreed](#) to maintain sanctions on the North "until it permanently dismantles its nuclear and missile programs," but on the sidelines of ASEAN meetings in Singapore on Aug. 3, Foreign Ministers Wang Yi and Kang Kyung-wha did not elaborate on implementation of international sanctions. The *Voice of America* in July raised suspicion over China's role in the illegal shipment of North Korean coal to South Korea via Russia in October

2017 through Panama and Sierra Leone-registered ships, a violation of UN Resolution 2371 adopted last August.

China-ROK security: THAAD, territorial frictions, and history

China has also sought to reestablish strategic communication with South Korea to recover from the damage caused by the Terminal High-Altitude Area Defense (THAAD) impasse. South Korean media reported in July the secret visit of Yang Jiechi, a senior member of the Political Bureau of the Central Committee of the Communist Party of China, for discussions with South Korean National Security Advisor Chung Eui-yong on steps to remove unofficial sanctions imposed on Korean companies in retaliation for South Korea's deployment of THAAD, among other issues.

China-ROK coordination on North Korea has been accompanied by the resumption of bilateral security exchanges that were put on hold more than two years ago. Hu Changming, head of the Central Military Commission Office for International Military Cooperation, and Yeo Suk-joo, ROK counterpart at the Ministry of National Defense, led defense talks in Seoul on May 7, the first since the suspension of such exchanges in January 2016. Despite their normalization agreement in October 2017 and recent regional coordination on peninsula security, THAAD remains unresolved between Beijing and Seoul. In talks with Foreign Minister Kang in Singapore in August, Foreign Minister Wang renewed China's [calls](#) for a "complete resolution" on the THAAD issue.

Efforts by Beijing and Seoul to move forward in addressing exclusive economic zone (EEZ) encroachments have also produced mixed results. Fisheries authorities agreed in August to resume joint inspections of illegal fishing in the Yellow Sea from October. Following fatal clashes between the ROK Coast Guard and Chinese fishermen in September 2016, the number of South Korean crackdowns on illegal Chinese fishing fell below the annual average of 400-500 last year, according to South Korea's Ministry of Oceans and Fisheries. At the regional level, Chinese and ROK coast guard officials participated in joint maritime security exercises led by the North Pacific Coast Guard Forum (including China, South Korea, United States, Japan, Russia, and Canada) on June 7 in waters off South Korea's coastal city of Busan.

The fourth round of EEZ talks between China and South Korea's foreign ministries in Gyeongju on July 5-6, however, did not make any concrete progress on the demarcation of maritime boundaries. In addition to continued clashes at sea, the entry of Chinese military planes into the Korean air defense identification zone (KADIZ) remains a point of South Korean concern. Renewed bilateral defense talks in May did not address incursions that occurred on Jan. 29, Feb. 27, and April 28. The ROK Joint Chiefs of Staff reported another incident on July 27. On Aug. 29, the ROK Defense Ministry called in the defense attaché at the PRC Embassy after the ROK Air Force countered a Chinese military plane that entered the KADIZ.



Figure 2 South Korean Foreign Minister Kang Kyung-wha holds talks with her Chinese counterpart Wang Yi in Singapore on Aug. 3, 2018. Photo: Yonhap

One area of tangible progress is history cooperation. South Korea's Defense Ministry in May highlighted the March 28 repatriation of the remains of Chinese soldiers killed in the Korean War as a foundation for promoting defense cooperation. South Korea's Wan Island municipality in August announced plans to invest 2 billion won (\$1.7 million) to rebuild a shrine honoring two Ming Dynasty Chinese admirals who fought Japanese invaders alongside Korea's national war hero Yi Sun-shin, which local officials hope will also attract Chinese tourists. In his address at Peking University last December, President Moon stressed Chinese and South Korean cultural ties by telling Chinese students that Adm. Chen Lin's descendants live in South Korea, reiterating Xi's similar anecdote during his visit to Seoul National University in July 2014.

Revival of China-South Korea commerce and tourism

China-South Korea economic cooperation since the THAAD deployment remains centered on expanding the scope of the bilateral free trade agreement (FTA) to the service and investment sectors, and creating a favorable investment environment for each other's businesses. Both issues were prioritized in talks between PRC Commerce Minister Zhong Shan and ROK counterpart Kim Hyun-chong in Beijing on June 27, and Finance ministers Liu Kun and Kim Dong-yeon on the sidelines of G20 meetings in Buenos Aires on July 23. The ROK Finance Ministry has further sought to promote South Korean business participation in regional infrastructure projects through the Asian Infrastructure and Investment Bank (AIIB), as raised during bilateral meetings with AIIB executives, including Bank President Jin Liqun in Mumbai on June 25-26.

Recent trends in trade, investment, and financial cooperation suggest a continued revival of commercial ties since President Moon's state visit to Beijing in December. According to the Ministry of Agriculture, Food and Rural Affairs, South Korean exports of agricultural products and food to China jumped by 87 percent on-year in May to \$98 million amid improved diplomatic relations and consumer attitudes. China replaced the US in the first half of 2018 as the biggest market for Samsung Electronics, accounting for more than 30 percent of the tech giant's total sales. After declining by 61 percent in 2016-2017 to \$810 million, Chinese investment in South Korea appeared to regain momentum with Seoul's active campaign to promote partnerships in advanced industrial sectors. ROK Minister of Trade, Industry and Energy Paik Un-gyu's June 5 meeting with Chinese investors from high-tech industries produced investment pledges totaling \$500 million in such sectors as semiconductors and renewable energy. Under the Xi-Moon agreements reached in December, China's National Energy Administration and the ROK Trade Ministry launched working-level consultations in May focused on renewable energy cooperation. In the financial sector, the state-owned Industrial and Commercial Bank of China (ICBC) and Korea Development Bank (KDB) on May 16 signed a liquidity swap agreement establishing a reciprocal funding line of \$200 million, following talks between ICBC President Gu Shu and KDB CEO Lee Dong-gull in

Beijing last December on the sidelines of the Xi-Moon summit.

Such indications of recovery, however, confront longer-term challenges arising from China's economic reforms. A Bank of Korea report in August pointed to a 15 percent decline in South Korean exports to China between 2013 and 2016 despite GDP growth in both countries, citing the effects of Beijing's industrial restructuring on a consumer-driven economy. Since the implementation of the China-ROK FTA three years ago, China's priority interests have shifted increasingly from manufacturing to services: in 2016, China was the world's biggest services market, worth \$5.6 trillion. Although bilateral trade in services grew four times faster than global services trade from 1998-2016 (from \$2.7 billion to \$36.7 billion according to the ROK Trade Ministry), South Korea's exports to China remain concentrated in intermediate and capital goods. Prospects for advancing cooperation in services and high-tech investment will depend on the success of China's economic restructuring under Xi.

Immediate signs of recovery are evident in the tourism sector with the lifting of travel restrictions that crippled the South Korean tourism industry from 2016. According to the Korea Tourism Organization (KTO), the number of Chinese visitors increased by 61 percent in April and drove an overall increase in the number of foreign visitors to South Korea. China's Ministry of Culture and Tourism approved the resumption of package tours to South Korea by Wuhan and Chongqing in May, unleashing marketing efforts by South Korea's Ministry of Culture, Sports and Tourism. The KTO led Seoul's first official promotional event since China's group travel ban, through a series of exhibitions in Guangzhou, Beijing, and Shenyang in late June engaging tourism agencies and local government partners. Similarly, the Ministry of Health and Welfare announced plans to launch a new center in Shanghai in September to promote medical tourism. Meanwhile, Chinese tourists to South Korea, who account for more than 30 percent of total foreigners visiting the country for medical purposes, declined by 22 percent in 2017.

Regional dimensions of China-ROK trade

The China-ROK-Japan summit in May was a major opportunity for business interest groups to advocate further economic integration

through a trilateral FTA and the Regional Comprehensive Economic Partnership. Leaders of the China Council for the Promotion of International Trade, Korea Chamber of Commerce and Industry, and Japan Business Federation released a joint statement on May 9 on the sidelines of the summit highlighting mutual interests in energy, infrastructure, and high-end sectors. China's Minister of Industry and Information Technology Miao Wei, ROK Minister of Information and Communication Technology Yoo Young-min, and Japan's Minister for Internal Affairs and Communications Noda Seiko resumed trilateral talks on information technology cooperation, the first such meeting since 2011.

The resumption of China-ROK-Japan high-level engagement contrasted sharply with rising uncertainties over US protectionism and its regional repercussions. As Beijing and Washington exchanged tariff threats in July, South Korea's Trade Ministry warned against the potential costs of escalating trade tensions between China and the US, its two biggest trade partners, to South Korea's export sectors. Based on estimates by the Korea Institute for Industrial Economics and Trade, a full-blown US-China trade war could cut South Korea's exports to China and the US by 0.19 percent and 0.09 percent, respectively, from 2017 levels, undermining exports of intermediary products like memory chips, chemical products, and auto parts in particular. LG Electronics is one case demonstrating the costs of tariffs for foreign investors in the US: the US government's refusal to exempt Chinese parts needed for a new solar module factory has threatened LG's plans to build a \$28 million production line in Alabama. The Korea International Trade Association projects that mutual US-China tariffs could reduce South Korea's GDP by 0.018 percent over a year, making South Korea the most affected country after Taiwan. As North Korea's *Rodong Sinmun*, the Workers Party of Korea's official mouthpiece, cautioned on Aug. 31, the costs of US-China trade retaliation have even spilled over into the security domain. In addition to uncertainty over Pyongyang's progress on denuclearization, Trump attacked China's trade actions as a source of diplomatic strain after Washington canceled Secretary of State Mike Pompeo's planned visit to Pyongyang.

Conclusion: China's multiple roles on the Peninsula

China has played several critical on- and off-stage roles in the unfolding North Korean nuclear drama. As a US *supporting partner*, China imposed crippling sanctions on trade with North Korea in the first quarter of the year, sending a clear message to the North Korean leadership that its prosperity is at risk if it continues to provoke. In response to the announcement of the Singapore summit, China revived its role as a *strategic ally* of North Korea by reestablishing top-level contacts between Xi Jinping and Kim Jong Un with the aim of restoring historic Sino-North Korean geostrategic relations. China was also a *principal beneficiary* of North Korean efforts to persuade President Trump to cancel US-ROK joint military exercises and declare an end to conflict on the Korean Peninsula. It further benefited from the framing of the Singapore summit to include the parallel objectives of peace and denuclearization that China had formally advocated. Additionally, there is a fourth role that China could play but has not yet embraced: that of *spoiler* in blocking denuclearization by prioritizing geopolitics and using the Korean conflict to maximize its influence at the expense of the US.

In his [assessment](#) of the third Xi-Kim summit in June, ROK Ambassador to China Noh Young-min noted favorable trends in China-Korea relations, including Seoul and Beijing's coordination on North Korea, and the revival of China-ROK economic and cultural exchanges. China's multiple and shifting approaches to security on the Peninsula, however, challenge regional efforts to coordinate steps toward peace and denuclearization in line with the April inter-Korean Declaration. Although the decision to lay aside THAAD has facilitated the revival of economic interactions, renewed debate on the peninsula's future has amplified unresolved differences between China and South Korea on core security issues. The revival of China's traditional geopolitical relationship with Pyongyang may generate further complications for Seoul in two related ways. First, China's influence over North Korea as its key strategic ally may relieve pressure on North Korea to denuclearize, a prospect that is likely to interact negatively with a potential breakdown in the US-China partnership. Second, China's reorientation toward the North may generate competition for economic influence as President Moon pursues his vision of a revitalized inter-

Korean economic relationship, reliant on a tangible commitment by North Korea to denuclearization.

CHRONOLOGY OF CHINA-KOREA RELATIONS

MAY – AUGUST 2018

May 2, 2018: Foreign ministers of China and the DPRK meet in Pyongyang.

May 3, 2018: Chinese city of Wuhan lifts a two-year ban on group tours to South Korea.

May 3, 2018: Kim Jong Un and PRC Foreign Minister Wang Yi meet in Pyongyang.

May 4, 2018: Presidents Moon Jae-in and Xi Jinping talk by telephone.

May 7, 2018: Chongqing lifts a two-year ban on group tours to South Korea.

May 7, 2018: PRC and ROK resume bilateral talks in Seoul on joint defense policy.

May 7-8, 2018: Xi Jinping and Kim Jong Un hold a summit in the northeast Chinese city of Dalian.

May 9, 2018: South Korea, China, and Japan resume trilateral talks. President Moon Jae-in and Premier Li Keqiang meet on the sidelines.

May 9, 2018: China and the DPRK pledge to cooperate on aviation and tourism industries.

May 12, 2018: DPRK Foreign Ministry declares that it will publicly dismantle its northern nuclear test site between May 23-25 and invites foreign journalists to attend the ceremony.

May 14, 2018: Chinese Foreign Ministry applauds the DPRK's promise to dismantle its largest nuclear test site in late May.

May 14-24, 2018: DPRK delegation led by Pak Thae Song, Political Bureau member and vice chairman of the WPK Central Committee, visits China and meets senior officials, including Xi Jinping, and tours the port city of Ningbo.

May 15, 2018: ROK Ministry of Culture, Sports and Tourism says it will pursue increased inbound tourism from China.

May 16, 2018: Korea Development Bank and Industrial and Commercial Bank of China sign a liquidity swap deal worth \$200 million.

May 19, 2018: North Korean Vice Foreign Minister Choe Hui Chol travels to Beijing.

May 21, 2018: Chinese and South Korean entertainers collaborate to form the boy band "T.E.N."

May 24, 2018: ROK's Trade Commission imposes 8.6 percent anti-dumping duties on Chinese steel wire.

May 24, 2018: North Korea demolishes Punggye-ri nuclear test site.

May 27, 2018: Kim Jong Un and Moon Jae-in meet after President Trump threatens to cancel the US-DPRK summit.

May 27, 2018: China's Foreign Ministry reiterates support for ROK-DPRK and US-DPRK rapprochement.

May 28, 2018: Information and communication technology ministers from China, South Korea, and Japan meet in Tokyo.

May 29, 2018: South Korean maritime authorities seize and dismantle seven Chinese fishing boats.

May 29, 2018: China's National Energy Administration and the ROK trade ministry hold the first round of talks on energy cooperation.

June 3, 2018: China and South Korea agree to cooperate on addressing air congestion in the Incheon-Mongolia air corridor.

June 5, 2018: ROK Minister of Trade, Industry, and Energy Paik Un-gyu hosts investor meeting in China.

June 5, 2018: Air China announces that it will resume flights between Beijing and Pyongyang.

June 5, 2018: ROK Trade Ministry asks China to fairly investigate PRC-based Korean chipmakers' behavior.

June 6, 2018: South Korean media reports China's censorship of internet searches unfavorable to Kim Jong Un.

June 7, 2018: South Korea, China, the United States, Japan, Russia, and Canada conduct joint maritime security drills off the southeastern ROK coast.

June 11, 2018: North Korean state media release photos confirming that Kim Jong Un flew to Singapore on a chartered Chinese plane.

June 12, 2018: Kim Jong Un and President Trump meet in Singapore. China's Foreign Ministry congratulates them.

June 15, 2018: Kim Jong Un wishes Xi Jinping a happy birthday.

June 19-20, 2018: Kim Jong Un meets Xi Jinping in Beijing.

June 20, 2018: Seoul praises the outcome of Kim and Xi's summit in Beijing.

June 20, 2018: South Korean court sentences a Chinese man to 1.5 years in prison for illegal fishing in South Korean waters.

June 21, 2018: Municipalities in China's Chongming District and South Korea's Jeju Island sign a friendship pact.

June 27, 2018: Trade and commerce officials from South Korea and China meet in Beijing.

June 30-July 1, 2018: Kim Jong Un visits islands near border with China and tours a cosmetics factory in Sinuiju special economic zone.

July 2, 2018: Ku Bon Tae, DPRK Vice Minister of External Economic Affairs, arrives in Beijing for talks on economic cooperation.

July 5-6, 2018: China and South Korea hold working-level talks in Gyeongju on the demarcation of maritime boundaries.

July 6, 2018: North Korea reports that an invitation was sent to Xi Jinping for the 70th anniversary of the DPRK's founding on Sept. 9.

July 16, 2018: ROK Foreign Minister Kang Kyung-wha addresses a China-Japan-ROK diplomacy program in Seoul for university students.

July 19, 2018: Korea Trade Commission announces the extension of anti-dumping duties on Chinese-made ceramic tiles.

July 22, 2018: PRC Commerce Ministry says it will launch anti-dumping probes into steel products from South Korea and other countries.

July 23, 2018: Finance ministers from China and South Korea meet on the sidelines of the G20 meeting in Buenos Aires.

July 27, 2018: Chinese warplane enters South Korean airspace.

July 30, 2018: ROK Health Ministry announces plans to open a medical tourism center in Shanghai.

Aug. 3, 2018: PRC and ROK foreign ministers hold talks on the sidelines of ASEAN meetings in Singapore.

Aug. 6, 2018: Nuclear envoys from China and South Korea meet in Beijing.

Aug. 6, 2018: Wan Island municipality off the southern coast of South Korea announces plans to reconstruct a shrine honoring Chinese and South Korean war heroes.

Aug. 8, 2018: North Korean and Chinese carriers increase weekly flights between Pyongyang and Shenyang.

Aug. 9, 2018: Tourism officials from China and North Korea meet in Guangdong.

Aug. 10, 2018: North and South Koreans participate in a tourism festival in the Chinese border city of Hunchun.

Aug. 10, 2018: China-based tourism agency suspends group tours to the DPRK.

Aug. 15, 2018: US sanctions Chinese and Russian firms for violating international sanctions on North Korea.

Aug. 16, 2018: DPRK Deputy Prime Minister Ri Ryong Nam and Vice Foreign Minister Choe Hui Chol arrive in Beijing for talks with Chinese officials.

Aug. 17, 2018: ROK Oceans Ministry announces the October resumption of joint patrols with China of illegal fishing in the Yellow Sea.

Aug. 22, 2018: North and South Korean representatives attend opening ceremony of the Pan-Korean Peace Forum in Shenyang hosted by ROK National Unification Advisory Council.

Aug. 23, 2018: Chinese police force cancellation of the Pan Korean Peace Forum in Dandong.

Aug. 29, 2018: ROK Air Force confronts Chinese military plane entering the KADIZ. ROK Ministry of National Defense summons the defense attaché at the PRC Embassy in Seoul.

Aug. 29, 2018: China's National Tourism Administration allows travel agencies in Jiangsu province to resume group tours to South Korea.

Aug. 29, 2018: PRC, ROK, and Japanese culture ministers meet in Harbin for annual trilateral talks on cultural exchange.

Chronology compilation and research assistance provided by Colby Galliher, Bates College

COMPARATIVE

CONNECTIONS

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

JAPAN-CHINA RELATIONS

WARM WORDS, UNDERLYING ANXIETIES

JUNE TEUFEL DREYER, UNIVERSITY OF MIAMI

Government-to-government relations were cordial over the summer, with the public expression of differences minimized to emphasize their common opposition to US protectionist trade policies. Bilateral trade and tourism posted impressive gains. Both leaders seemed likely to continue in office, though China's annual Beidaihe meeting of power brokers allegedly criticized the disappointing results of President Xi Jinping's economic restructuring program, his aggressive foreign policies, and the excesses of his cult of personality. Unimpressive popularity polls notwithstanding, Prime Minister Abe Shinzō had solid support for re-election as president of the Liberal Democratic Party and is therefore likely to win a third consecutive term as prime minister. Abe remained optimistic about receiving an invitation for a state visit to Beijing. However, Japan continued to complain about China's military expansion and to strengthen its defenses. Summing up China-Japan relations 40 years after normalization, the *Yomiuri Shimbun* noted that coolness persisted despite bilateral exchanges of people and money.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: June Teufel Dreyer, "Japan-China Relations: Warm Words, Underlying Anxieties" *Comparative Connections*, Vol. 20, No. 2, pp 93-102.

Politics

Chinese Premier Li Keqiang's visit to Japan, the first by a Chinese premier in eight years, was characterized by an exchange of cautiously phrased pleasantries. Li and Japanese Prime Minister Abe Shinzō signed several agreements, including a memorandum of understanding (MOU) on setting up a maritime and air liaison mechanism. Conservative Japanese expressed doubt that the MOU, reached after more than a decade of negotiations, would bring any actual changes, with Self-Defense Forces (SDF) personnel questioning whether it would reduce the risk of collisions.

Li also spoke at a low-key commemoration of the 40th anniversary of the signing of the Sino-Japanese Treaty of Peace and Friendship. Japanese media were generally positive, focusing on the agreements signed, while China's *Xinhua* made clear that better relations were contingent on Japan's continued acknowledgement of its behavior during World War II and its adherence to Beijing's understanding of the one-China policy. Li's visit was interpreted by some as an effort by Beijing to soothe ties with Tokyo as a counterweight to a looming trade war between Beijing and Washington. The Japanese side had hoped that the visit would pave the way for President Xi Jinping to invite Abe for a formal state visit to Beijing and a reciprocal visit to Tokyo by Xi. However, Li did not confirm a date, probably because the Chinese government wants to see whether Abe, facing domestic criticism for his alleged role in a financial scandal, is re-elected president of the ruling Liberal Democratic Party (LDP).

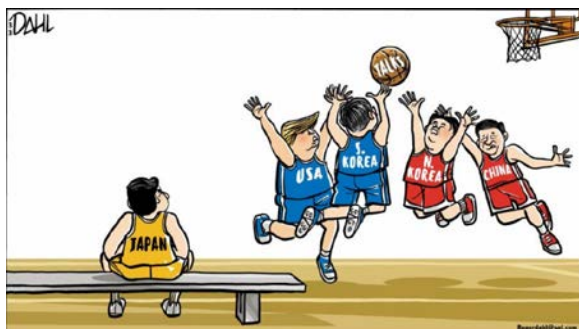


Figure 1 Japan Times May 6, 2018

Any goodwill generated by the visit quickly disappeared, with Chinese media continuing to snipe at Abe and several Japanese newspapers expressing skepticism that the agreements

would add to the peace and security of the region. *Yomiuri* took China to [task](#) for pushing its territorial claims and censorship on foreign firms, specifically referencing instances when those companies were charged with violating China's cybersecurity law. The law bans the use of the internet for instigating people to split the nation, in this case by implying that Taiwan was not part of the PRC. (The section on Taiwan below has details) When China sent a drilling ship near the median line between the exclusive economic zones of the two countries, Japan lodged a [protest](#), saying that Beijing's exploration contravenes the spirit of a 2008 agreement that Abe and Li said would be maintained.

An opinion piece in *Global Times* heaped scorn on Abe's "rush" for a summit with Kim Jung Un, [noting](#) that, in a May 4 telephone call with Xi Jinping, Abe had sought China's help in arranging the meeting and his "complicated" situation in seeking the summit. The Chinese government has been wary of North Korea reaching an agreement with any state that might weaken its ties with China.

In an unusual ruling for such cases, a Hangzhou intermediate court [sentenced](#) a Japanese man to 12 years in prison on spying and other unspecified charges. The man, in his mid-50s, was detained in May 2015 for allegedly taking photos on an island believed to have been developed as a military stronghold. Chief Cabinet Secretary Suga Yoshihide expressed hope that the case would not harm bilateral ties. Business weekly *Shukan Diamond* ran a 34-page special expressing [concern](#) over the threefold increase in the number of Chinese nationals in Japan since 2000, though conceding that the newcomers are helping to invigorate local economics and might help to dispel friction between the two nations.

Notwithstanding a recent improvement in bilateral ties and their agreement on free trade, Japan and China [remain](#) at odds over China's military activities in the East China and South China seas. [Citing](#) a recent joint Sino-Japanese opinion poll, *Yomiuri* stated that coolness between the two persists despite increases in the exchange of people and money over the past 40 years: 88.3 percent of Japanese have a bad impression of China whereas only 11.5 percent of Chinese have a negative view of Japan. The Japanese press corps [agreed to](#) call off its attendance at a meeting between Vice Foreign

Minister Akiba Takeo and State Councilor Wang Yi in response to the Chinese Foreign Ministry's decision to exclude a reporter from the conservative daily *Sankei Shimbun*, which has published articles critical of the PRC.

In a highly unusual development, the Japanese press did not mention whether Abe had sent an offering to Yasukuni Shrine on the anniversary of the bombing of Hiroshima, nor which of his Cabinet ministers or Diet members attended the ceremony. Abe did, however, have a proxy deliver the ritual offering on Aug. 15, the anniversary of Japan's surrender in World War II, carefully specifying that it had been made in his capacity as LDP president, i.e. not as prime minister, and paid for at his own expense. Xinhua's [condemnation](#) was relatively mild.



Figure 2 Premier Li Keqiang speaks at 40th anniversary of signing of Sino-Japanese Treaty of Peace and Friendship. Photo: Xinhua

Abe and Li Keqiang [exchanged](#) cordial messages marking the 40th anniversary of the Sino-Japanese Treaty of Peace and Friendship, with Abe stating that he was “very pleased to have Japan-China relations return to a normal path” with Li adding the standard mantra that Japan must “take the past as a mirror and look toward the future. High-level exchanges aside, the Chinese press remained critical of Japan. *Global Times* commented, for example, that *Shoplifters*, winner of the recent Cannes Film Festival's Palme d'Or, exposes Japan's child abuse, widened wealth gap, and the harsh realities facing women and the elderly. Though these problems aren't new, the paper continued, they have worsened in the six years since Abe became prime minister. In the first of a series of articles on the challenges and possibilities of bilateral ties, *Yomiuri* [noted](#) that although leaders on both sides praised warming of relations, the relationship remained “peculiar.” The Chinese government had tried to restrict group travel to

Japan, was critical of those deemed “jingri” (Japanese at heart) and had criminalized acts deemed to have glorified militarist-era Japan.

Economics

Statistics released in mid-May [revealed](#) that the Japanese economy shrank at an annualized rate of 0.6 percent in January-March quarter, with consumer spending flat and analysts predicting that it was unlikely to be followed by a continuing slowdown. April brought better news, with Japan posting an overall surplus of ¥626.0 billion.

The trade deficit with China [narrowed](#) to ¥145.8 billion, down from ¥244.0 billion a year before. Exports to the PRC rose 10.9 percent, led by shipments of chip-making equipment, while imports were up 2.2 percent due to stronger purchases of steel and personal computers. The Chinese stock market [lost](#) its number-two ranking to Japan. Trade issues with the US, Beijing's efforts to cut debt, and a slowing economy were major factors.

At the triannual meeting of 18 South Pacific states plus Japan, Abe pledged fine-tuned assistance in both soft and hard terms, including port development and promoting renewable energy. Center-right *Yomiuri* [noted](#) that China was rapidly increasing its presence in the region, and that the opaqueness of its aid and its disregard for the environment were causing problems. Tonga, for example, is now burdened with a sizeable debt to China. It urged the Japanese government to implement assistance measures that contribute to the growth of the island nations while paying attention to Chinese moves.

Conservative Japanese-language magazine *Sentaku* expressed [concern](#) at the increased rate of Chinese investment in Hokkaido, particularly in Pacific coast areas with nearby port facilities. The land, ostensibly purchased for agricultural use, has been allowed to lie fallow, raising questions about motives for the purchases. Li Keqiang's visit to Hokkaido, during which he discussed willingness to invest in the island with eager officials there, heightened these concerns. Japan has no equivalent of the Committee on Foreign Investment in the United States (CFIUS), though there have been discussions within the LDP about the need for an institution to monitor the security implications of foreign investment into Japan.

The same magazine later [reported](#) that Chinese capital was acquiring land in and around Miyakojima City, far south of Hokkaido, allegedly for solar power generation and unspecified other purposes. A Ground Self-Defense Force unit is scheduled to be deployed there shortly. According to *Sentaku*, a Chinese woman has opened a hostess bar in the city and is apparently gathering information from patrons by providing inexpensive drinks. A particular focus of Chinese attention is Irabu Island, across the water from Shimoji, with its 3,000-m runway, a scant 180 km from the disputed Senkaku islands.

China and Japan [signed](#) an agreement standardizing quick chargers for electric vehicles, for which they control over 95 percent of the market. *Asahi* [reported](#) that the first meeting of a committee to discuss Japanese participation in China's Belt and Road Initiative (BRI) project will be held in Beijing in September. On the agenda are private-sector work on extending the Bangkok mass transit system and construction of a high-speed railway between its airport and a city in central Thailand.

There are plenty of signs to suggest growing economic engagement. [According](#) to the Japan National Tourism Organization, tourists from China jumped 29.3 percent in May, to 668,600, vis-à-vis 16.6 percent growth overall. With Chinese visitors accounting for 25 percent of total foreign visitors to Japan, the two countries are [considering](#) the establishment of a new third flight path between the two countries: regular round-trip flights between China and Japan exceed 1,000 each week, nearly double those between Japan and North America. Japanese [convenience stores](#) in China expanded by 1.6 times the number two years ago, with three major chains now claiming 5 percent of the market. And Nissan [announced](#) plans to invest about \$900 million to boost vehicle-making capacity in China by 40 percent, to 2.1 million cars annually, by 2021. Also by 2021, Toyota [expects](#) to have a 35 percent increase at its Guangzhou and Tianjin plants to 1.7 vehicles per year, close to its North American total of 2 million.

Defense

Each side continued to express discomfort over the activities of the other. Japanese media [described](#) the news that China's second aircraft

carrier had begun sea trials as leading to heightened security tensions, noting that at least two more carriers were planned and that at least one will be nuclear-powered. On the same day, *Sankei*, citing a government source, reported that a ship registered to a state-owned Chinese company had been undertaking trial digging that could be preparatory to building new offshore platforms. Though the digging is on the Chinese side of the median line, concern is that, once completed, the structures could be used for military purposes such as building helipads or installing small radars. China has consistently denied the validity of the median line. In 2008, negotiators reached a preliminary agreement to jointly develop the area until a demarcation line had been finalized, but talks were suspended before completion, and China has unilaterally proceeded with development of the waters. A retired Japanese admiral, writing in an Indian military [publication](#), accused China of taking advantage of the world's preoccupation with North Korea to expand its salami-slicing tactics against Japan around the Senkaku Islands and against Taiwan on the offshore islands of Quemoy (Jimmen) and Matsu (Mazu). He advised Japan to revise its constitution and give up its defensive policy. In contrast, a *Foreign Affairs* article by two US analysts [argued](#) that Japan should abandon its current forward defense policy against Chinese aggression in favor of an active denial strategy that would hold off the invaders until US reinforcements arrive.

In early August, the Japanese Coast Guard [reported](#) that four Chinese Coast Guard ships had sailed for about two hours in Japanese territorial waters off the Senkakus. The *Defense of Japan Annual White Paper*, published shortly thereafter, [stated](#) that China's escalating military activities posed a strong security concern both for Japan and for the international security.

The Japanese Coast Guard held its first fleet review in six years, though ironically its resumption was the result of warming Sino-Japanese relations, since the suspension occurred because the JCG was busy dealing with intrusions of Chinese ships into what Japan views as its territorial waters. The center-left *Asahi* [commented](#) that the JCG's ability to monitor waters in the disputed areas had been strengthened in the interim.

Japanese Coast Guard vessels carrying newly developed shallow-water sonar equipment have been [dispatched](#) to disprove the PRC's claim to extend the country's exclusive economic zone 150 nm (278 km) west of the median line between the two countries because there is a prolongation of the continental shelf in the East China Sea. An examination of the data Beijing previously submitted to the International Committee on the Law of the Sea had been halted after Japanese protests; Japanese government officials fear that Beijing intends to seek re-opening of the investigation or take other actions.

Japan also continued to make statements that reinforce its stated wariness of China's growing military capability. The government stated its intention to go ahead with deployment of the *Aegis* ashore system despite North Korean promises to denuclearize, citing uncertainty about negotiations and the increasing missile [threat](#) from China. Responding to a Chinese white paper on Arctic policy that [called](#) the ocean "the silk road on ice," as well as to Russian restrictions in the area, the Japanese government has begun working on a plan to secure the country's interests in the area. An unnamed official expressed concern that Beijing would soon deploy submarines in the Arctic.

As the reporting period closed, the *Defense of Japan Annual White Paper 2018* was published, [stating](#) that the unilateral escalation of China's military activities poses a strong security concern for the region including Japan and international community. The Japanese Air Self-Defense Force (ASDF) [scrambled](#) planes against Chinese fighter jets 173 times during the past fiscal year, an increase of 72 over the previous year, vis-à-vis 95 against Russian planes, a decrease of 30 in the same time period. The Chinese Foreign Ministry [responded](#) by accusing Japan of making irresponsible statements about China's normal marine activities and seeking excuses for expanding its armaments. And plans were [finalized](#) for the ASDF and the Australian Air Force to hold their first joint drills in Japan "amid China's Pacific push."

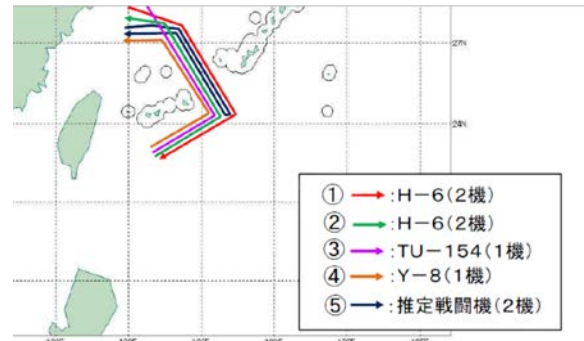


Figure 3 Flight paths of 8 PLAAF planes NW of Senkakus, near Okinawa and through Miyako Strait. Source: Japanese Ministry of Defense May 11, 2018

China reacted sharply to a report that Japan would send the helicopter-carrying destroyer *Kaga* to the South China Sea. PRC military sources [speculated](#) that, under the pretense of asserting the right to freedom of navigation, motives included currying favor with Washington, containing China, increasing its influence in regional security, and creating a bargaining chip in bilateral negotiations. No matter what the excuse, dispatching the ship would undermine the recent improvement in Sino-Japanese relations and constitute a provocation to China with "the possibility that China may take some kind of countermeasures that would be completely of Japan's own making. As a state from outside the region, Japan has no place in the area."

A professor of international relations at the China Foreign Affairs University [characterized](#) Japan's plans to sail MSDF ships through the South China Sea and Indian Ocean as part of a long-term strategy to keep a presence in the area "or muddy the waters so as to contain China" and a betrayal of Abe's positive gestures during Li Keqiang's visit. Instead of seeking better relations with China, Japan was reacting to the US-China trade war by drawing closer to Washington. He warned that both Abe's visit to China and the "newfound momentum" in Sino-Japanese relations were at stake.

China announced it had changed its Coast Guard's status. As of 1 July, it became part of the People's Armed Force Police, which is under the direct control of the Central Military Commission headed by Xi Jinping. Given China's tradition of using the Coast Guard to patrol areas to which it lays territorial claims, Japanese Defense Minister Onodera expressed [concern](#) while vowing to maintain "a level-headed response." An unnamed senior Defense

Ministry official expressed doubts that, in its new role, the Coast Guard would be covered by the June 9 air-maritime communication mechanism between Tokyo and Beijing, since the Coast Guard is not considered a military force. China has [said](#) that “for the time being” the Coast Guard’s role would remain unchanged.

Even before the [launch](#) of Japan’s *Maya*-class destroyer, Chinese naval expert Zhang Junshe [described](#) it as, while ostensibly aimed at North Korea, “potentially targeting China and threatening other countries.” He continued that “once absolute security is realized by Japan and the United States, they could attack other countries without scruples.” The vessel’s Cooperative Engagement Capability (CEC) system will allow data sharing with the U.S. which, Zhang added, will enable Washington to better control Japan.

On a more positive note, following agreement reached during Li’s visit to Japan in May, a bilateral maritime and aerial communication mechanism began official [operation](#). Although the new mechanism will not change how communication is conducted, Japan’s Defense Ministry hopes that, because it is now part of a formal agreement, the Chinese military will take it more seriously and abide by it. There have been confirmed reports of Chinese military aircraft not responding to SDF radio messages during encounters in and around Japan’s territorial waters. A centerpiece of the agreement is the hotline, first agreed at a 2007 summit but postponed over disagreements on the Senkaku/Diaoyu Islands and whether the waters and airspace around them would be included. China and Japan have agreed that the mechanism would not include specific geographic references. The two sides will alternate hosting annual meetings at the director general or deputy director general levels as well as at section chief levels. Which senior officials will speak on the hotline will be determined after a discussion of the situation rather than being specified in the agreement. Japanese defense officials also [expressed](#) misgivings about Chinese insistence on a 48-hour moratorium before responding to a hotline call in the event of military clashes.

Taiwan

Taiwan was again an issue. Admiral Takei Tomohisa, former MSDF chief of staff, [stated](#) at a forum in Washington that military ties

between Japan and Taiwan should be increased in the face of Chinese aggression in the region. After the Taiwan government [protested](#) the decision of Japan Airlines and All Nippon Airways to comply with Chinese government orders to list Taiwan as a part of China, Chief Cabinet Secretary Suga expressed [concern](#) over China’s call to require foreign airlines to label Taiwan a part of China, saying that “generally speaking, it’s not favorable that the government require (private companies) to take steps in line with a certain political position.” Former Taiwan President Lee Teng-hui, visiting Japan at a dinner hosted by the Japan-Taiwan Peace Foundation, [called](#) for the two counties to promote exchanges and cooperation for their common defense. He advised the Japanese government to rely more on its own strength and less on the United States to resist Chinese hegemony. Following *Sankei’s* interview with Taiwan Foreign Minister Joseph Jaushieh Wu, the Chinese embassy in Japan lodged a protest condemning the report for “advocating Taiwan independence.” Wu had [called](#) for a Japan-Taiwan security dialogue in light of the threat that increased activity by the Chinese armed forces in the area poses to their mutual interests. A spokesman for the Taiwan Foreign Ministry condemned the protest as interference with freedom of the press in Japan and Taiwan. An article in the conservative *Japan Forward* [recommended](#) that the Japanese government enact its own version of the Taiwan Relations Act, not shying away from its security aspects.

CHRONOLOGY OF JAPAN-CHINA RELATIONS

MAY – AUGUST 2018

May 2, 2018: Stockholm International Peace Research Institute reported that an Asian arms race was occurring in response to tensions with China. Hong Kong's *South China Morning Post*, [summarizing](#) the SIPRI study, notes that Japan had boosted military spending for the sixth straight year, while India, loosely aligned with Japan in the Quad arrangement with the United States and Australia, had overtaken France and moved into the world's top five military spenders.

May 3, 2018: Adm. Takei Tomohisa, former MSDF chief of staff, [states](#) that Japan should remain vigilant to see that China “does not change the status quo in the region,” and that military ties between Japan and Taiwan should be increased.

May 7, 2018 Japan and China [establish](#) a public-private council to discuss Belt and Road projects. While Japan hopes to improve ties with the PRC through economic cooperation, the government fears that China is using the initiative to expand its hegemony.

May 8-10, 2018: Prime Ministers Li Keqiang visits Japan for the first time since taking office. He and Abe [sign](#) an agreement on a hotline after a decade of talks.

May 13, 2018: China's second aircraft carrier, and first entirely indigenously built, begins sea trials, with Japanese media [expressing](#) concern over the implications for regional security.

May 13, 2018: Conservative daily *Sankei Shimbun*, [citing](#) a government source, reports that a ship registered to a state-owned Chinese company had been undertaking trial digging that could be preparatory to building new offshore platforms.

May 15, 2018: Citing threats from North Korea's ballistic missile launches and Chinese activities in the East China Sea, Japan approves a new ocean policy highlighting maritime security. Previous versions, issued every five years since 2008, had largely centered on the development of resources at sea.

May 19, 2018: Japanese Coast Guard conducts a fleet review for the first time in six years; the suspension was due to the JCG being occupied with intrusions of Chinese government ships into areas administered by Japan but claimed by both countries.

May 20, 2018: Japan hosts the triannual gathering of leaders of 18 South Pacific countries and territories with Prime Minister Abe [pledging](#) fine-tuned assistance in both soft and hard terms.

May 25, 2018: Twenty-one Japanese nationals are [detained](#) in Chongqing, Sichuan province, as well as in Hebei, Henan, Guizhou, Shanxi, Liaoning and Ningxia sometime between May 5 and 15, possibly because they were Christians doing missionary work. Five were later returned to Japan.

May 25, 2018: Japanese government announces it will use yen loans to [develop ports](#) in three Indian Ocean nations (Myanmar, Sri Lanka, and Bangladesh) as part of Abe's “free and open Indo-Pacific strategy” to counter China's efforts to dominate the sea lanes connecting Asia and Africa via the Middle East.

May 25, 2018. LDP endorses Abe's call to [remove](#) an informal cap on defense spending that is 1 percent of GDP that began in the 1970s. It also backs his plan to retrofit the helicopter carrier *Izumo* into an aircraft carrier, for upgrading the capabilities of Self-Defense Forces, and for Japan to have a stronger presence in space and cyber technology.

May 27, 2018: According to conservative magazine *Sentaku*, Chinese money has been [buying land](#) in Hokkaido, particularly near areas with port facilities. Though ostensibly acquired for agricultural purposes, the land has lain fallow, raising questions about the ultimate motive behind their purchase.

June 5, 2018: Japan announces a plan to set up a maritime [dialogue](#) with France as part of its Indo-Pacific strategy “to deter the aggressive maritime advances of China.” France’s overseas territories in New Caledonia and French Polynesia give the country a direct interest in the stability of the region.

June 8, 2018: Bilateral maritime and aerial communications begin official [operation](#). Japanese Defense Ministry officials hope that, because it is part of a formal agreement, the Chinese military will take it seriously and abide by it.

June 10, 2018: A retired Japanese admiral, writing in an Indian military [publication](#), accuses China of taking advantage of the world’s preoccupation with North Korea to expand its salami tactics on Japan in the Senkaku and Taiwan on the offshore islands of Quemoy (Jimmen) and Matsu (Mazu).

June 13, 2018: China and Japan are [reported](#) to be in talks to unify standards for electric vehicle charging stations. A common standard would give Japanese EV manufacturers a competitive edge over US and European counterparts, who use a different system.

June 19, 2018: Taiwan government [protests](#) the decision of Japan Airlines and All Nippon Airways to comply with Chinese government orders to list Taiwan as a part of China.

June 20, 2018: [According](#) to the Japan National Tourism Organization, tourists from China jumped 29.3 percent in May, to 668,600, vis-à-vis 16.6 percent growth overall.

June 20 2018: *Global Times* opinion article heaps scorn on Abe’s “rush” for a summit with Kim Jung Un, [noting](#) that, in a May 4 telephone call with Xi Jinping, Abe had sought China’s help in arranging the meeting and his “complicated” situation in seeking the summit.

June 25, 2018: Former Taiwan President Lee Teng-hui, visiting Japan at a dinner hosted by the Japan-Taiwan Peace Foundation, [calls](#) for the two counties to promote exchanges and cooperation for their common defense.

June 28, 2018: Following *Sankei Shimbun*’s interview with Taiwan Foreign Minister Joseph Jaushieh Wu, the Chinese embassy in Japan lodges a protest condemning the report for “advocating Taiwan independence.”

June 28, 2018: An article in the conservative *Japan Forward* [recommends](#) that the Japanese government enact its own version of the Taiwan Relations Act, not shying away from its security aspects.

June 29, 2018: Japan lodges a [protest](#) with China over its sending a drilling ship to a contested area near, but not over, the side of the median line separating the exclusive economic zones of the two in the East China Sea. China does not accept the validity of the line.

June 30, 2018: Responding to a Chinese white paper on Arctic policy that [calls](#) the ocean “the silk road on ice,” the Japanese government begins working on a plan to secure the country’s own interests in the area. An unnamed official expresses concern that Beijing would soon deploy submarines in the Arctic.

July 3, 2018: Japanese government states its intention to go ahead with deployment of the *Aegis* ashore system despite North Korean promises to denuclearize, citing uncertainty about future negotiations and the increasing missile [threat](#) from China.

July 5, 2018: China reacts [sharply](#) to a report that Japan would send the helicopter destroyer *Kaga* to the South China Sea and hints that China might have to respond with countermeasures.

July 7, 2018: Business weekly *Shukan Diamond* publishes a 34-page special expressing [concern](#) over the threefold increase in the number of Chinese nationals in Japan since 2000, though adding that the newcomers are helping to invigorate local economics and might help to dispel friction between the two nations.

July 10, 2018: Hangzhou intermediate court [sentences](#) a Japanese man to 12 years in prison for spying and other unspecified charges.

July 14, 2018: Foreign Minister Kōno Tarō and French Foreign Minister Jean-Yves Le Drian [sign](#) an agreement on defense cooperation aimed at countering Chinese activities in the Indo-Pacific region.

July 17, 2018: *Foreign Affairs* article by two US analysts [argue](#) that Japan should abandon its current forward defense policy against Chinese aggression in favor of an active denial strategy that would hold off invaders until US reinforcements arrive.

July 20, 2018: *Asahi* [reports](#) the first meeting of a committee to discuss Japanese participation in China's BRI project will be held in Beijing in September. On the agenda are private sector work on extending the Bangkok mass transit system and the construction of a high-speed railway between its airport and a city in central Thailand.

Aug. 3, 2018: Chinese stock market [loses](#) its number-two ranking to Japan. Trade issues with the US, Beijing's efforts to cut debt, and a slowing economy are cited as major factors.

Aug. 3, 2018: *Kyodo* [cites](#) an unnamed Japanese official as saying that, despite a recent improvement in bilateral ties and their agreement on free trade, Japan and China remain at odds over China's military activities in the East China and South China seas.

Aug. 5, 2018: Chinese and Japanese sources are curiously silent on the anniversary of the atomic bombing of Hiroshima. *Jiji* press alone mentions it, albeit briefly and saying only that Abe would not pay his respects.

Aug. 7, 2018: Four Chinese Coast Guard ships [sail](#) for about two hours in an area off the Senkakus claimed by Japan as territorial waters.

Aug. 12, 2018: Li Keqiang and Abe [exchange](#) cordial messages marking the 40th anniversary of the Sino-Japanese Treaty of Peace and Friendship.

August 12, 2018: *Global Times* comments that *Shoplifters*, winner of the recent Cannes Film Festival's Palme d'Or, exposes Japan's child abuse, widened wealth gap, and the harsh realities facing women and the elderly.

Aug. 15, 2018: Using a proxy, Abe sends a ritual offering to the Yasukuni Shrine on the anniversary of Japan's surrender in World War II, carefully specifying that it had been made in his capacity as LDP president, i.e. not as prime minister, and paid for at his own expense. *Xinhua's* [condemnation](#) is relatively mild.

Aug. 15, 2018: As a result of a triennial review of members' contribution to the United Nations' general budget, China is [raised](#) to second largest donor, 12.01 percent, with Japan lowered to third place at 8.56 percent. *NHK* suggested that Japan promote its presence by stressing the nation's contributions to the UN's international and diplomatic activities.

Aug. 16, 2018: Report shows that Japanese Air Self-Defense Force [scrambled](#) planes against Chinese fighter jets 173 times during in the past fiscal year, an increase of 72 over the previous year.

Aug. 18-31 2018: *Sentaku* [reports](#) that Chinese capital was acquiring land in and around Miyakojima City allegedly for solar power generation and unspecified other purposes.

Aug. 20, 2018: First of a series of articles on the challenges and possibilities of bilateral ties by *Yomiuri* [notes](#) that although leaders on both sides praised warming of relations, the relationship remains "peculiar." China had restricted group travel to Japan, was critical of those deemed "jingri" (Japanese at heart) and had criminalized acts deemed to have glorified militarist-era Japan.

Aug. 21, 2018: Nissan Motors [announces](#) plans to invest about \$900 million to boost vehicle-making capacity in China by 40 percent, to 2.1 million cars annually, by 2021.

Aug. 23, 2018: [Citing](#) a recent joint opinion poll, *Yomiuri* states that coolness between the two countries persists despite an influx of people and money over the past 40 years. 88.3 percent of Japanese have a bad impression of China whereas only 11.5 percent of Chinese have a negative view of Japan.

Aug. 24, 2018: Japanese defense officials [express](#) misgivings about Chinese insistence on a 48-hour moratorium before responding to a hotline call in the event of military clashes.

Aug. 28, 2018: China and Japan [sign](#) agreement standardizing quick chargers for electric vehicles; together, they control over 95 percent of the market.

Aug. 28, 2018: *Defense of Japan Annual White Paper 2018* is published, [stating](#) that the unilateral escalation of China's military activities poses a strong security concern for the region including Japan and international community. The Chinese Foreign Ministry [responds](#) by accusing Japan of making irresponsible statements about China's normal marine activities and seeking excuses for expanding its armaments.

Aug. 30, 2018: Japanese press corps [agrees to](#) call off attendance at a meeting between Vice Foreign Minister Akiba Takeo and State Councilor Wang Yi in response to Chinese Foreign Ministry's decision to exclude a reporter from the conservative *Sankei Shimbun*.

Aug. 31 2018: ASDF announces it will [hold](#) its first joint drills with the Australian Air Force on Japanese territory "amid China's Pacific push."

Aug. 31, 2018: Japanese Defense Ministry [proposes](#) a 2.1 percent increase in the defense budget to \$48 billion to counter North Korean ballistic missiles and China's growing air and sea activities in the waters near Japan.

COMPARATIVE

CONNECTIONS

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

JAPAN-KOREA RELATIONS

BACK TO NORMAL BUSINESS

DAVID KANG, UNIVERSITY OF SOUTHERN CALIFORNIA
KYURI PARK, UNIVERSITY OF SOUTHERN CALIFORNIA

Korea-Japan relations returned to normal over the summer months as Pyongyang-Tokyo relations remained at a standstill and Seoul-Tokyo relations followed the [dual track approach](#). For both Pyongyang and Seoul, the primary demand is for Japan to offer an acceptable apology and compensation for Japan's actions during its colonial rule of the Korean Peninsula. Pyongyang demanded atonement for Japan "war crimes" as the basic condition for the resumption of dialogue between the two countries. Seoul [urged](#) Japan to sincerely apologize to Korean women forced into wartime sexual slavery, saying that the issue cannot be resolved diplomatically. Other sources of contention for North Korea-Japan relations are Japan's support for UN sanctions against the DPRK and Pyongyang's unwillingness to account for past abductions of Japanese citizens. In the case of South Korea-Japan relations, the disputes over [Dokdo/Takeshima](#) and biased [history textbooks](#) lingered, although both sides made efforts to strengthen economic, security, and cultural ties despite those issues.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: David Kang and Kyuri Park, "Japan-Korea Relations: Back to Normal Business" *Comparative Connections*, Vol. 20, No. 2, pp 103-110.

Standstill: Pyongyang–Tokyo relations

At the end of April, there was increasing optimism that North Korea and Japan might pursue diplomatic normalization in the final months of 2018. At the historic North–South Korea summit on April 27, North Korean leader Kim Jong Un expressed his willingness to hold [talks](#) with Japanese Prime Minister Abe Shinzo, and Abe expressed interest in holding a summit with Kim. However, the atmosphere of reconciliation between Pyongyang and Tokyo lasted less than a month as the two countries failed to narrow their positions on sanctions and pressure.

Although recognizing North Korea's recent expression of its commitment to denuclearization in outward statements as "significant progress," Japan retained the position that the international community should "firmly [maintain](#) economic sanctions and continue to apply maximum pressure on North Korea" until Pyongyang takes concrete actions with regard to denuclearization. On May 8, calling Japan's continued support for sanctions and pressure against its regime as "throwing cold water over easing tensions on the Korean Peninsula," the *Rodong Sinmun*, North Korea's official newspaper, [denounced](#) Japan for "seeking to profit from the worsening security situations on the peninsula." On May 9, *Korea Central News Agency (KCNA)* leveled [criticism](#) at Japan's first joint exercise with the British Navy off Honshu for simulating a sea blockade against North Korea while "peace-loving North Korea" was making proactive and positive efforts for its expected summit with the United States. Given the tension, despite the Japanese government's continued push for [high-level](#) talks between the two countries on the sidelines of the ASEAN Regional Forum in August, North Korea provided only a lukewarm response.

Continued disagreement over North Korea's abduction of Japanese citizens in the 1970s and 1980s further strained bilateral relations. Japan noted that Tokyo is considering Prime Minister Abe's visit to Pyongyang for a summit with Kim as an option, but with a minimum condition of including Japan in the reinvestigation of the [abduction](#) of Japanese by North Korean agents. Optimism about the possible diplomatic thaw was short lived, however. During the June 12 Trump–Kim summit, Kim made no reference to the abduction issue, indicating there had been

no changes to North Korea's official position that the abduction issue had been [settled](#).



Figure 1 Parents of Megumi Yokota shows pictures of their daughter who was abducted to North Korean in 1977. The pictures were brought back by Japanese delegates from North Korea after a fact-finding mission in November 2004. Photo: AFP

While Tokyo sets the abduction issue as a minimum condition for the resumption of dialogue, Pyongyang appears to expect a Japanese apology and compensation for war crimes during its colonial rule of the Korean Peninsula from 1910–45 as its minimum. On Aug. 23, urging Japan to realize that it can never move into the future with its "[crime-woven past](#)" unaddressed, a spokesman for the North's Korea Asia-Pacific Peace Committee issued a statement saying that "[w]hat is all the more intolerable is that the Abe group is adding new crimes to the piles of the hideous past crimes, far from atoning for them. While keeping mum about the hideous crime that took the lives of millions of the Koreans, they are hyping the issue of a few abductees."

Dual-track approach: Seoul–Tokyo relations

In our April article, we anticipated that the [North Korea factor](#) would continue to influence Seoul–Tokyo relations greatly in the summer months, especially if the North were to take concrete actions toward denuclearization based on the inter-Korea agreement. However, as the North Korea issue progressed slowly, the ups-and-downs of Seoul–Tokyo relations were largely shaped by a [dual-track approach](#). Historical issues, especially, the issue of Japan's [wartime forced labor](#) and [sexual enslavement](#) of Koreans and sovereignty claims to [Dokdo/Takeshima](#) remained sources of discord in bilateral relations. For instance on July 24, aptly reflecting the Moon administration's decision to overturn the 2015 comfort women agreement between the two countries, Seoul

approved a budget to [replace](#) a ¥1 billion yen (\$9 million) fund the Japanese government paid to settle the diplomatic row over Japan's wartime sexual enslavement of Korean women. Despite these tensions, Seoul and Tokyo strove to strengthen economic, security, and cultural ties.



Figure 2 On the 73rd anniversary of Korea's liberation from Japan's colonial rule (Aug. 15, 2018), about 700 South Korean citizens join a weekly rally in Seoul against Japan's wartime sex slavery. Photo: Yonhap

South Korea and Japan promoted economic cooperation through both bilateral and trilateral channels. In May, on the sidelines of the ASEAN Plus Three finance ministers and central bank governors meeting in Manila, Bank of Korea (BOK) Gov. Lee Ju-yeol expressed South Korea's desire for reviving a currency swap deal with Japan, which had been suspended over a diplomatic row last year. Tokyo had broken off negotiations citing Seoul's decision to let a "comfort women" statue be installed near the Japanese consulate in Busan. Also, in May, finance chiefs of the governments in Seoul, Beijing and Tokyo produced a trilateral joint statement warning against growing [protectionism](#) trends, and Prime Minister Abe and President Moon agreed to cooperate on promoting a [trilateral free trade pact](#) for mutual economic growth.

In an effort to address Japan's fear of being "[sidelined](#)" in the discussion of denuclearizing North Korea and enhancing peace and stability in the region, President Moon vowed to help Japan [improve](#) ties with North Korea, and Foreign Minister Kang Kyung-hwa confirmed Seoul's commitment to close policy coordination with Tokyo and Washington for complete, verifiable, irreversible dismantlement ([CVID](#)) of the North's nuclear program. The Japanese government stressed the importance of closer cooperation with South Korea and the US over the North's denuclearization at a United Nations-sponsored Conference on Disarmament on June 26. However, Japan's

involvement in the denuclearization talks remained [limited](#) due to North Korea's strong expression of discontent about Japan's intervention in the issue, noting that Tokyo is not a signatory to the Panmunjom Declaration between the two Koreas nor the North's summit agreement with the US.



Figure 3 The US-North Korea summit on June 12, 2018 in Singapore. Photo: Yonhap

Turning to culture, South Korea and Japan relations were, as usual, complex. People-to-people exchanges expanded, but negative feelings dominated public sentiment toward the other country. Data released by the Korea Tourism Organization (KTO) indicated that the number of [tourist](#) visits between the two countries was much [higher](#) than in 2017. However, a June 2018 [poll](#) by the Asan Institute for Policy Studies, a Seoul-based think tank, showed the level of South Korean's favorable feelings toward Japan to be 3.55 on a scale of 0 to 10, lower than sentiment toward the US (5.97), North Korea (4.71), and even China (4.16). Also, a joint survey conducted by the South Korean private think tank East Asia Institute and Japanese think tank Genron NPO, between May and June, showed that for the first time since 2013, the ratio of Japanese having friendly feelings toward South Korea (22.9 percent) [dropped](#) lower than that of South Koreans toward Japan (28 percent). As part of efforts to address unfavorable public sentiment between the two countries, Seoul and Tokyo bolstered cultural exchanges. For instance, on Aug. 24, the Busan municipal government re-enacted an historic parade of Korea's cultural missions to Japanese southwestern port city of [Shimonoseki](#). On Aug. 29, the culture ministers from South Korea, Japan, and China held their three-day annual meeting in Harbin to discuss ways to expand trilateral cultural exchanges and vowed to cooperate on developing the common brand of the [East Asian Culture City](#).

The months ahead

Unless the two Koreas and Japan can find a mutually satisfactory way to get beyond past grievances, Japan's relations with the North will remain at a standstill and will be shaped by the dual-track approach with the South. Initially, President Moon vowed to help Japan improve its ties with North Korea, but now that Pyongyang has demanded Tokyo's atonement and compensation for past war crimes as basic conditions for the resumption of dialogue, Moon will have to rethink his strategy. As a [middle power](#), South Korea's ideal strategy is to leverage networks and play the [mediator](#) role, but often that strategy is obstructed by Korea's nationalist anti-Japan identity. Is it possible to form a united Korean front on the history issue to demand a sincere apology and compensation from Japan? Or, will Seoul's commitment to close policy coordination with Tokyo and Washington for complete, verifiable, irreversible dismantlement of the North's nuclear program create discord between the two Koreas? It is hard to predict the trajectories of Pyongyang-Tokyo and Seoul-Tokyo relations, but we can be sure that the trajectories are closely intertwined.

CHRONOLOGY OF JAPAN-KOREA RELATIONS

MAY – AUGUST 2018

May 1, 2018: South Korean police and activists [clash](#) over installation of a statue symbolizing forced labor victims under Japan’s colonial rule near Japanese consulate in Busan.

May 2, 2018: South Korean Vice Foreign Minister Cho Hyun prods Japan to stick to its pledge to [atone](#) for wartime forced labor.

May 4, 2018: Finance chiefs of South Korea, Japan, and China release a joint statement warning against growing [protectionism](#) and stressing the importance of promoting an open and rule-based trade framework after their meeting in Manila.

May 6, 2018: Bank of Korea’s chief says South Korea will push to resume talks with Japan for [currency swap](#) deal, which broke off in January 2017 due to the comfort women issue.

May 8, 2018: President Moon Jae-in vows to help Japan [improve](#) its ties with North Korea and urges Tokyo and Pyongyang to start a dialogue for diplomatic normalization.

May 9, 2018: South Korea, Japan, and China hold the seventh [trilateral](#) summit. The leaders vow [joint](#) efforts to denuclearize North Korea and agree to cooperate on promoting a [trilateral free trade pact](#) for mutual economic growth.

May 9, 2018: President Moon and Prime Minister Abe Shinzo meet on the sidelines of the South Korea, Japan, and China trilateral summit and express hope for [improved](#) ties between the two countries. South Korean minister of trade, industry and energy and Japanese counterpart discuss ways to expand [cooperation](#) in energy and autonomous cars.

May 11, 2018: Prime Minister Abe says that he could [talk](#) with Kim Jong Un if it leads to resolution of abductions of Japanese citizens by North Korea.

May 15, 2018: South Korean government [denounces](#) Japanese government’s claim to Dokdo/Takeshima and the “[East Sea](#)” name denial in its annual Diplomatic Bluebook.

May 16, 2018: Office of Prime Minister Lee Nak-
yon [denies](#) *Yomiuri* report that Lee said that the Six-Party Talks “should discuss economic aid to the communist nation if Pyongyang agrees to denuclearization.”

May 17, 2018: Minister of Gender Equality and Family Chung Hyun-back says Seoul plans to open a [research institute](#) in August to commemorate comfort women.

May 30, 2018: Top [military](#) officials of South Korea, Japan, and the US hold talks over joint efforts to ensure regional peace and stability in Hawaii. Japan [pushes](#) for high-level talks with North Korea in August, according to *Kyodo News*.

May 31, 2018: Statue symbolizing Korean forced laborers under Japan’s colonial rule is [removed](#) from a pedestrian road near the Japanese Consulate in Busan amid a strong clash between police and activists.

June 5, 2018: Prime Minister Lee says the [removal](#) of a statue symbolizing forced labor under Japan’s colonial rule, from a site near the Japanese Consulate in Busan, took place because activists did not get permission for the installation.

June 9, 2018: Hideki Yano, secretary general of the Society Connecting the Colonization History Museum to Japan, a Japanese [civic](#) group, visits Seoul to deliver the group’s donation of \$93,000 to the Seoul-based Center for Historical Truth and Justice. Yano urges Tokyo to [compensate](#) colonial-era victims in North Korea.

June 12, 2018: US Secretary State Mike Pompeo talks by [phone](#) with South Korean Foreign Minister Kang and Japanese Foreign Minister Kono on the outcome of the US-North Korea summit in Singapore.

June 13–14, 2018: Foreign Minister Kono visits South Korea and meets ROK counterpart Kang and US counterpart Pompeo. They [share](#) the view that it is important to convert the outcomes of the US-DPRK summit into “concrete actions by North Korea” and confirm their [commitment](#) to future policy [coordination](#).

June 14, 2018: Japanese media [reports](#) that North Korean leader Kim Jong Un gave a positive response to a summit with Japanese Prime Minister Shinzo and that Japan is considering an Abe visit to Pyongyang.

June 18, 2018: Joint survey by South Korea’s East Asia Institute and Japan’s Genron NPO shows South Koreans are more [optimistic](#) than Japanese about North Korea’s denuclearization. On Seoul-Tokyo relations, for the first time since 2013, the ratio of Japanese having friendly feelings toward South Korea was lower than that of South Koreans toward them.

June 18, 2018: South Korean Ministry of National Defense dismisses Japan’s call for halt to “[Dokdo defense drill](#).”

June 27, 2018: North Korea warns Japan [not to intervene](#) in the Korean denuclearization issue, saying that Tokyo is not a signatory to the Panmunjom Declaration between the two Koreas nor the North’s summit agreement with the US.

June 28, 2018: Japan’s Ambassador to South Korea Nagamine Yusumasa participates in Jeju forum and urges North Korea to implement complete, verifiable, irreversible dismantlement (CVID) of its nuclear program and address the abduction issue. He also conveys Japan’s desire for a bilateral summit with North Korea.

July 5, 2018: A June 2018 [poll](#) by Asan Institute for Policy Studies is released that shows South Korea’s favorable feelings toward Japan stood at 3.55 on a scale of 0 to 10.

July 8, 2018: Foreign Ministers Kang and Kono hold [bilateral](#) meeting in Tokyo. They also meet Secretary of State [Pompeo](#) in Tokyo to discuss Pompeo’s first visit to North Korea. They [reaffirm](#) their shared goal of complete, verifiable, irreversible denuclearization of North Korea.

July 17, 2018: South Korea’s Ministry of Foreign Affairs calls in Maruyama Kohei, minister at the Japanese Embassy in Seoul, to deliver a formal protest message on Japanese government’s [amendment](#) to the teacher’s guide for use at high school that projects Japan’s territorial claim on Dokdo/Takeshima.

July 19, 2018: South Korean civic group, the Korean Council for Reconciliation and Cooperation (KCRC), signs agreement with North Korea “to work together in bringing home from Japan the remains of those [victims](#) of forced labor” during its three-day visit to the North.

July 20, 2018: South Korean government provides Japan with \$1 million in [flood](#) aid.

July 22, 2018: Civic groups from South and North Korea form a committee to bring the [remains](#) of Koreans forced to do hard labor in Japan during the 1910–45 colonial era. The two sides agree to seek support from the international community, including Japan.

July 24, 2018: South Korean government approves a budget to [replace](#) a ¥1 billion (\$9 million) fund the Japanese government paid to settle the diplomatic row over Japan’s wartime sexual enslavement of Korean women.

July 25, 2018: The number of Japanese tourists to South Korea [surges](#) 40.2 percent comparing to last year, according to the Korea Tourism Organization.

July 27, 2018: Cyber experts from South Korea, Japan, and the US hold trilateral meeting in Washington and agree to continue cooperation on issues affecting [cybersecurity](#).

July 30, 2018: South Korean civic group says that it will push for the return of 35 sets of [remains](#) of forced labor victims from Japan in August.

Aug. 2, 2018: South Korea and Japan foreign ministers meet on sidelines of the ASEAN Regional Forum (ARF).

Aug. 3, 2018: Japan ranks as the top choice for young South Koreans wanting to [travel](#) on short notice. According to *Yonhap*, in the first five months of 2018, 3.41 million Koreans visited Japan, outpacing 3.3 million Chinese visitors.

Aug. 5, 2018: South Korean heads of three major parties seek to visit Japan in September and meet with ruling and opposition lawmakers, and government officials in Tokyo as part of their [bipartisan](#) effort to foster a lasting peace on the peninsula.

Aug. 9, 2018: South Korea [launches](#) a research center to compile and commission research on the history of the Imperial Japanese Army's wartime sexual enslavement of Korean women, according to the Ministry of Gender Equality and Family.

Aug. 14, 2018: At a ceremony marking the designation of a new national day for [comfort women](#), President Moon says that “the issue of comfort women for the Japanese military can truly be resolved when the victims’ dignity and honor are restored and their broken hearts are healed.” He adds that “I hope this issue will not lead to a diplomatic dispute between South Korea and Japan. I do not even believe it is an issue that can be resolved through a diplomatic solution.”

Aug. 15, 2018: South Korean government expresses deep regret over Japanese Prime Minister Abe's sending of a ritual offering to [Yasukuni](#) war shrine.

Aug. 16, 2018: South Korea and Japan fail to renew [fisheries](#) agreement over differences on fishing quotas, but fishermen from the two countries continue talks over operations in a joint fishing zone.

Aug. 23, 2018: North Korea [stresses](#) the need for Japan's apology and compensation before resuming dialogue.

Aug. 24, 2018: As a part of South Korea–Japan [cultural](#) exchange effort, the Busan municipal government re-enacts historic parade of Korea's cultural missions to Japan's southwestern port city of Shimonoseki.

Aug. 28, 2018: Japanese government renews its claim to [Dokdo/Takeshima](#) in 2018 Defense White Paper for the 14th consecutive year.

Aug. 29, 2018: Culture ministers from South Korea, Japan, and China meet for three-day annual meeting in Harbin to discuss ways to expand trilateral cultural exchanges and cooperation. The officials vow for cooperation on developing the common brand of the [East Asian Culture City](#).

COMPARATIVE

C O N N E C T I O N S

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

CHINA- RUSSIA RELATIONS

TALES OF TWO FRIENDS, TWO SUMMITS AND TWO DRILLS

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China-Russia relations gained considerable traction mid-year when Russia's newly inaugurated "old" president embarked on his first foreign trip to China. In Beijing, the two "intimate" friends hammered out plans to elevate their already "best-ever" relationship against a backdrop of mounting pressures from the US. In Beijing, Putin became the first recipient of China's newly created "friendship medal" before the two leaders headed for two summits: the 18th SCO Summit in Qingdao in early June and the 10th BRICS Summit in Johannesburg in July. The first major expansion of the SCO was celebrated in Qingdao with an extravaganza. In late August, Russia hosted the biannual SCO *Peace-mission 2018* anti-terrorism exercise, while preparing with China, for the first time, for the *Vostok* series of strategic maneuvering exercises in Russia's East Military District. Enhanced cooperation between Beijing and Moscow occurred against a backdrop of pressure from the Trump administration.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: Yu Bin, "China-Russia Relations: Tales of Two Friends, Two Summits and Two Drills" *Comparative Connections*, Vol. 20, No. 2, pp 111-120.

Putin in Beijing

A month after his inauguration for a fourth term as president of Russia, Putin traveled to China, which was his first foreign visit as the “new” president. Chinese counterpart President Xi Jinping was also strengthened by both the Chinese Communist Party’s 19th Congress in October 2017 and his appointment to a second presidential term at the March 2018 National People’s Congress, which also eliminated term limits for the position.

The chemistry between the two was as strong as their respective domestic standing. Prior to this meeting, Putin and Xi had met 25 times and five times in 2017 alone. Underlying their strong personal relationship is a shared strategic view of the world order as increasingly multipolar and recognizing the value of democratization of international relations. Mounting pressure from the Trump administration, too, helped cement the bond between the two.

The two leaders did [three things](#) in Beijing to take their “best ever” strategic partnership relationship to a higher level. In formal talks, Xi and Putin agreed to expand and deepen cooperation in all areas. Defining bilateral relations as “mature, stable, and strong” (成熟、稳定、牢固), Xi assured Putin that no matter how the international situation changes, China and Russia would always give the other top priority in their diplomatic relations. Putin, in turn, said deepening the Russia-China comprehensive strategic partnership is the priority of Russian diplomacy. Russia and China have taken each other’s core interests and major concerns into consideration in such areas as politics, the economy, people-to-people exchanges, and enhanced communication on global affairs, said Putin. “Myself and President Putin agreed, in the face of a complex international situation, that China and Russia will increase mutual support and coordination in international affairs, and deepen strategic cooperation,” Xi was quoted as saying. After the meeting, the two presidents signed a joint declaration. They also witnessed the signing of a number of cooperation documents and jointly met with the media.

The Joint Declaration summarized and reiterated almost all the key components of the Sino-Russian strategic partnership. Similar declarations were issued in the past following annual summits. Unlike the one in [2017](#), with an

opening on the importance of the UN and globalization issues, the current one begins with a statement that the Sino-Russian bilateral relationship is playing “an important role for world peace and stability” because of the high-level of political trust based on mutual respect and support for each other’s core interests, sovereignty, territorial integrity and developmental path. Against a backdrop of global instability and uncertainty, the two sides should continue close and regular reciprocity at various levels, including those between the offices of the head of state and heads of the government. Regular foreign and defense ministerial meetings are highlighted for both dialogue and coordination. “China and Russia intend to continue their mil-mil communication and coordination, to perfect the existing cooperation mechanism, and to expand practical cooperation in the military and military-related technology in order to cope with regional and global challenges,” said the document. The bulk of it is about “practical cooperation,” or economics and trade. That comes, however, only after bilateral political and security issues. The last part of the declaration addressed multilateral and regional issues, including Iran, Syria, and Korea. It appeared quite clearly that the 2018 summit had shifted to bilateral cooperation and coordination.

In Beijing, Putin also had a separate meeting with Chinese Premier [Li](#) Keqiang in Beijing to promote economic ties of the two countries.

As if the joint declaration itself was not sufficient, the Xi-Putin talks were followed by a grand ceremony (of 700 people) where Xi conferred the first-ever Friendship Medal (友谊勋章), the highest Chinese honor to foreigners, on Putin for his longstanding, prominent work in strengthening friendship and the partnership between China and Russia. Calling his Russian counterpart “an intimate friend” (最好的知心朋友), Xi said at the ceremony that Putin is an influential leader of a major country who has made frequent visits to China and is well-known and highly respected by the Chinese people. “It also shows the deep friendship between the Chinese and Russian nations,” added Xi.

Putin said he valued the medal greatly and saw it not only as a high personal honor, but also as evidence of the high level of the comprehensive strategic partnership between Russia and China, as well as the deep friendship between the two peoples, and that that he would work hand-in-

hand with Xi to achieve common prosperity for Russia and China.

The medal awarded in Beijing appeared to be reciprocation for Putin's presentation to Xi a year before of the Order of St. Andrew in the Kremlin. It took three and half years for China to award the Friendship medal to its first recipient (Putin) after its [inception](#) in December 2015. In contrast, the highest state award of Russia was established in 1689 by Tsar Peter the Great and was abolished in 1918. It was restored by President Yeltsin in 1998 and has been awarded to dozens of Russians. Xi was the third foreigner to receive the order, following the late Azerbaijani President Heydar Aliyev and Kazakhstan's President Nursultan Nazarbayev.



Figure 1 President Xi Jinping awards his Russian counterpart Vladimir Putin the first-ever Friendship Medal of the People's Republic of China at the Great Hall of the People in Beijing, June 8, 2018. Photo: Xinhua

After the award ceremony, Xi and Putin took a [high-speed train ride](#) to the port city of Tianjin where the two watched a friendship hockey game between Russian and Chinese youths. Putin reportedly said that he planned to discuss the implementation of a joint project to build a high-speed rail line between Moscow and Kazan with Russia's Chinese partners.



Figure 2 Before the beginning of hockey match between youth teams of Russia and China. Photo: Kremlin.ru

18th SCO Summit in Qingdao

While the Beijing summit seemed to have narrowed its focus to bilateral ties, the annual SCO Summit in the port city of Qingdao on June 9-10 considerably [expanded](#) its scope since its first summit in 2001. With the induction of India and Pakistan as formal members in Qingdao – their leaders attended for the first time as full-fledged members – the SCO extends to South Asia. Now the eight formal members of the SCO (China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, India, and Pakistan) cover 60 percent of the Eurasian continent (34 million sq km), 43 percent of global population (3 billion), and more than 20 percent of global GDP (\$16 trillion).



Figure 3 An expanded SCO with eight member states in Qingdao, June 9-10, 2018. Photo: SCO

In its lengthy [Qingdao Declaration](#) (about 8,000 words), the expanded SCO mapped out three specific areas for future cooperation: security, economics, and cultural exchanges. In addition to the original goal of combating “three evil forces” (terrorism, extremism, and separatism), member states now coordinate intelligence sharing and joint operations against drug trafficking, cross-border criminal activities, and cybercrimes.

With the inclusion of Pakistan and India, Afghanistan looms larger in the SCO's security outlook, not only because of their current involvement in the Afghan conflict, but also their shared history with the landlocked nation. India and Pakistan (then part of British India) were part of the century-long Afghan Wars waged by the British in most of the 19th century and early 20th century. Their rocky relationship in the post-colonial era has been conditioned largely by a series of wars (1947, 1965, 1971, and 1999). Finally, both became nuclear powers at the dawn of the 21st century. The US-led war on terror in Afghanistan in late 2001 has added more complexities to already difficult ties between the two nuclear states.

The SCO created the SCO-Afghanistan Contact Group in 2005, but it was not until July 2017 that the Astana Summit finalized the ascendance of Indian and Pakistan to full SCO membership as the Contact Group was being revitalized to adjust to the expanded regional security group. In October 2017, the first Contact Group meeting was held in Moscow. Shortly before the Qingdao Summit, the SCO-Afghan Contact Group was convened in Beijing for the [second time](#).

The Afghan issue topped the agenda of the SCO summit seemed for at least two additional factors: one was the winding down of civil war in Syria. As Putin briefed other national leaders in Qingdao, now that the Syrian government controls 90 percent of the population, it is likely that international terrorists would shift their focus to Afghanistan. The second reason is [signs](#), or the possibility, that the US is scaling back its commitment in Afghanistan.

In his speech at the summit, Putin talked about the "[priorities](#)" in "assisting in the political and diplomatic settlement of conflicts near the external borders of the organization's member states," a reference to countries bordering or near Afghanistan such as India and Pakistan. For his part, [Xi](#) committed to training 2,000 law enforcement officers of all parties in the next three years through the China National Institute for SCO International Exchange and Judicial Cooperation and other platforms to enhance law enforcement "capacity building."

In economics, the Qingdao Summit publicly committed to a rule-based multilateral trading system (以规则为基础的多边贸易体制), a clear reference to the trade war between the US and China. For the SCO itself, however, economic

integration has been the weakest link, and a more sensitive issue for member states. For more than a decade, Beijing's call for an SCO free trade zone and a SCO bank has gone nowhere, thanks to Russia's delaying and deflecting efforts. Maybe because of this, the Qingdao Declaration, which was coordinated by China, called for deepening cooperation in the areas of trade, investment, finance, agriculture, connectivity, etc., which reflects China's priority for the SCO. In his [speech](#) at the summit, Xi reiterated the need to cooperate in promoting China's Belt and Road Initiative (BRI) and its linkage with economic strategies of other SCO members. He announced that China would set up an RMB 30 billion (\$4 billion) equivalent special lending facility within the framework of the SCO Inter-bank Consortium. Meanwhile, the city of Qingdao would be set up as "a demonstration area" for China-SCO local economic and trade cooperation, and would set up a committee of legal services for SCO member states to provide legal support for business cooperation.

Only a small part of Putin's speech in Qingdao was devoted to economic issues, and he emphasized coordination between Russia's EAEU and China's BRI. Putin also talked about the concept of "[Eurasian Economic Partnership](#)," a blueprint for all members of the SCO. Presumably, China's BRI would be part of this Eurasian umbrella structure.

The third area of SCO future operation was cultural and people-to-people exchanges. In Qingdao, Xi announced that China would in the next three years provide 3,000 training opportunities in human resources development for SCO member states to enhance public understanding of and support for the SCO family. China would also provide meteorological services to all parties using its *Fengyun-2* weather satellites.

It is unclear how the training of 3,000 human resource personnel would be allocated in an increasingly crowded SCO space. Cultural and societal exchanges have been a rapidly expanding area of interaction among SCO member states, given the already highly saturated and institutionalized government-government interactions (almost 20 annual meetings of various kinds at the official level on the annual basis). Since the 17th SCO summit in Astana (June 8-9, 2017), the following high-level events were held:

- SCO Council of Heads of Government (Prime Ministers) meeting (Sochi, Nov. 30-Dec. 1 2017);
- SCO National Security Council Secretaries meeting (May 21-22 2018);
- SCO Council of Foreign Ministers extraordinary and regular meetings (New York, Sept. 20 2017; Beijing, April 24, 2018);
- SCO Council of National Coordinators meetings (Yangzhou City, Moscow, Beijing, August 2017-June 2018);
- Council of the Regional Antiterrorist Structure meetings (Beijing, 17 September 2017; Tashkent, 5 April 2018);
- Heads of Border Services of Competent Authorities of SCO Member States meeting (Dalian, June 29, 2017);
- SCO Heads of Emergency Prevention and Relief Agencies meeting (Cholpon-Ata, Aug. 24-25 2017);
- Ministers of Justice of SCO Member States meeting (Tashkent, Oct. 20 2017);
- Chairpersons of the Supreme Courts of SCO Member States meetings (Tashkent, 25-27 Oct. 25-27 2017; Beijing, May 25, 2018);
- Heads of SCO Member States Services in Charge of Ensuring Sanitary and Epidemiological Wellbeing meeting (Sochi, Oct. 31 2017);
- SCO Ministers Responsible for Foreign Economic and Foreign Trade Activities meeting (Moscow, Nov. 15, 2017);
- Prosecutor Generals of the SCO meeting (St Petersburg, Nov. 29, 2017);
- Conference of the Heads of Ministries and Agencies of Science and Technology (Moscow, April 18-21, 2018);
- SCO Forum (Astana, May 4-5, 2018)
- Heads of National Tourist Administrations meeting (Wuhan, May 7-11, 2018);
- Defense Ministers' meeting (Beijing, April 24, 2018);
- Ministers of Culture meeting (Sanya City, May 15, 2018);
- Heads of the SCO Counter-narcotics Agencies meeting (17 May 2018);
- Board of the SCO Business Council meeting (Beijing, June 6, 2018); and
- Council of the SCO Interbank Association meeting (Beijing, 5-7 June 2018).

Chinese media counted some [160 events/activities](#) by the SCO during the 2017-18 period when China chaired the SCO. Most of these items were for cultural, sports and education purposes, including the SCO Marathon, movie festival, food festival, etc. Prior to Qingdao, a few more items were added, such as the SCO political party forum, women's forum, and people's forum, media summit, "Model SCO-2018" Youth Conference, to name a few.

It is a [cliché](#) to say that Sino-Russian interaction within the SCO are characterized by cooperation and competition, which I [defined](#) 12 years ago. The first major expansion of the SCO in 18 years means more complexities ahead. Despite all these challenges, the SCO has moved forward in institutionalizing broadened and deepened interactions at various levels largely because China and Russia have managed their differences.

For Putin, the Qingdao Summit was a sharp contrast to the G7 meeting held on the same day in La Malbaie, Quebec of Canada. Russia was kicked out of the G7 in 2014 following the Ukraine and Crimea crises. The 2018 [G7](#), however, was deeply divided as President Trump confronted the other six members of the Western club over trade and alliance issues. "[T]hey should let Russia come back in because we should have Russia at the negotiating table," [tweeted](#) Trump prior to the G7. Kremlin spokesman Dmitry Peskov responded that "Russia is focused on other formats, apart from G7." Between Russia's pride and the West's prejudice, Qingdao was a much more pleasant place for Putin.



The West/US has a long way to go to re-anchor Russia back in the West. Meanwhile, the SCO, which has largely been a joint venture between Beijing and Moscow, is not just for show and lavishment. By late August, the SCO conducted its biannual anti-terror exercises *Peace Mission 2018* in Russia's Central Military District. More than 3,000 soldiers participated in the joint drill, along with 500 pieces of large ground and air equipment. 2,000 Russian and 700 Chinese participated, along with a few hundreds of troops from other SCO member states. The [chiefs](#) of staff of the SCO militaries observed the drills.

This was also the first time for India and Pakistan to join SCO drills, which may help alleviate their decades-long conflict. This was not the first time that the two South Asian states cooperated in a multilateral framework. Their militaries have on many occasions worked together in UN peacekeeping missions. Moreover, both have working a relationship with Washington, which provides a significant amount of military and economic assistance to the two. With full SCO membership, India and Pakistan now obtain another platform for reciprocity, and possibly, reconciliation as neighbors, partners, and competitors – the trajectory of Sino-Russian relations over the past 30 years.

***Vostok 2018* and September 11...**

In late August, the Chinese Defense Ministry announced that China will join Russia's massive *Vostok-2018* (*Восток 2018*, *东方-2018*) military exercises in the Baikal region of Russia's Eastern Military District. About 3,200 Chinese elite troops (a brigade level), 30 helicopters and fixed-wing aircraft, and more than 900 pieces of large land equipment will join some 300,000 Russian troops starting from Sept. 11. Although

the number of Chinese troops is a fraction of the Russian forces, it is by far the largest overseas deployment of the PLA in peacetime.

The exact number of Russian troops in *Vostok 2018* has not been revealed. Russian Defense Minister Sergey Shoigu, however, used the word "unprecedented" for the drill with the Chinese. *Vostok 2014*, the last massive exercise of this kind, involved 150,000 troops. Unlike those "anti-terror" drills within the SCO framework, exercises of this type and scale by the Russian military belong to the "strategic" category and used to be joined only by "insiders," or members of the Commonwealth of Independent States (CIS). China's participation in *Vostok 2018* indicates a move toward closer strategic and military-to-military ties between Moscow and Beijing at a time when both are facing growing pressure from the Trump administration.

At a minimum, *Vostok 2018* may have finally reversed China "role" as an unspoken target of the *Vostok* exercise series, according to an independent Chinese military [expert](#), who cited foreign assessments of the early *Vostok* drills. For those who are accustomed to the rhetoric of Sino-Russian friendship in the 21st century, it is almost absurd to learn that China had been Russia's target, said the writer. This may well reflect the anxiety of many in Russia in the late 1990s and early 2000s when the decaying Russian military was considered unable to cope with PLA forces in the Shenyang military region.

Who will replace China as the imagined target for *Vostok 2018* remains guesswork, as both sides denied it targeted any third party. Russia seemed less evasive when the authoritative defense analyst Vasily [Kashin](#) depicted China's participation in *Vostok-2018* as an open declaration of a Russo-Chinese military alliance. The Chinese Defense Ministry, however, defined Sino-Russian military-military ties as one of "[partnership without alliance](#)" (结伴不结盟), and that China's participation in future *Vostok* drills would depend on consultations between the two sides. Meanwhile, the Chinese Defense Ministry spokesman looked forward to a series of mil-mil exchanges with the US in the next few months, a balancing gesture to alleviate US anxiety about closer Sino-Russian military-military ties.

The size of the Chinese contribution to *Vostok 2018* is insignificant. The opportunity to practice with more seasoned Russian motorized infantry for mobile defense and attacks at such a level,

however, will be rewarding for the PLA. Interoperability, too, will be an item for the two militaries at various levels of exercises. Staff members of the PLA's Northern Theater (北部战区) and Russia's Eastern Military District will form a joint command for strategic conceptualization and scenario-formation, campaign simulation, and actual exercises. Perhaps the most "useful" role to be played by the PLA's integrated brigade could be its unique fast-moving wheeled armored vehicles (APCs and self-propelled howitzers), which the Russians do not have. Their Western partners, or potential adversaries, have a lot, however. The Chinese brigade may be the "blue team" for the Russians, [speculated](#) a Chinese observer.

Vostok 2018 will kick off Sept. 11 – perhaps only a coincidental reference to the fateful 2001 terrorist attacks in the United States, that led to a series of "Empire-Strikes-back" acts in the Greater Middle East region. Both Russia and China were the first to pledge support to the United States in the "war on terror" – even ahead of US allies. Putin actually warned President Bush two days before the terror attacks that something may happen to the US (Angela Stent, *Limits of Partnership*, 2014, pp. 62-3). Ironically, they are now officially "strategic competitors," and just a few steps from being defined as "enemies" of the US.

Far away in Syria, government troops are positioning themselves for the final assault on Idlib, the last rebel-held enclave in Syria. Meanwhile, various forces are positioning themselves in and around Syria: for the [final ending](#) of the Syrian civil war for Russia, Syria and Iran; [a looming humanitarian disaster](#) for the rebels and Western forces; or the beginning of a wider and bigger conflict for everybody. Already, a US observer of *Vostok 2018* depicted the massive drill as "[a rehearsal for global war](#)," which could be very different, and certainly more destructive, than President Trump's destruction of the global trading system.

CHRONOLOGY OF CHINA-RUSSIA RELATIONS

MAY – AUGUST 2018

May 3-4, 2018: An “International Conference on Countering Terrorism and Preventing Violent Extremism” is held in Dushanbe, Tajikistan.

May 7, 2018: Vladimir Putin is inaugurated as Russian president for the fourth time since 2000.

May 8, 2018: Russian Deputy Foreign Minister Sergey [Ryabkov](#) meets Chinese Ambassador Li Hui in Moscow.

May 14-17, 2018: Astana and Almaty (Kazakhstan) host 38th session of the [Joint Control Group](#) monitoring implementation of the Agreement between Kazakhstan, Kyrgyzstan, Russia, Tajikistan and China on Confidence Building in the Military Field in the Border Area (1996) and the Agreement on Mutual Reductions of Armed Forces in the Border Area (1997).

May 16, 2018: Shanghai Cooperation Organization (SCO) holds first [Women Forum](#) in Beijing.

May 17, 2018: Eighth Meeting of Heads of the SCO Member States' Counter-Narcotics Agencies is held in [Tianjin](#).

May 21-22, 2018: Thirteenth meeting of [SCO National Security Council Secretaries](#) held in Beijing.

May 22-23, 2018: Moscow hosts 16th Trilateral Academic Conference on “RIC: Opportunities and Challenges in the Context of International Changes and Dynamics of Bilateral Relations.” Russian Deputy Foreign Minister Igor [Morgulov](#) meets conference participants.

May 23, 2018: SCO [anti-terror meeting](#) is held in Islamabad. India sent a delegation.

May 24, 2018: President Putin meets Vice President Wang Qishan at the St. Petersburg International Economic Forum. Wang delivered a speech at the forum.

May 24, 2018: Second [SCO-Afghan Liaison Group meeting](#) (at the deputy foreign ministerial level) is held in Beijing.

May 26, 2018: First SCO Forum of Political Parties is held in [Zhenzhen](#), China.

May 28, 2018: Beijing hosts second meeting of [SCO-Afghanistan](#) Contact Group at the level of deputy foreign ministers.

May 29-30, 2018: Beijing hosts fourth [Sino-Russian Think Tank Senior Forum](#) (中俄智库高端论坛) “Russia and China: Cooperation in a new era” co-sponsored by Chinese Academy of Social Sciences and Russia’s Council of International Affairs. Retired Chinese senior diplomat Dai Bingguo, former Russian Foreign Minister Ivanov and Russian Deputy Foreign Minister Igor [Morgulov](#) join the forum.

June 1, 2018: SCO’s first Media Summit is held in Beijing.

June 2, 2018: SCO’s first “Model SCO-2018” Youth Conference is held in Beijing.

June 3, 2018: Russian Foreign Minister Sergey Lavrov meets Chinese Foreign Minister Wang Yi in [Pretoria](#) prior to the BRICS foreign ministerial meeting.

June 4-6, 2018: Moscow hosts the [22nd session](#) of Joint Russian-Chinese Border Commission.

June 8-10, 2018: President Putin visits [China](#) for a state visit and to participate in the SCO Summit.

June 9-10, 2018: China hosts 18th annual SCO Summit in Qingdao. Heads of state issue the Qingdao Declaration and a “Joint Statement of SCO Member States for Streamlining Trade Procedures.” They approve a five-year plan for implementing the “Treaty on Good-Neighborly Relations, Friendship and Cooperation between the Member States of the Shanghai Cooperation Organization.”

June 20, 2018: Special Presidential Representative for the Middle East and Africa and Deputy Foreign Minister Mikhail Bogdanov meets China's Special Envoy for the Middle East Gong Xiaosheng on the sidelines of the [BRICS](#) consultative meeting on the Middle East and North Africa in Pretoria. They discuss Syria and agree to closely coordinate approaches and practical steps in a national capacity and within BRICS to contribute to the peace, security, and development of the Middle East and North Africa.

July 4, 2018: Chinese Deputy Foreign Minister Kong Xuanyou and Russian counterpart Igor Morgulov [co-chair](#) the Russian-Chinese Regular Dialogue on Northeast Asia Security.

July 6, 2018: Foreign Minister Sergey Lavrov meets Chinese Foreign Minister Wang Yi on the sidelines of the ministerial meeting of the Joint Commission of the Joint Comprehensive Plan of Action ([JCPOA](#)) on the Iranian nuclear program in Vienna.

July 25-27, 2018: The 10th BRICS Summit is held in Johannesburg.

July 26, 2018: China reportedly receives its first Russian [S400](#) air defense system, becoming the first foreign country to receive the system.

July 28-Aug. 11, 2018: The fourth International Army Games 2018 are held in Russia. A total of 207 teams from 33 countries join the games.

Aug. 2, 2018: Foreign Minister Lavrov meets Chinese counterpart Wang Yi on the sidelines of the ASEAN Foreign Ministers meeting [in Singapore](#).

Aug. 20, 2018: Russian Special Presidential Representative for the Middle East and Africa and Deputy Foreign Minister Mikhail [Bogdanov](#) meets in Moscow with Chinese Ambassador Li Hui.

Aug. 20, 2018: China's defense minister [reveals](#) that 3,200 Chinese troops, 30 helicopters and fixed-wing aircraft, and more than 900 pieces of large land equipment will join Russia's month-long *Vostok 2018*.

Aug. 22, 2018: China opens [Kazan Consulate General](#), the sixth in Russia (others are in Vladivostok, Yekaterinburg, Irkutsk, St Petersburg. and Khabarovsk). The Kazan office covers 14 regions of the Volga Federal District.

Aug. 22-29, 2018: SCO conducts [Peace-mission 2018](#) exercise at Russia's Chebarkul training ground. More than 3,000 troops and 500 pieces of equipment participate, including those from India and Pakistan for the first time. China dispatches more than 700 troops.

Aug. 24, 2018: Indian city of [Cholpon-Ata](#) hosts sixth SCO Ministers of Justice of the Member States meeting.

Aug. 26, 2018: [Gen Li Zuocheng](#) (李作成), chief of the PLA's General Staff, visits Russia for fifth meeting of the chiefs of general staff for the SCO member states. The chiefs also observe the SCO *Peace-mission 2018* exercise.

Aug. 27, 2018: Deputy Foreign Minister Igor Morgulov [meets](#) Deputy Foreign Minister Kong Xuanyou in Moscow. They discuss the Korean Peninsula.

COMPARATIVE

C O N N E C T I O N S

A TRIANNUAL E-JOURNAL OF BILATERAL
RELATIONS IN THE INDO-ASIA-PACIFIC

AUSTRALIA-US/EAST ASIA RELATIONS

TURNBULL TUMBLES, TRUMP MATESHIP, CHINA FROST

GRAEME DOBELL, AUSTRALIAN STRATEGIC POLICY INSTITUTE

In a week of political mayhem, Australia's ruling Liberal Party dumped its leader, Prime Minister Malcolm Turnbull, and shunned its deputy leader, Foreign Minister Julie Bishop. While the political unrest is deeply domestic in nature, it shares one element with Australian's foreign policy concerns – uncertainty. The Australia-US relationship under Donald Trump has been defined by what the president has NOT done to Australia. Trump hasn't questioned the alliance; hasn't hit Australia with trade tirades and tariffs; hasn't broken the refugee deal he so denounced when first taking office; and hasn't even sent an ambassador to Australia. Canberra's softly-softly approach to Trump is to talk up the military history – "100 years of mateship" – stressing Australia is an alliance partner that doesn't cost the US much. A major talking-point is that Australia has a trade deficit with the US. In the way that Trump defines trade relationships, the US makes a profit out of Australia. In contrast, the relationship with China has gone through an icy patch.

This article is extracted from *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, Vol. 20, No. 2, September 2018. Preferred citation: Graeme Dobell, "Australia-US/East Asia Relations: Turnbull Tumbles, Trump Mateship, China Frost" *Comparative Connections*, Vol. 20, No. 2, pp 121-131.

Canberra's political explosion

Since Australia's second longest-serving prime minister, John Howard, (1996–2007) lost power in the 2007 election, no Australian leader has served a full three-year term. Australia has had five prime ministers in the past five years – the fifth is Scott Morrison who took over after a party-room vote felled Malcolm Turnbull on Aug. 24. The caucus coup that toppled Turnbull reflected the struggle inside the Liberal Party between its conservative and moderate wings. For the hard men of the conservative camp, Turnbull was never “one of us.” Beyond the internal ideological divide, the blowup was caused by the decade of conflict between two key Liberals, Tony Abbot (conservative wing) and Turnbull (moderates).

Turnbull had his first stint as Liberal leader in 2008 and 2009, but was deposed as head of the party and Opposition leader by Tony Abbott, in a caucus vote in December 2009. Abbott led the Liberals back into government at the 2013 election, but his popularity as prime minister plunged. In September, 2015, Turnbull mounted a party-room challenge and retook the Liberal leadership from Abbott, becoming prime minister. In the 2016 federal election, Turnbull's government retained office by the narrowest margin (a one-seat majority in the House of Representatives), losing the comfortable majority Abbott achieved in the previous election. Thus, arguments inside the Liberal Party over the past two years were driven by these realities:

- Turnbull and Abbott were locked in a death struggle to define their own destinies and the immediate course of the Liberal Party.
- Turnbull led a government with a one-seat majority. History and political gravity (and Abbott) drove him toward defeat.
- The opinion polls consistently report that the Liberals will lose federal election due next year.

The move to overthrow Turnbull was made by Home Affairs Minister Peter Dutton, the candidate of the conservative wing, backed by Abbott. Dutton succeeded in getting a caucus majority for a leadership spill, ending Turnbull's prime ministership. But in the subsequent leadership vote, Dutton was defeated by the treasurer, Scott Morrison. To

block Dutton, many MPs and senators from the moderate wing deserted the deputy leader and foreign minister, Julie Bishop, to support Morrison. After coming in third in the leadership vote, Bishop stepped down as foreign minister (the job she's held since 2013) and went to the backbench.



Figure 1 Australia's new Prime Minister Scott Morrison.
Photo: abc.net.au

Turnbull quickly resigned from his seat in the House of Representatives and left Parliament. Abbott is still in Parliament, but remains on the backbench. Morrison was once close to Abbott, but the two men fell out in 2016, when Morrison supported the Turnbull coup against Abbott. In making his Cabinet, Morrison was not prepared to bring Abbott back into the ministry. The usual calculus of party room coups is that an unpopular leader is discarded for a rival who is more popular and likely to win more electoral support. In rolling Turnbull, however, the Liberals got rid of the most popular politician in their ranks.

The Liberal caucus was focused on internal politics, not the voters, and was duly punished in the opinion polls. Popular support for the government crashed to its lowest levels in a decade. A Newspoll conducted for *The Australian* newspaper immediately after the leadership change, showed the government's primary vote dropping four points to 33 percent following the week-long chaos that ended Turnbull's leadership. The two-party-preferred split between Labor and the Liberal-led Coalition had blown out, from 49–51 in favor of Labor a fortnight before, to 44–56. If Labor gets a 51–49 two-party vote in the federal election next year, it will have a good majority in the House of Representatives. If Labor got anything close to Newspoll's 56–44 result, it'd be one of the biggest landslides in Australian history,

decimating the Liberals in the lower house. Scott Morrison faces a massive task to turn around the negative poll numbers – a job that even the more popular Turnbull couldn't manage. Morrison will serve as prime minister for less than nine months before the voters get the chance to deliver their verdict in a federal election. The uncertainty of domestic politics is replicated in Australian's foreign policy.

Mateship with Donald Trump

Prime Minister Turnbull flew to Washington in February to join President Trump in celebrating "100 years of mateship" between the US and Australia. It was their first White House meeting after bilateral talks in New York in 2017, plus meetings on the sidelines of two international events in 2017. The ceremonies in the White House were the symbolic counterpoint to the tempestuous first conversation between the two leaders in the opening days of Trump's presidency. In that notorious phone conversation in January 2017, Trump blasted an agreement for the US to take 1,250 refugees from Australian detention centers as "the worst deal ever." That initial blowup has shaped the Turnbull government's careful effort to Trump-proof the alliance, lavishing praise on the US while never saying anything critical of the president. The Canberra approach to the US relationship under this president is: hold tight to what we've got, get what we can, and don't anger Trump. The refugee deal that caused the telephone turmoil has been quietly, slowly implemented. More than 300 people have been transferred to the US. In return, Australia accepts refugees who've fled violence in El Salvador and Honduras.

The softly-softly tactic Canberra is using with Trump plays into the 2018 theme of the relationship: 100 years of mateship. The mateship centenary commemorates bonds formed during the Battle of Hamel in northern France on July 4, 1918. It was the first time US troops fought under the command of a non-American – the Australian General Sir John Monash. In honor of the Americans he was commanding, Monash chose US Independence Day as the date of the offensive. Turnbull used the line that "mates stick by each other through good times and bad." The subtext being, that with Trump, Australia will take the good with the bad. As the two leaders met in the Oval office, Turnbull lauded Trump for his hospitality and friendship, linking directly to the centenary

theme: "It's 100 years of mateship that we're celebrating – mateship, 100 years ago for the first time Australians and American soldiers went into battle together on July 4, 1918 and we have been fighting side by side in freedom's cause ever since. So 100 years of mateship and 100 more to come."



Figure 2 Turnbull and Trump meet on the theme of 'mateship'. Canberra's approach to the US relationship under President Trump is: hold what we've got, get what we can, and never get in Trump's way. Photo: pm.gov.au

The president's salute to mateship was to announce that the US Navy will name Littoral Combat Ship 30 the *USS Canberra* in honor of an Australian cruiser lost fighting alongside the US Navy during World War II: "I know that the *USS Canberra* will be a worthy successor to her Australian namesake and her American predecessor the former *Baltimore*-class heavy cruiser, *USS Canberra*. As she sails the open sea, the new *USS Canberra* will symbolize to all who cross her path the enduring friendship between United States and Australia. There is no closer friendship."

In a joint White House press conference, Trump said that the US and Australia, "strengthened by our common values and history" were working together to promote mutual interests. A translation of that thought might be that past partnership and shared principles are a useful conversation starter with Trump – then the serious talk turns to what deals can be done. Turnbull said the "security alliance is as close as it possibly could be," while underlining the trade talking point: "Since the US-Australia free trade agreement came in force in 2005, two-way trade has grown by over 50 percent. The United States does have a trade surplus with Australia of \$25 billion. It's your third largest trade surplus – with us. But we know it works both ways. The two-way investment has more than doubled in the past decade. It was worth around

\$1.1 trillion in 2016. Again, boosting jobs and growth in both our nations, both our economies.”

Canberra is grateful that Trump hasn't made Australia a target for trade pressure or tensions. In a phone call to Turnbull in March, Trump said that Australia will be exempt from new US tariffs on steel and aluminum – and he's kept that promise.

In the spirit of taking the good with the bad, Australia has made no official comment on the fact that the president hasn't appointed an ambassador to Canberra. The US has not had an ambassador in Australia since Barack Obama's appointee, John Berry, left the post in September 2016. In February, Trump announced that the commander of US Pacific Command, Adm. Harry Harris, would be nominated to become ambassador to Australia. But the following month, just before Harris was due to appear before a nomination hearing on Capitol Hill, the administration decided that Harris should be used to fill the more urgent vacancy of ambassador to South Korea. Former Deputy Prime Minister Tim Fischer has described the delay in appointing a new ambassador as an “insult” while former Prime Minister Kevin Rudd says that “Australia, from President Trump's perspective, is a second-class ally.” The government, though, says it can “well understand” the decision to reallocate Harris to South Korea. The acting US ambassador in Canberra since 2016 has been a career diplomat, James Carouso. And commentary about the lack of a Trump appointment makes the point that Australia should be happy to have a professional like Carouso. There's some nervousness about Australia getting a crazy Trump crony as ambassador.

The annual Lowy Institute poll of Australian attitudes on foreign policy found the Australian people's affection for the US alliance hasn't been dented by misgivings about Trump. A bare majority of Australians (55 percent) say they trust the United States to “act responsibly in the world,” a six-point fall since 2017, and a 28-point fall since 2011. It's the lowest level of trust in the US recorded in the 14 years of the poll. Australians' highest level of trust is placed in the United Kingdom (90 percent). Japan is trusted by 87 percent of Australians, and France by 84 percent. Trust in India (59 percent) is ahead of the United States (55 percent), followed

closely by China (52 percent). Just 28 percent trust Russia, and 8 percent trust North Korea.

The poll found three-quarters (76 percent) of Australians say the US alliance is either “very” or “fairly” important for Australia's security, a result almost unchanged since last year. Only 31 percent say “Australia should distance itself from the US under President Donald Trump.” Reluctance about Australia joining the US in military action under Trump has eased, with only a minority (48 percent, down 11 points since 2016) saying they would be “less likely ... to support Australia taking future military action in coalition with the United States under Donald Trump.”

The opinion of the Australian government on such topics was offered in the foreign policy white paper issued in November 2017. The two countries that dominate Australia's official world view are the US and China.

Australia's white paper: China contends with the US

“Today, China is challenging America's position.”

Australia's foreign policy white paper is a contrast study, both dark and light. Bright vistas of international opportunity are described beneath storm clouds of ‘political alienation and economic nationalism.’ Standing in the central atrium of Canberra's foreign affairs building, Prime Minister Turnbull launched the paper as the government's vision of the next decade of “uncertain and dangerous times.” A leader who projected beaming optimism as his personal motif spent a lot of time discussing the policy document's “clear-eyed and hard-headed” approach to an era of rapid change, political uncertainty, strategic ambition, and foreign interference. The United States and China stand at the center of the paper as the key bilateral relationship which will decide much of the next decade. The third paragraph puts it simply: “Today, China is challenging America's position.” Shared economic interests may not be enough to produce a sharing of power that suits Beijing or Washington accepts: “They have a mutual interest in managing strategic tensions but this by itself is not a guarantee of stability. Compounding divergent strategic interests as China's power grows, tensions could also flare between them over trade and other economic issues.”

Australia's 2017 defense white paper was staunch in its confidence in the US alliance and that the US is in Asia to stay. Coming at the end of the first year of the Trump presidency, the foreign policy white paper is needier and fretful. The subtext of the declarations of deep affection for the US is uncertainty about Trump. The foreign policy paper affirms that the US alliance is good for Australia and good for the region: "The alliance is a choice we make about how best to pursue our security interests. It is central to our shared objective of shaping the regional order. It delivers a capability edge to our armed forces and intelligence agencies, giving Australia added weight and regional influence." Canberra's belief (and prayer) is that the US will stay in Asia: "The Australian Government judges that the United States' long-term interests will anchor its economic and security engagement in the Indo-Pacific." The chapter discussing stability in the Indo-Pacific treats the US and China as a linked topic. This is striking. The US no longer stands alone in the Australian pantheon, but now shares the central pillar with another. Throughout the paper, the love for the US is invariably followed by a paragraph on the deep friendship with China. Malcolm Turnbull might worry, in private, about China as a "frenemy," but the official statement of Australia's world view is notable for being China-friendly. Such policy documents are always significant for their hierarchies. The country hierarchy offered in the paper is: the US, China, Japan, Indonesia, and India. The second member of that hierarchy has been giving Canberra chills.

Australia's icy age with China

In 2018, an icy age descended on China-Australia relations – cooling business, frosting diplomacy, and chilling strategic perspectives. China put Australia into diplomatic "deep freeze." China speaks of "a growing lack of mutual trust," accusing Australia of "systematic, irresponsible, negative remarks and comments regarding China." Australia concedes "tensions" while blaming "misunderstandings and mischaracterisations." Australia's former ambassador to China, Geoff Raby, sees "incoherence" in the way Australia is dealing with China, judging that the relationship is at its lowest since the Tiananmen Square massacre. The domestic dimension of the cooling was dramatized in December by the fall of a Labor senator seen to be doing China's bidding

because of political donations from Chinese business. Almost at the same moment, the prime minister was announcing legislation to ban foreign political donations and to broaden the definition of espionage. To make the point in the most pointed way, Turnbull used Mandarin to quote Mao's famous line about China standing up to state that Australia will stand against foreign interference.

China's ambassador to Canberra, Chen Jingye, complained to *The Australian* about "a growing lack of mutual trust" that could hurt trade: "We have seen a kind of systematic, irresponsible, negative remarks and comments regarding China which has caused adverse impact on bilateral relations." Turnbull's version was that "tension" in the relationship is caused by "misunderstandings and mischaracterizations of our foreign interference legislation in some of the Chinese media."

The chill has a domestic as well as a foreign policy dimensions. Australia is arguing about itself as well as China: the way we do politics and the life of a multicultural society. The policy issues have become personal because of the presence of Chinese Australians. The 2016 census found that 2.2 percent of Australia's population was born in China and 5.6 percent of the population has Chinese ancestry; China ranks in the top five in Australia in such categories as languages spoken at home, country of ancestry and country of birth.

Introducing legislation to widen the reach of the foreign interference and espionage law in December, Turnbull said the focus is on foreign states and their agents, not the loyalties of Australians from another country: "There is no place for racism or xenophobia in our country. Our diaspora communities are part of the solution, not the problem." The arguments between panda huggers and dragon slayers were illustrated in the clash of petitions between two groups of Australian China scholars. Coming from the panda-ish side, the Concerned Scholars of China see no evidence that China aims to compromise Australian sovereignty, and disagree with key claims about Chinese influence made in support of the national security legislation:

Instead of a narrative of an Australian society in which the presence of China is being felt to a greater degree in series of disparate fields, we are witnessing the

creation of a radicalized narrative of a vast official Chinese conspiracy. In the eyes of some, the objective of this conspiracy is no less than to reduce Australia to the status of a 'tribute state' or 'vassal'. The discourse is couched in such a way as to encourage suspicion and stigmatization of Chinese Australians in general. The alarmist tone of this discourse impinges directly on our ability to deal with questions involving China in the calm and reasoned way they require. Already it is dissuading Chinese Australians from contributing to public debate for fear of being associated with such a conspiracy.

A response from the dragon's direction from Scholars of China and the Chinese diaspora said the debate is not driven by "sensationalism or racism" but responds to "well-documented reports about the Chinese Communist Party's interference in Australia" offering this checklist:

- Espionage and other unlawful operations by Chinese officials or their proxies on Australian soil
- Attempts to interfere in political elections
- Direct and indirect control of Chinese-language media in Australia
- Intimidation of Chinese Australians (both Australian citizens and permanent residents) for their political views and activities in Australia
- The use of political donations and agents of influence in attempts to change Australian government policies
- The takeover and co-opting of Chinese community groups to censor sensitive political discussions and increase the Chinese government's presence in the community
- The establishment of Chinese government-backed organizations on university campuses used for monitoring Chinese students
- Interference in academic freedom
- The cultivation of prominent Australians in attempts to sway public and elite opinion
- The covert organization of political rallies by the Chinese government

Australia is arguing about China's power and role in Asia. Add to this that Australia is now

arguing about China's effort to exert power within Australia. The icy period asks Australia to think about itself, not just about the relationship with China. In his last major foreign policy speech, only weeks before being deposed as leader, Turnbull attempted what his office called a "reset" of the China relationship, to end the icy period. The prime minister's speech to an audience including the Chinese ambassador paid tribute to the rise of China, accepting Beijing's "more confident and assertive voice in world affairs." He said, "In the midst of this rapid change, Australia continues to address its own interests by pursuing a relationship with China based on mutual respect and understanding." Continuing, "For our part we act to advance Australia's prosperity, ensure the independence of our decision-making and secure the safety and freedom of our people. And in doing so, we support an international order based on the rule of law, where might is not right and the sovereignty of all nations is respected by others."

The reset effort quickly hit trouble when it was soon followed by another Australian security decision that angered Beijing: Canberra announced it would ban Chinese-owned tech firms Huawei and ZTE from taking part in the rollout of 5G mobile infrastructure. The government said it disqualified any company that was "likely subject to extrajudicial directions from a foreign government that conflict with Australian law." Beijing expressed "serious concern" at the ban, accusing Canberra of "ideological prejudices."

Australia ponders Trump and the US relationship

The pragmatic view is that Australia has stayed out of trouble with Trump and has had a positive experience with a transactional president. The pessimistic argument is that Trump is tearing up the international system and Australia must rethink and reposition. The pragmatic line is put by Alexander Downer, the longest serving Australian foreign minister (1996-2007), who has just completed a five-year term as Australia's High Commissioner (ambassador) to the United Kingdom. Downer says Trump has been better for Australia than Barack Obama. Obama "made America look weak," Downer writes, and "under Obama, America pulled back from the world."

Trump may be bombastic, crude and crass, Downer observes, but so what? The Downer judgement:

In Asia, Trump has built a half-decent personal relationship with Xi Jinping. That has helped with his attempts to get North Korea to scrap its program to build nuclear-armed intercontinental missiles that could hit American cities. The talks have happened; let's see if that strategy has worked. It's too early to say. Trump certainly hasn't persuaded the Chinese to desist from militarising reefs in the South China Sea. But his aggressive commitment to American military power – including a huge increase in defence spending – has probably made the Chinese realise it would be dangerous to go much further in the South China Sea. All that's good for us.

Downer says Australia's experience with Trump has been mostly positive: "So the Trump presidency is going quite well for Australia. Not perfectly, mind you. Pity he pulled out of the Trans-Pacific Partnership. That was a bad mistake. But pulling out of the Paris Agreement will have a marginal effect. And he did exempt us from the steel and aluminum tariffs."

The former Labor Foreign Minister, Gareth Evans (1988-1996) says the US under Trump is a rogue superpower, "tearing up the order it did so much to create." Evans says the "irremediable damage" being done by Trump means Australia must think hard about future responses. He offers four policy shifts:

Less America: Continued US engagement in the region is certainly highly desirable, Evans says, and Australia shouldn't walk away from the alliance. "But less reflexive support for everything the US chooses to do is long overdue."

More Self-Reliance: Australia should be more of a diplomatic free agent, Evans says, abandoning the constant urge to look over our shoulder to Washington.

More Asia: Strengthen relationships at all levels with key regional neighbors like India, Indonesia, Vietnam, Japan, and South Korea, as a collective counterweight to a potentially overreaching China. At the same time, Evans

says, Australia should "develop a more multidimensional relationship, not just a one dimensional economic one, with China itself."

More Global Engagement: "In the contemporary world, every state's security, prosperity and quality of life is best advanced by cooperation rather than confrontation, and Australia should be a relentless campaigner for just that. There are many global public goods issues on which we could make a positive difference, using our own strengths as a capable, credible middle power and the strategies of international coalition building that are the essence of effective middle power diplomacy."

The former prime minister, Tony Abbott, observed to the Heritage Foundation in Washington that Donald Trump is "the most unconventional president ever," but is well on the way "to being a consequential president" – even if "erratic and ill-disciplined." In the Abbott view, Trump's trump card is that "the rest of the world needs America much more than America needs us." The world would confront that need as the US brings its military home, as Abbott stated in a vivid image: "A new age is coming. The legions are going home. American values can be relied upon but American help less so. This need not presage a darker time, like Rome's withdrawal from Britain, but more will be required of the world's other free countries."

Dealing with a deal-making president, Abbott said, Australia could not rely on tradition or sentiment. But in Abbott's view, Australia is getting a good deal from Trump:

For Australia, Trump has so far been a good president. Despite a testy initial conversation with Prime Minister Turnbull, he's honoured the "very bad deal" that his predecessor had done to take boat people from Nauru and Manus Island and to settle them in the United States. He seems to appreciate that Australia is the only ally who's been side-by-side with America in every conflict since the Great War, and has exempted our steel and aluminium from the tariffs slapped on many others. As a country that's 'paid its dues' on the American alliance, we have been treated with courtesy and respect but that's no grounds for complacency in dealing with a transactional president.

Even before Trump launched his trade battle with China, former Labor Prime Minister Kevin Rudd observed in December that an “America First” administration could find itself being put last in Asia. Rudd said Trump’s withdrawal from the Trans-Pacific Partnership was symbolic of a US becoming less relevant to Asia’s economic future:

In fact, the US is increasingly emerging as an incomplete superpower. It remains a formidable military actor, with unique power-projection capabilities that extend far beyond its aircraft carrier battle groups to include an array of other capabilities that are as yet unmatched by other countries in the Asia-Pacific region. But its relevance to the region’s future—in terms of employment, trade and investment growth, as well as sustainable development—is declining fast. Some in Washington DC seem to think that the US can sustain this pattern for decades to come. But many of us are skeptical. Unless and until the US chooses comprehensive economic re-engagement with the region, its significance to the overall future of Asia, the world’s most economically dynamic region, will continue to fade.

The idea of the US fading away will be encouraged by Trump’s decision to skip the East Asia Summit in Singapore and the APEC summit in Papua New Guinea. If Trump had got to PNG, the expectation was that he’d also come next door to make a presidential visit to Australia. That chance of an Australian stop has now disappeared. So one other thing Donald Trump didn’t do to Australia in 2018 was to visit the country.

CHRONOLOGY OF AUSTRALIA-US/EAST ASIA RELATIONS

SEPTEMBER 2017 – AUGUST 2018

Sept 1, 2017: Australia and Timor-Leste agree on "central elements" of a maritime boundary in the Timor Sea.

Sept.20, 2017: Australia announces that 54 refugees will leave its South Pacific detention centers for the US, the first group under the deal President Trump reluctantly agreed to honor.

Sept. 24, 2017: Opposition leader Bill Shorten flies out for talks in South Korea and Japan.

Oct. 13, 2017: The defense and foreign ministers of South Korea and Australia meet in Seoul for their third annual meeting.

Oct. 18, 2017: US-Australia Space Tracking Treaty is signed in Washington, extending the 1960 bilateral agreement on space exploration and NASA use of Australian facilities.

Nov. 5, 2017: PM Turnbull meets New Zealand Prime Minister Jacinda Ardern.

Nov. 9, 2017: PM Turnbull leaves for Vietnam for the APEC Economic Leaders Meeting, a bilateral visit to Hong Kong, and the Philippines for the East Asia Summit.

Nov. 10, 2017: On the sidelines of the APEC meeting, trade ministers from 11 nations announce agreement on the revived Trans-Pacific Partnership, but Canadian Prime Minister Trudeau refuses to ratify the deal. Australia and Peru sign a bilateral free trade agreement.

Nov. 15, 2018: Australia votes to allow same-sex couples to marry. In a postal survey, 12,727,920 (79.5 percent) of eligible Australians respond, with 61.6 percent voting Yes, while 38.4 percent vote No.

Nov. 23, 2017: PM Turnbull launches Australia's foreign affairs white paper.

Dec. 1, 2017: Nick Warner is appointed as director general of the Office of National Assessments and director-general of national intelligence.

Dec, 5, 2017: PM Turnbull announces legislation to ban foreign political donations and to fight foreign espionage and interference in Australian affairs.

Dec 7, 2017: Federal Parliament legislates for same-sex marriage in Australia.

Dec. 12, 2017: Labor Sen. Sam Dastyari resigns from Parliament over claims that he was acting on behalf of Chinese interests.

Jan. 18, 2018: PM Turnbull visits Japan for talks with Abe Shinzo.

Jan. 29, 2018: PM Turnbull releases a defense export strategy with the aim of making Australia one of the world's top 10 defense exporters within a decade.

Feb. 9, 2018: Harry Harris is nominated as the US ambassador to Australia.

Feb. 23, 2018: President Trump and PM Turnbull meet at the White House to celebrate "100 years of mateship" between the US and Australia.

Feb. 23, 2018: Barnaby Joyce resigns as deputy prime minister, leader of the National Party and Cabinet minister, after revelations of an extramarital affair with his press secretary.

March 1, 2018: New Zealand Prime Minister Ardern arrives in Sydney for dinner at the Sydney home of PM Turnbull and then a day of talks.

March 6, 2018: Timor-Leste and Australia sign a new maritime boundary treaty.

March 8, 2018: Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) agreement is signed, in Chile, by the 11 remaining nations, following the withdrawal of the US.

March 10, 2018: In a phone call to Turnbull, Trump confirms that Australia will be exempt from new US tariffs on steel and aluminum.

March 17, 2018: [Australia-ASEAN](#) summit is held in Sydney.

April 16, 2018: Lt. Gen. Angus Campbell announced as next Chief of the Australian Defence Force.

June 28, 2018: Former Australian spy and his lawyer are charged with breaching intelligence laws for revealing that Australia bugged ministerial offices of the Timor-Leste government during border negotiations over maritime oil and gas rights.

July 23, 2018: Annual Australia-United States Ministerial Consultations (AUSMIN) held in California.

Aug. 4, 2018: Foreign Minister Julie Bishop meets Japanese counterpart Kono Taro and US Secretary of State Mike Pompeo in Singapore for the eighth [Trilateral Strategic Dialogue](#).

Aug. 23, 2018: Australia bans Chinese tech companies Huawei and ZTE from taking part in the rollout of 5G mobile infrastructure, because of national security concerns.

Aug. 24, 2018: Spill motion in the Liberal Party room ends the leadership of PM Malcolm Turnbull. Scott Morrison is elected the new leader and prime minister.

Aug. 30, 2018: PM Morrison flies to Indonesia to conclude a [free-trade agreement](#) with President Joko Widodo.

Aug. 31, 2018: Ex-PM Turnbull resigns seat in the House of Representatives, leaving Parliament.

ABOUT THE CONTRIBUTORS

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