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Washington REPORT

News and analysis from Washington, D.C. about key issues in U.S.-Asia Pacific Relations

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Challenges Ahead In Dealing With North Korea's Nuclear Ambitions

Dr. Victor Cha

All of the major powers in Northeast Asia—China, Japan, Russia, South Korea, and the United States—are on record as saying they do not want a nuclear North Korea. But Pyongyang's volatile behavior—represented this year by its defiant test of a long-range ballistic missile, its rejection of the Six-Party Talks and agreements reached via those negotiations, and its second test of a nuclear device—has stymied their efforts to keep a denuclearization process on track.

Dr. Victor Cha, who served as U.S. deputy head of delegation to the Six-Party Talks during the Bush administration, explores North Korea's latest diplomatic tactic, China's unique relationship with its troublesome neighbor, and other challenges confronting U.S. policymakers.

USAPC: The package of economic assistance offered by Chinese Premier Wen Jiaboa to North Korean leader Kim Jong-Il during meetings on October 4-6 would appear to undermine U.S.-led efforts to pressure North Korea to denuclearize via financial and other sanctions. Some observers also proposed that China's initiative violated U.N. Resolution 1874.

How was Wen's diplomacy consistent with multilateral negotiations aimed at ending North Korea's nuclear program?

Cha: I recently returned from Beijing. The Chinese

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Senate, House Lawmakers Hold Mixed Views Of New Burma Policy

The trip to Rangoon on May 3–4 of Kurt Campbell, assistant secretary of State for East Asian and Pacific affairs, and Scot Marcial, U.S. ambassador to the Association of Southeast Asian Nations (ASEAN), represented an important first step by Washington in exploring the feasibility of easing long-strained relations between the United States and Burma.

Policy Review—The visit was the product of a seven-month review of U.S. policy toward Burma. The review concluded that "pragmatic engagement" by the United States held the best hope for realizing a unified, peaceful, prosperous, and democratic Burma rather than an approach that featured diplomatic isolation and economic sanctions.

Capitol Hill Roll-Out—Campbell unveiled the new U.S.-Burma policy to the Senate and House foreign affairs panels on September 30 and October 21, respectively. In view of the fact that engagement with Burma likely will be a "long, slow, and step-by-step process," in Campbell's words, the Obama administration wants and needs bipartisan congressional backing. But that support may be hard-earned, judging by the new policy's mixed reception on Capitol Hill.

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Official Washington

In each issue, ***Washington Report*** *will provide the names and contact information for selected executive branch officials with jurisdiction over economic, political, and security issues important to U.S.-Asia Pacific relations. This issue focuses on pertinent personnel from the* ***Department of Defense****.*

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assured me and others that the aid package delivered by Premier Wen, which the media valued at about $20 million, did not violate U.N. Resolution 1874.

So how does the Wen visit affect the overall diplomatic picture? As we speak, it appears that [Li Gun], North Korea's deputy negotiator for the Six-Party Talks, will be coming to New York in late October for unofficial Track-Two discussions under the auspices of the National Committee on American Foreign Policy. I am sure the United States will send someone to participate in the Track-Two process in an effort to persuade the North Koreans to return to the Six-Party Talks.[1]

So in many ways, what we witnessed in mid- to late-October was a replay of April 2005. At that time, which was the beginning of the second term of the Bush administration, Pyongyang had indicated it would not return to the Six-Party Talks owing to some statements made by Secretary of State Rice. But they then used the Track-Two process in New York to get things started again.

It looks like we are headed in this direction again. So in that sense, the Wen visit appears to have had a positive impact in that we now see all parties angling to return to some sort of discussions. The Chinese likely would say that Wen's visit helped to move the momentum in this direction. Whether it is good or bad to re-start the Six-Party process is a completely different question, however.

USAPC: Kim apparently indicated to Wen that North Korea was prepared to engage bilaterally with the United States, and if Washington ended its "hostile policy," Pyongyang would reengage in the Six-Party process.

But North Korea's definition of "hostile policy"—which includes the U.S. nuclear umbrella over Northeast Asia—would appear to make this condition a non-starter. This is confusing.

Cha: Yes, it really does not make a whole lot of sense. North Korea's statements about the need for the United States to end its "hostile policy" and provide security assurances are crutches that the North Koreans try to use to shift the blame for lack of progress in the Six-Party process to the United States and away from them.

[1]On October 24, the U.S. State Department confirmed that Amb. Sung Kim, U.S. Special Envoy for the Six-Party Talks, indeed, met Amb. Li Gun in New York "to convey [the U.S.] position on denuclearization." The two also were expected to speak informally on October 26-27 on the sidelines of the Northeast Asia Cooperative Dialogue, another Track-Two initiative sponsored by the University of California San Diego in La Jolla, California.

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Congressional Watch

U.S.–ASEAN Free Trade Agreement (FTA)—On October 13, Sen. Richard Lugar (R., Indiana) introduced a non-binding resolution that encourages the U.S. Trade Representative to initiate Free Trade Agreement (FTA) negotiations with the Association of Southeast Asian Nations (ASEAN). The resolution underscores the timeliness of a U.S-ASEAN FTA on grounds that U.S.-ASEAN trade totals approximately $180 billion annually and the United States and ASEAN signed a Trade and Investment Framework Agreement more that three years ago, among other reasons.

The resolution also makes clear that U.S. policy toward Burma, which includes economic sanctions, should not deter Washington from exploring an FTA with other ASEAN nations. By the same token, the United States should not encourage trade with Burma under the U.S.-ASEAN FTA rubric "absent signficant reforms within that country," the resolution states.

TPP Agreement—Senate Finance Committee Chairman Max Baucus (D., Montana) and Ranking Member Charles Grassley (R., Iowa) sent a letter October 22 to President Obama urging him to successfully conclude negotiations on the Transpacific Strategic Economic Partnership (TPP) agreement. The Senators noted that Asian countries, including those participating in the TPP talks, continue to deepen their intra-regional engagement. U.S. participation in the TPP therefore will help to ensure that regional integration "develops in a way that is consistent with U.S. interests," they stated.

Baucus and Grassley timed the letter to coincide with preparations for President Obama's trip to Asia in November. They suggested that he use this trip, which will include participation in the Asia Pacific Economic Cooperation (APEC) forum, to advance the TPP negotiations. The United States joined these talks in 2008. Other TPP participants include Australia, Brunei, Chile, New Zealand, Peru, Singapore, and Vietnam.

Enhanced Partnership with Pakistan Act—On September 24, the Senate passed legislation to triple U.S. democratic, economic, and social development assistance to Pakistan to $1.5 billion annually from fiscal years 2010 to 2014. The House followed suit on September 30, and President Obama signed it into law on October 15.

In particular, the Enhanced Partnership with Pakistan Act focuses on strengthening democratic institutions, promoting economic development, and improving Pakistan's public eduction system. The bill also requires that military assistance be targeted at helping Pakistan with counterinsurgency and counter-terrorism efforts and establishes accountability measures for such assistance.

Reciprocal Market Access Act of 2009—Sen. Sherrod Brown (D., Ohio) and Rep. Louise Slaughter (D., New York), who both represent rust-belt areas, introduced legislation October 8 in the Senate and House, respectively, aimed at "leveling the playing field" in global trade. The bill would require U.S. trade negotiations to certify to Congress that they secured the elimination of tariff and nontariff barriers before reducing U.S. tariffs. The legislation also would authorize the President to reinstate a tariff if a foreign government does not honor its commitment to remove its barriers. To date, the legislation has not attracted much support in either chamber and is not expected fare well in 2009.

Trade Enforcement Priorities Act of 2009—Sen. Brown spearheaded a second "level playing field" initiative. The "Trade Enforcement Priorities Act of 2009," introduced October 28, would reinstate the so-called "Super 301" provision of U.S. trade law. This provision was in effect from 1988 to 1990 and originally was targeted at Japanese trading practices.

It would require the U.S. Trade Representative, subject to a specified timetable, to analyze foreign trade barriers and determine which ones have the most adverse effect on U.S. exports and employment. If USTR is unable to reach a negotiated settlement with the offending country within in a specified time, the President would be obliged to take retaliatory action.

EU officials have denounced Super 301 as "unilateral, discriminatory and counterproductive." Nevertheless, the Brown bill has attracted the support of key senators from auto, steel, and manufacturing states, who argue that stricter enforcement of trade laws will help to retain and create U.S. jobs.

Clean Energy Jobs and American Power Act—Senators John Kerry (D., Massachusetts) and Barbara Boxer (D., California) introduced legislation September 30 aimed at reducing carbon emissions and combating global climate change. Similiar to the energy legislation that passed the House on June 26, the Kerry-Box bill includes a cap-and-trade feature. It would enable power plants and other large industrial facilities to buy and sell permit allowances as necessary to meet government-imposed caps on carbon emissions.

Senate Republicans have denouced the cap-and-trade scheme as a huge energy tax. Despite urging from U.N. Secretary-General Ban Ki-Moon for the Senate to show progress in time for the international climate change talks in Copenhagen next month, minority lawmakers ultimately may impede Senate passage of the energy bill in 2009.

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In fact, since the administration of President George H. W. Bush, the United States has provided some form of security assurance to North Korea. In a recently published article in *Washington Quarterly*, I researched and listed every security assurance that the United States has provided North Korea. This list ended up being 15 pages long.

These are not assurances which state that the United States would support the Kim regime. Rather, these statements simply assure North Korea that the United States does not have a hostile policy toward it and is not seeking to attack it.

If fear of a U.S. attack presumably is one of the main reasons why Pyongyang is pursuing a nuclear weapons program, Washington is on record for the past 16 years stating that we have no intention of attacking North Korea with conventional or nuclear weapons. If North Korea were to attack first, of course, we would respond. But Washington has clearly stated that we have no intention of preemptively attacking the North.

Pyongyang wants to return to the Six-Party Talks now because the U.N. sanctions are starting to hurt

So, again, North Korea's statements about Washington's "hostile policy" are meant to shift the diplomatic ball into the U.S. court so we become the party that begs North Korea to return to the Six-Party Talks. The fact of the matter is that the sanctions set forth by the U.N. Security Council following Pyongyang's nuclear test on May 25 have been very tough and have taken a bite out of North Korea. And that is the reason the North Koreans want to return to the Six-Party Talks.

A lot of diplomatic theater frequently takes place. But often there are very simple answers that explain North Korean behavior. First, North Korea pursues nuclear weapons development because it desires to be a nuclear weapons state.

And second, the reason why Pyongyang wants to return to the Six-Party Talks now—after pushing off the Obama administration from the very beginning of its term—is because the sanctions that were implemented following its nuclear test are starting to hurt.

USAPC: Some analysts have argued that economic sanctions in and of themselves will not change North Korea's behavior. They say we need a more sophisticated approach that combines carrots, such as U.S. diplomatic recognition, with measurable commitments from North Korea to reduce and eliminate its nuclear weapons program. What is your view?

Cha: The sanctions serve two purposes. First, they punish North Korea for its behavior, and second, they counter North Korea's proliferation efforts.

I would agree with the view that sanctions alone will never make North Korea denuclearize. What is needed to end North Korea's program is either some sort of negotiations or regime change. No one has the stomach for regime change, so that leaves negotiations. In that sense, analysts who criticize the sanctions on grounds that they will not compel North Korea to end its nuclear program are correct because the sanctions serve these other purposes.

There needs to be some sort of negotiations to get at the denuclearization aspect, and that requires some incentives. Many people do not like to talk about incentives when it comes to North Korea. But going back to the Clinton and Bush administrations, a similar bargain has been presented to North Korea.

This bargain has been—give up your nuclear weapons and you potentially will get a peace treaty formally ending the Korean War, normalization of relations with the United States and Japan, energy assistance, economic assistance, and a place at the table as a normal member of the international community. This essentially is the bargain that has been offered to Pyongyang in different forms from the Clinton administration, to the Bush administration, and to the Obama administration.

USAPC: Given the possibility that U.S.-North Korea talks will not lead to the resumption of the Six Party process, do you think U.S.-led financial sanctions, the PSI [Proliferation Security Initiative], and other punitive measures can effectively limit North Korea's ability to proliferate?

Is that the best we can hope for in the near- to mid-term, that is, a type of containment strategy?

Cha: If the current diplomatic negotiations fail, or even if they succeed for that matter, counter-proliferation sanctions will continue to be part of the new picture. North Korea is much further along in its nuclear capabilities than it was 10 years ago.

And the proliferation threat is real. We saw evidence of that in North Korea's sales to Syria. There are potentially other countries that would buy missiles or nuclear technology from Pyongyang.

So regardless of whether the negotiations go well or badly, I think it is important to continue the counter-proliferation sanctions. And this is the first counter-proliferation regime created for North Korea that was backed by

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the United Nations.

No standing administration official will say, however, that these sanctions amount to a containment strategy. Even I, as a private citizen, would hesitate to call counter-proliferation sanctions a *de facto* containment strategy. This is because when you use the word "contain," you basically are accepting North Korea as a nuclear weapons state.

But there is no denying that the sanctions are about containing the proliferation threat. The negotiations, which are a crucial complement, are about denuclearization and managing a problem so it does not spin out of control and create a larger crisis in the region.

USAPC: Although Kim appeared alert and healthy in photos with Wen, there are reports of a leadership transition in the works. Do you think this opens or closes a window of opportunity to affect North Korea's nuclear policy? Should we press now or wait until a new leader assumes the helm?

Cha: As former Secretary of Defense William Perry once said, "You have to deal with North Korea as it is, not as you wish it to be." I think that is right from the perspective of negotiators. You cannot wait for some "unknown;" you have to negotiate with whom and what you have.

Kim Jong-Il certainly looks better these days than he did earlier this year during the People's Assembly. He looked well in his meeting with President Clinton on August 4, when the former president went to North Korea to secure the release of the two imprisoned American journalists. And Kim looked well in his meeting with Premier Wen.

But at the same time, it is pretty clear that he has suffered a stroke, which means the future may be very uncertain. He could be around for another decade—or he could be dead tomorrow. There is a great deal of variability in the time horizon, and there is nothing one can do to control that. The only thing one can do is press forward with the negotiations.

If the sanctions are about counter-proliferation, they will continue as long as there are nuclear weapons in North Korea. But, as we discussed earlier, the sanctions alone will not get you denuclearization or enable you to get a handle on the North's nuclear program, in terms of gaining access for international inspectors, sealing the buildings, and freezing production again. You must negotiate to realize those objectives.

Negotiators from the United States, Japan, China, the ROK [Republic of Korea], and Russia must remain focused on that. They cannot wait or hope for some future leadership transition.

USAPC: How influential will the North Korean military be in the leadership succession process? Do you think Kim's provocative behavior is aimed at securing the military's support for his chosen successor?

Cha: The role of the North Korean military is important. But I do not think it is as significant a political actor as some analysts make it out to be.

When Kim Jong-Il became the new leader of North Korea following the death of his father, Kim Il-Sung, he did not have the revolutionary credentials of his father. He therefore sought to build what is referred to as the "military first" policy, which brought the military under his wing so he could rule with more authority and have the military as his instrument of control.

In that sense, the military became more significant. But their significance is largely a function of their behavior as a professional military. That is to say, they are very

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Regulatory Update

Treasury's Semiannual Report on Exchange Rates—The Treasury Department once again stopped short of declaring that China manipulates its currency, but underscored its "serious concerns" about the broader economic impact of Beijing's exchange rate policy. Treasury's "Semiannual Report to Congress on International Economic and Exchange Rate Policies," issued October 15, acknowledged that China's overall policies played an important role in anchoring the global economy in 2009 and reducing its current account surplus. However, the "rigidity" of the *renminbi* and China's renewed accumulation of foreign reserves "risk unwinding some of the progress made in reducing imbalances," Treasury stated.

China's real effective exchange rate depreciated by 6.9 percent during the February–August 2009 period, according to the report. It also found that China's reserves had increased by $186 billion in the first half of 2009. "Treasury remains of the view that the *renminbi* is undervalued," the report asserts, adding that Washington will continue to work with Beijing both in the G-20 and the bilateral Strategic and Economic Dialogue to pursue policies that permit greater flexibility of the exchange rate. See http://www. treas.gov

If Treasury had labelled China a currency manipulator, it would have been required by law to enter into negotiations with Beijing. If the talks did not produce changes in China's policy, Treasury likely would face pressure from Congress to impose sanctions.

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important and forceful in the North Korean system as long as they are being ordered to do something by a political actor.

I do not think the military on its own is a political actor. This is largely because anyone who has any sort of political ambition within the North Korean military system is purged. In the past, there were reports of some huge purges of ambitious, up-and-coming generals who were seeking to cultivate some sort of movement outside of the basic chain of command.

In a transition from Kim Jong-Il to a future leader, particularly if it is one of his sons, the military will play an important role. But it will be important in the sense that the military will serve whatever political actor is in control.

This is a slightly different view than the one held by many observers who anticipate four main actors in a post-Kim Jong-Il era: the Kim family; the Korean Worker's Party; the military; and domestic security forces.

The real threat that the North poses to U.S. core security interests is the danger of proliferation

I would say three of those will be actors, but the military likely will become an instrument of one of them.

USAPC: What is your view of the North Korean military's actual capabilities? How serious a threat do they pose to the ROK?

Cha: Traditionally, the North Korean military has been a conventional, forward-deployed force. It is much larger in numbers than ROK forces and U.S. forces based in the South, but much lesser in terms of capabilities and training. Nonetheless, the North Korean military still can pose a very formidable invasion force.

This is one area in which the U.S.-ROK alliance really has succeeded in terms of deterrence. Fifty years of deterrence has held on the Korean peninsula, and the threat of a North Korean conventional attack is not very high. There is always the danger of missile coercion or nuclear coercion, but the conventional threat pretty much as been deterred.

This is not to say that the North does not pose a security threat. The threat that North Korea poses to the United States, quite frankly, is not that Pyongyang will put a nuclear weapon on a missile and fire it at Hawaii.

The real threat that the North poses to U.S. core security interests is the danger of proliferation, whether it be proliferation of scientists, fissile material, weapons design, and so forth. These are the things that are the most directly threatening to the United States.

We know how to deter North Korea from invading the South and we know how to punish Pyongyang with U.N. sanctions when it conducts missile tests and nuclear tests. But we still are not very good at deterring North Korea from proliferation or from testing missiles. So this remains a problem and has to be one of the priorities for the Obama administration.

USAPC: With respect to possible future missile tests by North Korea, do you think we run the risk of a horrific accident, such as launch that goes off-course and hits Japan? How would we respond to that scenario and, more important, how do we avoid it?

Cha: As recently as October 12, North Korea tested six short-range missiles. I was in China at the time and asked Chinese officials how they viewed the missile launches coming on the heels of Premier Wen's trip to North Korea, which included a huge basket of goodies. At this stage, the Chinese media has been conditioned to dismiss North Korean missile tests as nothing more than "North Korea's attempt to get attention and lure the United States into negotiations."

The fact of the matter is that these missile tests are very dangerous, especially the ballistic missile tests, because they usually fly over Japan. If one of these missiles failed in the ascent and landed on Japan instead of in the Pacific Ocean or in the Sea of Japan, that would be a major incident. The Japanese likely would invoke the U.S.-Japan security alliance, which would oblige Washington to come to its defense.

If you deal with national security, you cannot take these tests lightly. In the past, North Korea has conducted tests that have failed. We just have been lucky that the missiles landed in the water.

As I said earlier, finding a way to deter Pyongyang from conducting these tests is important. One of the things that the United States used to have with North Korea was a moratorium on missile tests. Pyongyang walked away from that agreement.

I imagine one of the near-term objectives of the Obama administration is to try and reinstate the missile-testing moratorium. That certainly would benefit the United States in terms of delaying North Korea's efforts to develop ballistic missiles. A moratorium on testing also should ease Japanese concerns about potentially being under threat from those tests.

USAPC: How does the apparent thaw in North-South relations—i.e., Pyongyang's apology for the flood-related deaths, the temporary family reunion

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Asia Pacific Dialogue

Pacific Economic Cooperation Council (PECC):

- **"Economic Crisis and Recovery: Enhancing Resilience, Structural Reform, and Freer Trade in the Asia-Pacific Region"**—The Singapore National Committee for Pacific Economic Cooperation, with support from the Institute for Policy Studies, hosted this conference on October 9-10 in Singapore. Its objective was to gather policy experts from across the region to provide ideas and suggestions on major business issues that the leaders of the 21 APEC member economies will address at the APEC Leaders' Meeting in Singpore on November 14–15. PECC is an official observer of the APEC process.

Conference participants cautioned that it was crucial that the Asia Pacific economies focus on sound and well-timed exit strategies as well as structural reforms aimed at transitioning the economies to a sustained recovery and growth.

"The region's economies need to look at engines of growth, such as regional economic integration, green growth, quality of life, and knowledge and productivity to boost domestic Asian demand and put Asian savings to productive use," said Prof. Peter Petri of Brandeis University. Prof. Petri is a USAPC member and chairman of a special PECC task force on a Sustained Recovery. For further information about the Singapore conference see http://www.pecc.org

Key Official Meetings: November–December 2009:

- **U.S. Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell** and **U.S. Ambassador to the ASEAN Scot Marciel** traveled to Burma for meetings with senior government officials and members of the political opposition, including Aung San Suu Kyi, November 3–4, Rangoon, Burma.
- **U.S. Secretary of the Treasury Timothy Geithner** and **Federal Reserve Board Chairman Ben Bernanke (or designated senior officials)** were expected to attend the G-20 Finance Ministers and Central Bank Governors Meeting, November 6–7, Saint Andrews, Scotland, United Kingdom.
- **Secretary of State Clinton, Treasury Secretary Geithner, Secretary of Commerce Gary Locke,** and **U.S. Trade Representative Ron Kirk** will attend the 21st APEC Ministerial Meeting, November 11–12, Singapore.
- **Treasury Secretary Geithner** likely will participate in the APEC Finance Ministers' Meeting, November 12, Singapore.
- **President Obama** will meet **Japanese Prime Minister Yukio Hatoyama**, November 12–13, Tokyo, Japan; his **counterparts from 21 Asia Pacific economies** at the 17th APEC Leaders' Meeting, November 13–15, Singapore; **Chinese President Hu Jintao**, Shanghai and Beijing, China, November 15–18, and **South Korean President Lee Myung-bak**, Seoul, South Korea, November 18–19.
- **U.S. APEC Senior Official Kurt Tong** and **Assistant U.S. Trade Representative Wendy Cutler** likely will attend APEC 2010 Symposium to begin planning for the APEC 2010 meetings hosted by Japan, December 9–10, Tokyo, Japan.

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Burma Policy

New Policy Tools—Campbell told lawmakers the policy review was shaped by an assessment that neither sanctions nor engagement, implemented alone, had succeeded in moving Burma toward democratic reform. The review confirmed that Washington "needed additional tools to augment those that we have been using in pursuit of our objectives."

And an important new "tool" will be direct, senior-level dialogue with Burmese leaders—a dialogue that will supplement, but not replace, the sanctions regime that has been central to U.S.-Burma policy for many years, Campbell emphasized.

Webb's Endorsement—Sen. James Webb (D., Virginia), chairman of the Senate Foreign Relations Subcommittee on Asia and the Pacific, seemed pleased by the outcome of the administration's policy review, describing it as both "timely and appropriate." Webb made a rare trip to Burma in mid-August to meet top officials as well as Aung San Suu Kyi, leader of Burma's pro-democracy political opposition. He actively has questioned the efficacy of the U.S. sanctions-based policy.

"[T]he political motiviations behind our isolation of Burma were honorable, based on a desire to see democratic governance and a respect for human rights," he said. Referring to increased investment there from China, Japan, Thailand, and India, Webb argued that "the situation we face with Burma is an example of what can happen when we seek to isolate a country from the rest of the world, but the rest of the world does not follow."

Measured House Reaction—House lawmakers, in comparison, were not as uniformly supportive of the administration's new approach. House Foreign Affairs

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Burma Policy

Committee Chairman Howard Berman (D., California), like Webb, agreed that engagement and sanctions must be applied together to affect reforms in Burma. However, Republicans and Democrats alike on his panel opposed the engagement element of the new policy.

Ranking Minority Member Ileana Ros-Lehtinen (R., Florida) argued that U.S. policy should continue to focus solely on implementing economic sanctions set forth in the Tom Lantos Block Burmese JADE Act. This law, enacted last year, prohibits the importation of Burmese-origin jadeite and other gemstones via third-party countries. It also bars Burmese generals and their families from acquiring visas to enter the United States and increases financial sanctions against the ruling junta.

Reps. Sheila Jackson-Lee (D., Texas) and Joe Crowley (D., New York) also expressed concern about the new U.S. approach to dealing with the repressive Burmese military government. Crowley, in particular, has championed legislation that imposes import restrictions on Burmese products as well as a bill that would award the Congressional Gold Medal to Ms. Suu Kyi, who has been under long-term house arrest.

Ethnic Minorities—The New York Democrat lambasted the ruling junta for the massive displacement and humanitarian crisis caused by its campaign against ethnic minorities. Other expert witnesses concurred that resolution of the ethnic problem is critical if democracy is to take root in Burma.

"Some people seem to think that Burma's struggle is between Aung San Suu Kyi, who wants democracy, and Gen. Than Shwe, who doesn't," said Prof. David Williams of Indiana University in testimony before the Webb subcommittee. "But even if democracy comes to Burma, the troubles will not end until the needs and demands of the minorities have been answered," Williams said.

Campbell told both the House and Senate panels that Washington certainly would explore with Burmese leaders the ethnic problem and other issues related to free and fair participation of the political opposition in the 2010 elections. "We will continue to stress to the Burmese authorities the baseline condictions that we consider necessary for any credible electoral process," Campbell stated.

He added that at the request of Suu Kyi, the United States would engage the political opposition in a parallel dialogue. "We also intend to remain engaged with the democratic opposition to ensure that our engagement with the regime is not at cross purposes with their own objectives," Campbell said.

Proliferation—Members of both parties and from both chambers expressed concern about Burma's close military relationship with North Korea and its potential to facilitate the proliferation of North Korean weapons and nuclear technology in violation of U.N. Security Council Resolutions 1718 and 1874. Rep. Ed Royce (R., California) maintained that there is evidence that North Korea uses ports and airstrips in Burma to ship contraband weapons and has been selling nuclear technology to the junta.

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Member Op-Eds

This month's column highlights commentary by (1) **Dr. Charles E. Morrison**, President of the East-West Center and co-chair of the Pacific Economic Cooperation Council (PECC), and (2) **Prof. Peter A. Petri**, the Carl J. Shapiro Professor of International Finance, Brandeis University, and chairman of a special PECC task force on a Sustained Recovery.

Dr. Morrison, in the first of two op-eds, examines the political and policy-related challenges confronting Japan's new government, led by Yukio Hatoyama, chief of the Democratic Party of Japan.

He co-authored the second article with Jusuf Wanadi, vice-chair of the board of trustees of the Indonesia-based Centre for Strategic and International Studies and PECC co-chair, and Tan Khee Giap, chair of the Singapore National Committee for PECC. This piece considers how the Asia Pacific Economic Cooperation (APEC) forum could make substantial contributions to fostering and sustaining global economic recovery.

Prof. Petri urges the economies of the Asia Pacific to launch new "growth engines" aimed at stimluating Asian demand, creating markets for Asian manufactures, engaging American resources and technology, and putting Asian savings to productive use.

- **"Challenges Ahead for Tokyo's New Government,"** by Charles E. Morrison, *The Japan Times*, September 24, 2009—http://search.japantimes.co.jp/cgi-bin/eo20090924a3.html
- **"APEC's Role in Shapring A New World,"** by Charles E. Morrison, Jusuf Wanadi, and Tan Khee Giap, *The Straits Times*, October 2, 2009—http://www.pecc.org/
- **"Let Growth Engines Drive Recovery,"** by Peter A. Petri, *Business Times*, October 9, 2009—http://www.businesstimes.com.sg

USAPC members are encouraged to alert USAPC Director Mark Borthwick about published or forthcoming opinion pieces that they feel would be of interest to Council members and the broader readership. Contact him at borthwim@eastwestcenter.org/.

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Burma Policy

Campbell said that Burmese leaders have insisted that they are committed to enforcing the U.N. resolutions, but that the United States "remains concerned" and will insist on "full and transparent implementation" [Campbell reiterated this message to Burma's minister of science and technology during the November 3–4 meetings]

China and India—Lawmakers also came down hard on China and India for undermining U.S.-led economic sanctions and essentially providing a lifeline to the ruling junta. Campbell said that discussions with both China and India concerning the Burma situation "have increased exponentially" in recent weeks. China is "intensely interested" in Washington's new engagement policy, but remains reluctant to support sanctions on grounds that they are "unhelpful," according to Campbell. He added that the fact that Japanese investment in Burma also has increased in recent years further underscores the "limitations of an overall sanctions approach." ♦

Agricultural Senators, Business Groups Applaud U.S.-China Agreements

For one day, at least, China was not the target of a barrage of criticism from Capitol Hill or the American business community about its alleged unfair trading practices and currency manipulation. Lawmakers representing agricultural constituencies applauded China's decision to re-open its market to U.S. pork and live swine consistent with science-based international standards. Beijing made this announcement on October 29 at the conclusion of the two-day meeting in Hangzhou, China of the U.S.-China Joint Commission on Commerce and Trade (JCCT).

U.S. business focused its praise on China's agreement to liberalize its government procurement process, remove barriers for U.S. firms to China's clean energy market, and crack down on Internet piracy. The U.S. and Chinese governments signed a total of nine agreements. American officials proposed that the October JCCT meeting built a "solid foundation" for President Obama's visit to China on November 15–18.

Trade in Pork Products—Senate Finance Committee Chairman Max Baucus (D., Montana) described China's decision to re-open its port market as a key step forward for U.S. pork producers "who have seen unscientific border measures result in falling exports." Senate Finance Committee Ranking Member Charles Grassley (R., Iowa) showered rare praise on Beijing, saying that its decision demonstrated that "it will follow through as a responsible member of the world trading community."

In 2008, China was the U.S. pork industry's 6th largest export market, accounting for $560 million in U.S. exports. But China slammed that market shut in May 2009, when it imposed H1N1-related restrictions that effectively blocked importation of U.S. pork and live swine. Beijing took this action despite the views of the World Organization for Animal Health, the World Health Organization, and the Food and Agriculture Organization that there is no risk to humans from consuming properly prepared port and pork products.

Government Procurement—The U.S. Chamber of Commerce and U.S.-China Business Council both highlighted China's commitment to issue rules to clarify that foreign companies operating in China will be eligible to participate in China's government procurement programs. The Chamber urged Beijing to build on this commitment by submitting a revised offer to join the World Trade Organization's (WTO) government procurement accord next year.

Wind Energy—The U.S. business groups also commended U.S. negotiators for securing a commitment from China to remove local content requirements for foreign participation in its wind farm market, which is the fastest growing sector in China's renewable energy market. Also important for U.S. business development, the two governments signed a Memorandum of Understanding establishing the U.S.-China Energy Cooperation Program (ECP). The ECP is a new public-private partnership administered by the U.S. Trade and Development Agency that will tap the expertise of U.S. companies to help develop clean energy solutions in China.

Problems Persist—Even as U.S. and Chinese officials signed potentially promising trade and commercial agreements, they broached new areas of disagreement. Chen Deming, China's commerce minister, said October 29 that Beijing would investigate potential dumping of U.S.-made cars in the Chinese market. Chinese officials attribute the alleged under-pricing of U.S.-made cars to Washington's financial bailout of the top three U.S. automakers. U.S. analysts suggest that China's action is better viewed as a tit-for-tat response to President Obama's decision in mid-September to impose a 35 percent tariff on Chinese tire imports.

JCCT vs. S&ED—The JCCT, established in 1983, serves as the main bilateral forum for addressing trade matters and promoting commercial opportunities between the United States and China. By comparison, the U.S.-China Strategic and Economic Dialogue (S&ED), which was held in Washington on July 27–28, has a much broader economic and financial focus and involves cabinet-level officials. The two dialogues complement each other, according to U.S. officials. ♦

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Cha Interview

program in late September, and resumption of inter-Korea border traffic—fit into North Korea's game plan to maintain its nuclear weapons capability? Is this an example of divide-and-conquer tactics?

Cha: Again, the main driving factors behind North Korea's "charm offensive" toward the South are the U.N. sanctions. They are hurting the North. Pyongyang is afraid that there will be more sanctions, so North Korean leaders are seeking to reduce that likelihood through this "charm offensive" with the ROK.

The fact that Pyongyang apologized for the flood victims is a good thing.[2] But I do not think the South Korean government is going into this with wide-eyed optimism.

On September 23, South Korean President Lee Myung-Bak unveiled his idea of a "grand bargain" at the U.N. General Assembly. This is not the so-called "sunshine policy" of President Lee's predecessor. Rather, this appears to be a policy that is very principled and very clear about how far Seoul will go to engage Pyongyang.

Essentially, the ROK will not enter into major inter-Korean projects that cost hundreds of millions of dollars without real progress on denuclearization. There is a clear condition for the big-ticket projects.

With respect to intermediate projects, such as Kaesong [Industrial Park] and the Kumgangsan [Tourist Region], Seoul appears willing to re-start and continue them—provided that North Korea does not shoot South Korean tourists again.[3] In addition, the ROK wants to see more institutionalization of family reunions and the return of South Korean prisoners-of-war who have been held in the North for 50 years.

So there is a very clear *quid pro quo* for progress on Kaesong and Kumgangsan. The only thing that is unconditional, which I believe the Lee administration is about ready to implement, is the provision of humanitarian assistance to children in the form of non-rice food and medicines. That sounds to me like a very principled policy. It is pretty clear that is the direction that the Lee administration wants to go, which makes coordination with the United States relatively easy.

[2]Six South Koreans were killed in early September when North Korea released water from a dam on the Imjin River without notice. The resulting flash flood swept away six people, including a child, who were camping on the river bank. The Imjin is a major waterway that flows across the border between North Korea and South Korea.

[3]In July 2008, Park Wang-Ja, a 53-year-old South Korean tourist, was shot twice and killed when she allegedly entered a military area. Immediately after the shooting, the South Korean government suspended tours to the resort. Shortly thereafter, Pyongyang announced that it would expel "unnecessary" South Korean workers from Kumgangsan.

One of the big problems experienced by previous U.S. administrations was that the sunshine policy did not impose any real upper limits on cooperation. It was unconditional reciprocity. There were not specific actions North Korea had to take that were linked to the inter-Korean engagement process.

President Lee is a businessman. He is not going to put taxpayers' money into inter-Korean engagement unless he gets something out of it from the North. And I think that is a position with which the United States is very comfortable.

USAPC: The United States and China have very different goals in their policies toward North Korea. Washington wants denuclearization, but Beijing is primarily concerned about regime stability. How can we keep these differences from impeding real progress in the Six-Party process?

Cha: This poses a real challenge to arriving at a solution in the Six-Party Talks. China's core interest is its future growth and development. It wants nothing to impede that. That goal applied to the Korean Peninsula means no crisis and no instability. Basically, this means management rather than resolution of the North Korean problem.

The Chinese must understand that as long as there are nuclear weapons in North Korea, the situation will never be stable

As you noted, the core interest of the United States is denuclearization. The challenge for the United States is to get the Chinese to understand that as long as there are nuclear weapons in North Korea, the situation will never be stable. The status quo itself is inherently destabilizing or on a downward slope to becoming more and more unstable.

I think the Chinese understand that argument, particularly when the North behaves badly. But Beijing would much rather push the difficult decisions as far into the future as they can while they ensure stability that does not impede their growth path. So it's a constant challenge in the Six-Party Talks to get the Chinese to be more than simply hosts and to push productively toward a resolution that would be in both of our interests. ♦

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