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EDITOR'S NOTE

Diplomatic momentum marked the months of November and December, 2014. Since China hosted the Asia-Pacific Economic Cooperation (APEC) summit in November, a number of important world leaders visited Beijing. Moreover, a lot of bilateral meetings took place on the sidelines of the APEC summit. One of the most significant development is the much awaited confidence building summit between the Chinese President Xi Jinping and Japanese Prime Minister Shinzo Abe. While this meeting alone cannot undo the prevailing hostility between these two Asian powers, it is nevertheless a welcome step since the leadership agreed to cultivate political trust. Moreover, President Xi met with President Obama and charted six priorities in nurturing its relationship with the United States. There were several other high profile meetings between Japan and Russia, and China and Russia. In separate developments, North Korea sent its diplomatic envoy to Russia; US-Japan-Australia trilateral meeting in Brisbane on the margins of the G20 summit; President Xi Jinping's visit to Oceania; Japan and South Korea's respective engagement with the ASEAN.

On the issue of territorial claims in the South China Sea and the East China Sea, there were two important developments. With regard to South China Sea dispute, China issued a position paper in response to Philippines initiating international arbitration under the UNCLOS. Opposing such arbitration, the position paper articulates China's legal position on non-applicability of the jurisdiction of the international arbitration. With regard to East China Sea dispute, Japan has long refused to acknowledge the existence of any territorial row over the Senkaku/Diaoyu Islands. However, in the latest phase of bilateral engagement, China and Japan accepted "differing views" on the contested islands.

This issue of the monitor features two interviews of regional experts sharing their perspective on critical issues. Dr. Alfred M. Wu from The Hong Kong Institute of Education offered his understanding on the subject of the ongoing political reforms in China, anti-corruption movement, and the challenges associated with comprehensive reform of macroeconomic management. Dr. Satoru Nagao of the Gakushuin University expressed his point of view on the expanding scope of the India-Japan security cooperation, analysed the China variable in India-Japan relations, and articulated Japan's expectation from India vis-à-vis East China Sea. Furthermore, significant developments in China, Japan and the Korean Peninsula are captured by way of brief news items.

We look forward to comments and suggestions from our readers.

TITLI BASU



DR. ALFRED M. WU

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Dr. Wu has authored the book titled *Governing Civil Service Pay in China* published by NIAS Press, University of Copenhagen 2014. The book makes the first systematic review of the civil service pay system in China, investigates civil service pay reforms and their impact on public governance in China including the fight against corruption and deepens our understanding of China's reform process.

1. Often the ongoing political reforms in China are perceived as President Xi Jinping's effort to tighten political control rather than presenting better opportunities for political participation. Your comments.

It is true to some extent. In an authoritarian context, the new leadership tends to make a great effort to consolidate its power. Tightening political control is more relevant in Xi Jinping's regime. As his two former successors are still playing some roles in Party politics, President Xi has to straddle a line and be careful to consolidate his power while not annoying the two successors and their allies. Having more political control especially towards local political heavyweights would help Xi make right policies and promote good implementation at the local level. Therefore, he has a better chance of surviving until his successors and enemies lose the battle.

Political participation by Western standards has never occurred in his regime. The Communist Party regime in China has not paid serious attention to political participation especially citizen participation for decades. Some of the local political reforms have promoted citizen participation in their jurisdictions. Nevertheless, limited achievements at the national level have been gained. The ongoing political reforms by the Xi administration have not improved the situation very much. Political reforms are largely constrained to some reforms within the bureaucracy. It means that they tend to install some checks and balances within the government. Therefore, it is not surprising to see that despite some achievements, the positive impact of the current political reforms on the political system is rather limited. For more details, please refer to the discussion on "accountability within the bureaucracy" in my article entitled "Searching for Fiscal Responsibility: A Critical Review of the Budget Reform in China".

2. The anti-corruption movement is often criticised to be 'selective' and serves as a tool to strike at the political opponents in power struggle and consolidate authority at the center. Do you agree?

Yes. This is a perplexing issue in authoritarian China. There were a number of anti-corruption movements after the economic reform in 1978. Most of these movements made some strides in reducing corruption in a certain period. However, corruption resurged soon after the movement. More seriously, the anti-corruption movement is often used to strike political opponents or tighten up central political control. The current anti-corruption movement is unprecedented and impressive. It seems that the movement has prevented some public officials' misbehaviours such as having luxury banquets or asking clients for bribes ostensibly. A lot of high-ranking public officials are punished due to their corrupt behaviour. However, increasingly, people in China question the sustainability of this movement. Thus far, no fundamental structural changes with regard to the political and administrative system have occurred. It remains an open question that President Xi's anti-corruption movement is repeating the old stories his predecessors had experienced. Or the anti-corruption movement promoted by Xi can kill two birds with one stone. That is, the movement will consolidate political control across-the-board and change the political equilibrium; therefore, a healthy political environment may be forged in the near future.

3. *An important facet of harmonious development in China is balanced development across regions. How do you evaluate the strategies and investment plans that have been established to motivate growth and improvement of living standards of rural China and particularly in western China?*

As mentioned in my book entitled *Governing Civil Service Pay in China*, “the harmonious society” coined by the Hu Jintao-Wen Jiabao administration reflects the paradoxes and difficulties of the Communist Party’s rule in China. The central government has tried to promote a significant change from an economy-based legitimacy model to a welfare-based one. It means that the improvement of living standards of the general population will be more important than GDP growth with the later, not necessarily generating concrete benefits to the general public. There have since the late 1990s a lot of programs related to promoting a balanced development across regions. The income distribution reforms, increased public investment in western China, among others, are crucial to realising a harmonious society.

However, as I investigate the topic related to public sector wages, a balanced development strategy is hard to actualise in reality. Thus far, the central government’s approach to a balanced development across regions has been to enhance the central authority and have a better fiscal capacity, which enable the central government to redistribute substantial money to local governments through central grants. Nevertheless, as my field research indicates, local governments are obsessive with GDP growth and revenue generation. The improvement of living standards of the general public is still a long way to go.

4. *What are the challenges associated with comprehensive reform of macroeconomic management and suitable fiscal policy required for inclusive growth in China?*

The reform of macroeconomic management and related fiscal policy for inclusive growth is indispensable for a balanced, sustainable development in China. The central government has emphasised the importance of fiscal policy in macroeconomic management. That is, fiscal policy and monetary policy are equally important in realising macroeconomic management objectives in today’s China. The Ministry of Finance therefore is becoming more important (assertive as well) within the bureaucracy. The central government tends to be more careful about the decisions on public sector wages, central grants, and public projects.

However, suitable fiscal policy required for inclusive growth in China is easier said than done. Central policy makers and local administrators should have a similar policy goal. Otherwise, fiscal policy will be circumvented by local authorities. For example, the central government has asked local authorities to pay increased attention to public sector wage increases for rank-and-file civil servants across-the-board. The benefits will be threefold. First, increased public spending will boost economic growth; therefore, it contributes to the country’s economic development. Second, if formal public sector wages had been increased, local governments would not find ways to compensate their civil servants through off-budget accounts, which is harmful to sound fiscal and macroeconomic management. Third, reasonable public sector wage increase will motivate civil servants and reduce corruption. The impact of corruption and local fiscal misbehaviours on macroeconomic management cannot be underestimated in reality. As my research suggests that though central policies are in good shape, local administrators may not implement the policies wholeheartedly. Some local governments even sabotage the central authority in a bid to maximising their own interests. Therefore, pay arrears instead of real civil service pay raise have unfolded in local China. Without fully implementing central policy, local governments can bargain for more money from the central government through manipulating the compensation of the civil servants.

Furthermore, the Confucian bureaucratic structure, I discussed it in my article entitled “Searching for Fiscal Responsibility: A Critical Review of the Budget Reform in China”, indicates a worrying situation with regard to central-local fiscal relations, which tarnish the central fiscal policy for inclusive growth. Under the Confucian bureaucratic structure, there is a close relationship between the promotion of local administrators and their

efforts in implementing central mandates (of course, those mandates are aligned with local interests). Local executives have little incentive to promote fiscal responsibility and good fiscal behaviours conducive to macroeconomic management as they rely on central grants to selectively implement central mandates. Therefore, once the central government has more important policy goals than the policy for inclusive growth, local governments would not promote the policy for inclusive growth as the implementation of the policy may not bring tangible benefits to local politicians and administrators.



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1. Japan under Prime Minister Abe's leadership has reinterpreted the pacifist clause of the post-war constitution and is debating security legislations altering the narrow interpretation of the right to collective self-defence. As Japan is expanding its role, in what ways do you think India and Japan can strengthen their security cooperation which is very limited at the moment?

Japan has already eased the regulation of arms export. Japan's government will ease those regulations that restrict Japan's Official Development Assistance to support military related infrastructural projects. Further, substantial support from Japan's side may be expected in India's projects like construction of roads, tunnels, and airports. There is enough space for Japan and India to cooperate strategically. However, there is limitation of policies. For example, if we take the case Japan's export of submarines to India, Japan Maritime Self Defence Force is concerned about a situation where Russia comes to know the secrets of Japanese submarines through India. We are struggling to solve these problems now. We will solve these problems gradually.

2. What role Japan expects from India, if any, in the East China Sea?

We should focus on the linkage of Indo-China border area and East China Sea. The most relevant explanation is that Japan-India cooperation could fix their respective numerical inferiority. For example, if India cooperates with Japan, India will not need to deal with all the Chinese fighters at once because China is likely to keep some of their fighters in their east side against Japan and vice versa. Japan has already admitted that Arunachal Pradesh is part of India. Since 2014, Japan has plans to invest in India's strategic road project in the Northeast region except Arunachal Pradesh. We wish India's military modernisation picked up speed.

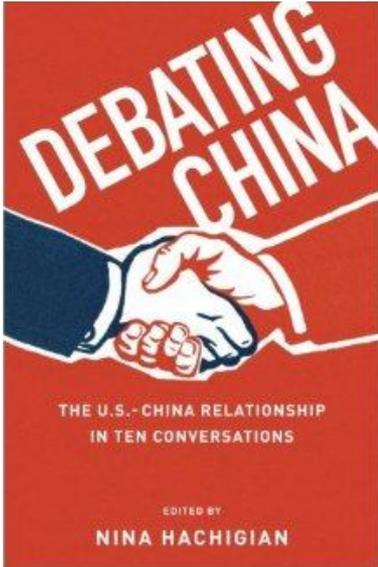
3. How do you evaluate the China variable in India-Japan relations?

From the aspect of security, China factor is most important. In Japan, pro-India researchers are a small group. But nowadays, pro-US or anti-China groups lend their support for strengthening Japan-India relations. Under such situation, China factor is the most important driving force to bring Japan and India closer.

4. What are your expectations from the scheduled revision of the US-Japan defense cooperation guidelines expected in late April?

In this guideline, Japan's role will expand in the South China Sea as per US's request. Under the current Japan-US guideline, Japan's role has been limited in the "Far East". This "Far East" did not include the Philippines. However, because Japan had already deployed two ships in the Indian Ocean since 2001, Japan's warships have already been passing through South China Sea. Now US is requesting Japan to patrol in the South China Sea.

BOOK REVIEW



Nina Hachigian, *Debating China: The US-China Relationship in Ten Conversations*, Oxford

University Press 2014 pp 272. ISBN 978-0-19-997388-0

Reviewed by Antara Ghosal Singh

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Nina Hachigian in this book captures different facets of the US-China relationship in a refreshing format of real life conversations between Chinese and American policy experts, scholars and former government officials. These experts, through letter exchange among themselves, discuss their views on nine critical issues impacting the US-China relationship including economy, human rights, global roles and responsibilities, global development/investment, military development, role of media, climate change, Taiwan and Tibet and

regional security – each issue is dealt in individual chapters.

Although the conversation and views expressed by the experts in this book are personal but their years of experience in the policy circle, their frequent interactions with policy makers, and their deep understanding of their respective government's position, make their views very much reflective of the official and unofficial policies of these two countries. Being a diplomat herself, Hachigian has rare access to these personal conversations between the policy experts of both the countries and it's through this book that she brings these inside interactions to the public attention.

The highlight of the book is that even the most complicated issues between US and China, the ones which are often glossed over at other platforms, (eg: human rights, military development, Taiwan) have been taken head-on by the discussants and dealt in at great length in open exchanges. Whether one side manages to convince the other or reach at a consensus at the end of the conversation is of secondary importance, but the exercise itself has been quite fruitful in, at least, creating some kind of clarity on either side and in the readers' mind about each side's actual policy intension and the perception it has of the behaviour of the other side.

While defining the US-China relationship as 'mature, dense, expanding but distrustful' Kenneth Lieberthal of Brookings Institution cautions that unless this distrust is addressed at the earliest, US-China relation may deteriorate due to a 'zero-sum mentality and fundamental antagonism'. While tracking the source of distrust, Chinese scholar Wang Jisi argues that it is America's 'actual and possible penetration into China's domestic affairs' that bothers Beijing and makes it suspicious of US's intention. Zhou Qi, of Chinese Academy of Social Sciences adds that America's human rights related foreign policy based on the concept of 'American exceptionalism' and its pursuit of democracy internationally gets China worried about 'Americanisation of its domestic affairs'. In successive chapters, Yuan Peng of Chinese Institutes for Contemporary International Relations sums up the overall argument of the Chinese side saying that it is the United States' arms supply to Taiwan, its intervention in the South China Sea, its growing military alliances in the Asia Pacific region, the regular China-bashing during election campaigns, and its continued mistreatment of Chinese corporations as 'devil' due to some 'outdated Cold War ideological mindset' – that prevents the strategic trust to develop between the two countries.

While accepting US's 'innate distrust of authoritarian, one party systems, given its lack of transparency and little regard to civil rights', the American scholars clarify that US does not see the relationship as a zero sum game compared to the US-Soviet interactions during the Cold War. In almost every chapter the American side highlights

how the United States in the past has supported and continue to support China's rise by helping it to integrate into the global economy and international system. Michael Green of Georgetown University further clarifies that since 1990, US's foreign policy strategy towards China is based on a combination of engagement and balancing. But balancing, he adds, does not mean containing China's rise or its growing influence in Asia but rather to find ways to encourage China to become a responsible power and 'a net exporter of security' in the region. However, he feels, that it is China's actions in recent years that have led a number of nations in Asia to align more closely with the US. The American scholars also mention of certain other Chinese activities which continue to hurt the US interests at different platforms. For example, Nina Hachigian, while talking about the need for US-China cooperation at the global level, states about the 'massive stealing of commercial assets through cyber espionage, the Chinese government's extremely costly failure to protect American intellectual property in China, blocking solutions to the Syria crisis in the UNSC' are major set-backs in the relationship.

However, inspite of all the criticisms and difference of opinion and perception, the scholars from both sides agree that the US-China cooperation is essential to ensure world peace and prosperity. They conclude that the way forward is to compartmentalise the differences and move forward where they see eye to eye, in a 'case by case' and 'step by step' manner on relatively small but concrete operational issues like coordinating disaster relief, pursuing drug traffickers and conducting scientific research together. Further scholars like Kelly Sims Gallagher of Tufts University and Qi Ye of Tsinghua University, Elizabeth Economy of Council of Foreign Relations and Zha Daojing of Peking University, in their respective chapters, highlight how climate, clean energy and global development and investment can become potential areas of cooperation in coming days.

The book is full of powerful, provocative exchanges between the two sides which make the reading even more stimulating. For instance, while talking on Taiwan and Tibet, Alan D. Romberg of Stimson Center claimed, 'Taiwan was never really been integrated into China. 70 percent of people in Taiwan actively do not want unification. If the US administration tried to abandon the 23 million people of Taiwan to the presumed goodwill of the mainland, this would be stongly criticised and rejected by the Congress and the public.' Jia Qingguo of Peking University retorted to this, saying 'Taiwan belongs to China, not to the United States. Following the logic of this claim, the US should also have the right to sell weapons and give security assurances to China's Guangdong and Sichuan provinces. Imagine how Americans would feel if the Chinese government made similar claims about Texas and Hawaii.' Again, in the chapter on military developments, Christopher P. Twomey bluntly questioned "China's motive in modernizing its military especially when the security environment was improving significantly". To that the Chinese side responded saying, 'If this logic stands then I am afraid to say the US should have given up its military transformation a long time ago.' Similarly on economy, when Barry Naughton of University of California at San Diego questioned the intentions of China's exchange rate policy and its unparallel growth model, Yao Yang defended the Chinese side pointing at 'the currency manipulation by the US in the form of quantitative easing.'

Overall the book is an interesting read. It reflects the intricacy of the US-China relationship to its perfection. Given the consequential nature of the relationship, the relevance of the topics discussed and the personal conversational style of writing, the book is an absolute must-read for all who follow global affairs.

TRACKING CHINA

APEC summit in China

The 2014 APEC (Asia-Pacific Economic Cooperation) summit was conducted in China from November 5-11, 2014. China attached a lot of importance to this summit evident in their attempt to control pollution during the summit.¹ During the APEC meeting, the Chinese President Xi Jinping spoke on “strengthening connectivity partnership”. He commented that “Asia should develop a basic framework of connectivity based on economic corridors, such as the framework in China’s “Belt and Road” initiatives, which accommodate the needs of different countries and include both land and maritime projects and that China “will prioritize railway and highway projects linking China to the seven countries attending the meeting as well as other neighbors”.² During the APEC summit, China also signed several agreements including with Kyrgyzstan for cross-border bus services, visa validity extension between US and China for ten years, and a climate change agreement with the US to increase its non-fossils fuels to 20 per cent by 2030.³

Xi-Li tours abroad

The months of November and December in 2014 witnessed flurry of diplomatic activities in terms of President Xi Jinping and Premier Li Keqiang’s visits abroad. The two leaders combined their participation in multilateral events with paying official visits to the host countries and their neighbouring countries.

Xi Jinping goes to Oceania

President Xi Jinping visited Oceania in November 2014. He started his itinerary with participating in the ninth G20 Leaders’ Summit in Brisbane and concluded it in Fiji. During his more than a week-long tour, he paid official visits to Australia, New Zealand and Fiji. The brief and pertinent details of his visits are as follows:

- President Xi Jinping attended the ninth G20 Leaders’ Summit held in Brisbane. The theme of the Summit was ‘economic growth, employment and anti-risk’. President Xi in his speech on 15 November 2014 at the Summit underscored innovation and structural reforms in various aspects of financial and macro-economic governance, and the need for an open world economy opposing protectionism.⁴
- President Xi Jinping visited Australia. He held talks with the Australian Prime Minister Tony Abbot on 17 December 2014. The major highlights of the visit were the announcement of ‘substantive conclusion’ of the China-Australia Free Trade Area (FTA) negotiation, the Chinese decision ‘to set up a RMB clearing bank in Sydney and grant Australia’s banking institutions a 50 billion yuan of Qualified Foreign Institutional Investors (QFII) quota’ and China agreeing ‘to increase the investment quota of Reserve Bank of Australia in China’s

¹ ‘China Province Terminates Traffic Ban for APEC’, *Xinhua*, 12 November 2014 http://news.xinhuanet.com/english/china/2014-11/12/c_133785026.htm accessed 30 December 2014

² Tang Danlu, ‘China Proposes Connectivity Initiative To Sustain Asia’s Growth’, *Xinhua*, 8 November 2014 http://news.xinhuanet.com/english/china/2014-11/08/c_133774835.htm accessed 30 December 2014

³ ‘China Spearheads APEC Initiatives for Regional Integration’, *Xinhua*, 15 November 2014, http://news.xinhuanet.com/english/indepth/2014-11/15/c_133791839.htm accessed 30 December 2014

⁴ ‘Xi Jinping Attends Ninth G20 Leaders’ Summit and Delivers Important Speech, Advocating for Becoming Development Partners Jointly Promoting Economic Reforms and Implementing Overall Growth Strategy, and Stressing that China Will Maintain Economic Growth Momentum and Make Greater Contributions to Promoting World Economic Growth’, *The Chinese Foreign Ministry Website*, 15 November 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1212223.shtml accessed on 24 November 2014

interbank bond market to 10 billion yuan.' Importantly, Australia declared to implement 'New Colombo Plan' in China from 2015 onwards. Incidentally, the two sides also signed a 100-year cooperation plan on agriculture and food safety. Thus, the visit was evidently rich in its texture of bilateral cooperation.⁵

- After Australia, Xi proceeded to New Zealand. John Key, the Prime Minister of New Zealand and President Xi held a meeting on 20 November 2014. During the visit, the Chinese side announced slew of measures for enhancing bilateral cooperation. While the measures lie mainly in cultural, people's exchange and economic arena, they also covered some elements of military cooperation.⁶
- The third destination of Xi's itinerary was Fiji. He met with Fijian President Epeli Nailatikau on 21 November 2014 and Prime Minister Josaia Voreqe Bainimarama on 22 November 2014. During the visit, China made many friendly assurances such as opening a cultural centre in Fiji and continuing with dispatching 'medical teams and artists groups to Fiji and to other Pacific Island countries to boost cultural and people-to-people exchanges.'⁷ During his visit to Fiji, the Chinese President also met with other leaders from the Federated States of Micronesia, Samoa, Papua New Guinea, Vanuatu, the Cook Islands, Tonga and Niue —small island countries of the Oceania.⁸

Li Keqiang tours three countries

The month of December saw three important foreign visits by Premier Li Keqiang. He paid official visit to Kazakhstan, Serbia and Thailand from December 14-20, 2014.⁹ During the meetings, he fostered bilateral relations with these countries and promoted interests of China in multilateral settings. The brief but relevant details of the visits and the meetings are as follows:

- During his Kazakhstan visit, while Li and Kazakh Prime Minister Karim Massimov held the second regular meeting between the China-Kazakhstan heads of government, he also attended the 13th Prime Ministers' meeting of the Shanghai Cooperation Organization (SCO).
- Premier Li Keqiang went to Serbia to participate in the third meeting of China and Central and Eastern European (CEE) countries.¹⁰ He also paid an official visit to Serbia and met with President Tomislav Nikolic

⁵ 'Xi Jinping Holds Talks with Prime Minister Tony Abbott of Australia Deciding Unanimously to Establish China-Australia Comprehensive Strategic Partnership and Announcing the Substantive Completion of the China-Australia FTA Negotiation', *The Chinese Foreign Ministry Website*, 17 November 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1212620.shtml accessed on 21 November 2014.

⁶ 'Xi Jinping Arrives in Auckland, Starting a State Visit to New Zealand', *The Chinese Foreign Ministry Website*, 19 November 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1213442.shtml Accessed 23 November 2014; 'List of Announceables and Deliverables During President Xi Jinping's State Visit to New Zealand', *The Chinese Foreign Ministry Website*, 20 November 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1213561.shtml accessed on 24 November 2014.

⁷ 'Xi Jinping Meets with President Epeli Nailatikau of Fiji', *The Chinese Foreign Ministry Website*, 21 November 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1214269.shtml accessed 25 November 2014; 'Xi Jinping Holds Talks with Prime Minister Josaia Voreqe Bainimarama of Fiji Strengthening Exchanges and Cooperation, Pushing Forward China-Fiji Relationship', *The Chinese Foreign Ministry Website*, 22 November 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1214274.shtml accessed 24 November 2014.

⁸ 'Xi Jinping Meets with Some Leaders of Pacific Island Countries', *The Chinese Foreign Ministry Website*, 22 November 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1214278.shtml accessed on 24 November 2014.

⁹ 'Li Keqiang Returns to Beijing after the Visits', *The Chinese Foreign Ministry Website*, 20 December 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1221883.shtml accessed on 23 December 2014

¹⁰ 'Li Keqiang Attends Third Meeting of Heads of Government of China and Central and Eastern European Countries', *The Chinese Foreign Ministry Website*, 17 December 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1220476.shtml accessed on 22 December 2014

and Prime Minister Aleksandar Vucic.¹¹ While attending the meeting, he also held meeting with other Central and East European leaders such as Hungarian Prime Minister Viktor Orbán.¹²

- Premier Li Keqiang was in Thailand to attend the fifth summit of the Greater Mekong Subregion (GMS) Economic Cooperation. Li sought to reassure the participating leaders that “China will better link its own development with the sub-regional planning, and maintain communication and coordination with regional cooperation mechanisms including the ASEAN, 10+1 and 10+3.”¹³ The takeaway of Li’s visit was the China-Thailand Memorandum of Understanding on Railway Cooperation. The two sides are constructing a more than 800 km China-Thailand Railway to link the Nong Khai province in northern Thailand and the Map Ta Phut port in southern Thailand, completely with Chinese technology.¹⁴ In Thailand, he and Thai Prime Minister Prayuth Chan-ocha held a meeting.
- Immediately after Li’s visit to Thailand, Prime Minister Prayuth Chan-ocha made a two day visit to China from 22-23 December 2014. During his visit, he met with President Xi Jinping and Premier Li Keqiang. In the joint communiqué issued during the Thai Prime Minister’s visit, the two sides pledged to work towards taking the combined number of tourists to each other’s country to five million in 2016.¹⁵

China brings out a position paper on South China Sea

In an important move on the issue of South China Sea territorial disputes, the Foreign Ministry of People’s Republic of China has issued a position paper on the dispute. It should be noted that this position paper has been issued in response to the Philippines initiating international arbitration of the dispute in January 2013 under the UN Convention on the Law of the Sea (UNCLOS). China has been opposed to such arbitration. The Chinese position paper puts forward China’s legal position on non-applicability of the jurisdiction of the international arbitration to the dispute.¹⁶

China-US ongoing spat on Human Rights

The month of November-December witnessed familiar spat between China and the US on human rights situation in China. In recent years, US criticism of curtailment of media freedom and dissenting voices in China from the

¹¹ ‘Li Keqiang Meets with President Tomislav Nikolić of Serbia’, *The Chinese Foreign Ministry Website*, 19 December 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1221426.shtml accessed 25 December 2014; ‘Li Keqiang Holds Talks with Prime Minister Aleksandar Vučić of Serbia, Stressing Deepening of Mutually Beneficial Cooperation to Realize Common Development and Promotion of China-Serbia Strategic Partnership to a New Level’, *The Chinese Foreign Ministry Website*, 18 December 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1220971.shtml accessed 25 December 2014

¹² ‘Li Keqiang Meets with Prime Minister Viktor Orbán of Hungary’, *The Chinese Foreign Ministry Website*, 18 December 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1220939.shtml accessed on 23 December 2014

¹³ ‘Li Keqiang Attends the Opening Ceremony of Fifth Summit of the Greater Mekong Sub-region Economic Cooperation Program’, *The Chinese Foreign Ministry Website*, 20 December 2014 http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1221882.shtml accessed on 25 December 2014;

¹⁴ ‘Li Keqiang Meets with Prime Minister Prayut Chan-o-cha of Thailand, Stressing to Join Efforts in Building the China-Thailand Railway and Promote Regional Connectivity’, *The Chinese Foreign Ministry Website*, 19 December 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1221894.shtml accessed on 25 December 2014.

¹⁵ ‘Joint Press Communiqué Between the Government of the People’s Republic of China and the Government of the Kingdom of Thailand’, *The Chinese Foreign Ministry Website*, 24 December 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1222281.shtml accessed on 26 December 2014.

¹⁶ ‘Remarks by Mr. Xu Hong, Director-General of the Department of Treaty and Law of the Ministry of Foreign Affairs, on the Position Paper of the Government of the People’s Republic of China on the Matter of Jurisdiction in the South China Sea Arbitration Initiated by the Republic of the Philippines’, *The Chinese Foreign Ministry Website*, 7 December 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1217150.shtml accessed 15 December 2014.

highest levels of the US administration and the Chinese rebuke to the criticism have hit the headlines quite often. The US Secretary of State John Kerry and the US Ambassador to China Max Baucus made certain comments regarding the human rights situation in China on Human Rights Day in December. The Chinese foreign ministry took strong exception to their remarks and retorted that “the people are best qualified to speak on the human rights situation of their own country... the United States has no right to act as a referee and make irresponsible remarks about other countries...we hope the United States will put more effort into examining and improving its own human rights situation.”¹⁷

China renders relief to Maldives

In a humanitarian move in early December, China supplied huge quantity of drinking water to Male, the Capital of Maldives. Male was battling a serious water crisis. Changxing Island, a Chinese Navy submarine rescue ship, and two Ilyushin II-76 aircrafts of the Chinese Air Force were pressed into carrying fresh water to Male. While the Maldivian government expressed its gratitude for the gesture, the Chinese government assured to ‘actively take follow-up assistance measures into consideration at the request of the Maldives’ in the future also. While this action by China is essentially a humane gesture, it speaks volume of growing Chinese technological capabilities and reach and its presence and level of approval in the Indian Ocean region.¹⁸

TRACKING TAIWAN

The DPP strikes back

The most significant development in Taiwan during the period under review was the electoral sweep by the main opposition party, the Democratic Progressive Party (DPP). The elections were held on 29 November 2014. The DPP managed five out of six mayoral municipalities in Taiwan. It also dominated the results for county magistrates and city mayors’ positions. The DPP victories in the traditional KMT stronghold of North Taiwan are particularly notable. North Taiwan has comparatively more demographic-electoral concentration. The victory of Dr. Ko Wen-je, a DPP-supported independent candidate, in Taipei City embellished DPP’s performance.¹⁹ The magnitude of the victory may be precursor of the political developments in the times to come. Taiwan will have Presidential elections early next year. If the DPP repeats its performance next year too, Cross-Strait relations will enter a new phase as China shuns the DPP for its supposed pro-independence proclivities. It should be noted that the DPP rejects *the 1992 Consensus*, which China and the present ruling party KMT in Taiwan uphold. Upholding it is a must to be recognised by China as a legitimate force which China can engage with in Cross-Strait dialogue. After the shattering defeat in the local bodies election, President Ma Ying-jeou, who was also the Party Chairman, resigned from the Party Chairmanship.²⁰

¹⁷ ‘China Rejects US Officials’ Criticism of China’s Human Rights Situation’, *Xinhua*, 11 December 2014, http://news.xinhuanet.com/english/china/2014-12/11/c_133848405.htm Accessed 20 December 2014.

¹⁸ ‘Chinese Government Continues to Provide Emergency Assistance to the Maldives’, *The Chinese Foreign Ministry Website*, 8 December 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1217941.shtml accessed 15 December 2014

¹⁹ ‘DPP Wins 13 Cities/Counties in Historic Election’, The DPP Website, <http://english.dpp.org.tw/dpp-wins-13-citiescounties-in-historic-election/> Accessed 25 December 2014; ‘KMT Trounced’, *Taipei Times*, 30 November 2014, <http://www.taipeitimes.com/News/front/archives/2014/11/30/2003605650> accessed 5 December 2014; ‘Opposition Wins by Landslide; Jiang Resigns’, *The China Post*, 30 November 2014, <http://www.chinapost.com.tw/taiwan/national/national-news/2014/11/30/423001/p1/Opposition-wins.htm> accessed 30 December 2014

²⁰ ‘Ma Officially Resigns as Chairman of KMT’, *The China Post*, 4 December 2014, <http://www.chinapost.com.tw/taiwan/national/national-news/2014/12/04/423290/Ma-officially.htm> accessed 10 December 2014

Intelligence and counter-intelligence

In an interesting development, Chinese newspaper *Global Times*, an affiliate of the *People's Daily*, accused Taiwanese intelligence agencies of recruiting Chinese students studying in Taiwan for espionage. The Taiwanese authorities denied the accusation.²¹ Thus far, the media has only reported news about Chinese espionage rackets busted in Taiwan. Taiwan on its part appeared tightening the rules on government officials in order to curb alleged espionage activities by China in Taiwan using insiders in the Taiwanese administration. It revised Regulations Governing Public Servants and Special Status Personnel from the Taiwan Area Entering the Mainland Area. Under the revised regulations, senior civil servants and officials working for national security cannot pursue 'advanced studies, studying for credit, engaging in special projects or other types of advanced studies in China.' As per the media report, the definition of the senior officials related to national security appeared quite broad. However, the media also reported that the ban would not apply to junior officials.²²

TRACKING THE KOREAN PENINSULA

South Korea proposes to hold minister level talk with North Korea

On December 29, South Korea made a surprising move by proposing to hold a minister-level talk with North Korea in January 2015 without any precondition while hoping that it could improve the inter-Korean relationship.²³ South Korea hopes to include subjects like resolution of the separated family issue and lifting of sanctions on North Korea as agenda items for the talk.²⁴ While explaining the background of the proposed talk on December 30, Unification Minister Ryoo Kihl-jae emphasised that as 2015 is to mark the 70th anniversary of Korea's liberation from Japanese colonial rule and the 70th anniversary of national division, it will be a crucial time for both the Koreas to deliberate on ways to realise peaceful reunification.²⁵ In early October this year, as the high level delegation from North Korea visited South Korea for the Incheon Asian Games, leaders of both the Koreas agreed to hold vice-ministerial talks in late October or early November 2014. However the talks could not be held due to North Korea's stern reaction to an anti-Pyongyang leaflet and balloon campaign taken up by some South Korean civic activists. It is not yet clear whether or not Pyongyang will accept Seoul's latest proposal given that the former has always been critical of the Unification Preparatory Committee. In fact North Korea treats the Committee as part of South Korean strategy to absorb the Pyongyang regime. Nevertheless, this development has been perceived as Park administration's possibly last effort to realise some substantial efforts towards improving the inter-Korean relationship. It is believed that in case Park fails in such attempt in 2015, she might not be able to do much in this regard even in 2016 as in April that year, South Korea is scheduled to hold general election.²⁶

²¹ 'Taiwan Urged not to Recruit Students to Spy on Mainland', *Global Times*, October 30, 2014, <http://www.globaltimes.cn/content/889076.shtml> accessed November 14, 2014; ' 'Chinese Student-Spy' Story Panned', *Taipei Times*, October 29, 2014, <http://www.taipeitimes.com/News/taiwan/archives/2014/10/29/2003603194> accessed November 14, 2014

²² 'Senior Civil Servants Barred from PRC Study', *Taipei Times*, 30 October 2014, <http://www.taipeitimes.com/News/front/archives/2014/10/30/2003603240> accessed 5 November 2014.

²³ 'Seoul proposes minister-level talks', *Korea JoongAng Daily*, December 30, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2999061> accessed 30 December 2014

²⁴ 'Seoul proposes to Pyongyang 'to hold authorities' meeting next month', *Donga Ilbo*, December 30, 2014, <http://english.donga.com/srv/service.php3?biid=2014123017938> accessed 30 December 2014

²⁵ 'Year 2015 hoped to open South-North Korean talks', *Donga Ilbo*, December 30, 2014 <http://english.donga.com/srv/service.php3?biid=2014123023948> accessed 30 December 2014

²⁶ 'Seoul proposes to Pyongyang 'to hold authorities' meeting next month', *Donga Ilbo*, December 30, 2014 <http://english.donga.com/srv/service.php3?biid=2014123017938> accessed 30 December 2014

South Korea signs FTA with China and New Zealand

On November 10, South Korea signed a bilateral FTA with China on the sidelines of the APEC summit in Beijing. The two sides agreed on twenty two chapters (including finance, communication and services) that would lift trade and investment barriers. Both the countries also agreed to remove tariffs on more than 90 percent of the imported items over the next twenty years. Even though the South Korean side termed the FTA as the most significant economic deal between the two countries since the establishment of their diplomatic ties in 1992,²⁷ it still needs parliamentary ratification before coming into force.²⁸ Within a week of signing the South Korea-China FTA, Seoul signed a similar agreement with New Zealand on November 15 in Brisbane on the sidelines of the G-20 summit held in Australia. However, the treaty will come into force only after it is ratified by parliaments of both the countries. If implemented, under the said FTA, New Zealand will abolish all tariffs on 92 percent of the imported products from South Korea over the next seven years. South Korea too, on its part, will do away with tariffs on more than 96.4 percent of its imported products from New Zealand within the next twenty years.²⁹

South Korea signs trilateral military intelligence pact with the US and Japan

South Korea signed a trilateral military pact on sharing sensitive military information on North Korea's nuclear and missile programs. This pact came into effect on December 29. It is to provide an opportunity to the three military partners to handle better the growing security threats from North Korea. However, the pact will be binding only diplomatically and not legally.³⁰ The trilateral arrangement is primarily based on the bilateral information sharing pact the US has with both Japan and South Korea. While the US shares military information with the South under the information protection act 1987, Washington has another information protection pact (2007) with Tokyo for similar purpose. Under the trilateral pact, South Korea and Japan will not directly be able to share sensitive information with each other as they do not have any bilateral arrangement in this regard. However, if necessary they can share such information via the US.³¹ Some South Korean analysts however seem to be critical of the latest pact as they believe that it will eventually push Seoul to participate in the global missile defence programme led by the US. However, the South Korean government officials deny that prospect while reiterating that South Korea would operate an independent low-tier missile defence programme in the future.³²

ASEAN-South Korea Commemorative Summit held in Busan

The ASEAN-South Korea Commemorative Summit 2014 was held in Busan on December 11-12. It provided a platform for both South Korea and ASEAN member states to analyse the achievements of their bilateral ties in the last 25 years. At the end of the summit, the leaders reiterated their stance that the security interests of both

²⁷ 'Korea, China conclude FTA deal', *The Korea Herald*, November 10, 2014 <http://www.koreaherald.com/view.php?ud=20141110001175> accessed 30 December 2014

²⁸ 'Korea-China FTA signed with record speed', *Korea Joongang Daily*, November 11, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2997156> accessed 30 December 2014

²⁹ 'Korea, NZ clinch free trade pact', *The Korea Herald*, November 16, 2014 <http://www.koreaherald.com/view.php?ud=20141116000284> accessed 31 December 2014

³⁰ 'S. Korea, US, Japan sign pact on sharing NK intel', *The Korea Herald*, December 29, 2014, at <http://www.koreaherald.com/view.php?ud=20141229000363> accessed 30 December 2014

³¹ 'Korea, US, Japan sign military info-sharing deal', *The Korea Herald*, December 26, 2014 <http://www.koreaherald.com/view.php?ud=20141226000673> accessed 30 December 2014

³² Ibid.

northeast and southeast Asia are closely interlinked.³³ As far as South Korea is concerned, the Busan summit was significant due to the following reasons. Firstly, in the post BRICS era, ASEAN's emergence as a major economic bloc with the potential of influencing the global economy in the future has raised South Korea's interest in the region. In 2013, for Korea, ASEAN was the second largest trading partner in the world. Korea intends to expand the bilateral trade to \$200 billion by 2020. In the Busan summit, both South Korea and the ASEAN member states agreed to deepen regional economic partnership and integration by concluding the negotiation towards Regional Comprehensive Economic Partnership (RCEP) by the end of 2015. This could help Seoul in deepening economic ties with the Southeast Asia.³⁴ Secondly, the joint declaration on North Korea emphasised on the early denuclearisation of North Korea. The recent declaration on North Korea indicated progress from the declaration published after the ASEAN-South Korea summit held in Jeju in 2009. The 2009 declaration merely mentioned a "peaceful resolution of the North Korean nuclear issue through six party talks."³⁵ Thirdly, on the sidelines of the Busan summit, South Korea and Vietnam agreed on the outline of a FTA that would offer greater opportunity towards export of such products as small vehicles, freight trucks, cosmetics and consumer electronics.³⁶

South Korea launches its annual defence war exercise despite North Korea's opposition

On November 10, South Korea launched its annual defence exercise-Hoguk. The 12-day long exercise involved all branches of service-army, navy, air force and marine corps. The primary objective of the exercise was to "establish supreme military defence capabilities against (North Korea's) possible regional provocations and all-out war." Around 330,000 troops participated in the Hoguk exercise that included programmes like joint landing drills, maritime infiltration, defence drills and those to defend the north-western islands on the Yellow Sea. This year's exercise is reportedly the largest ever in terms of scale.³⁷ North Korea has reacted fiercely against the exercise while claiming it as tantamount to an "intrusion into the North."³⁸ On November 17, Pyongyang urged Seoul to call off the exercise arguing that it brought worst crisis to the inter-Korean relationship.³⁹

South Korean Foreign Minister visits Middle East

South Korea's Foreign Minister Yun Byung-se went on an official visit to the Middle East in December. The visit was aimed at deepening South Korea's bilateral ties with the regional states there. During his visit, Yun held talks with political leaders of Jordan, Saudi Arabia, Palestine and Israel and deliberated extensively on security issues. Yun's visit to Palestine was the first in seven years by a South Korean Foreign Minister. During his visit, Yun held talks with Palestinian Prime Minister Rami Hamdallah on December 21 and agreed to launch a project worth \$7 million to establish a civil service institute in Palestine over the next three years. Yun held talks with his Palestinian counterpart Avigdor Lieberman as well on issues such as bilateral economic and security cooperation, especially in

³³ 'Korea, ASEAN end Busan summit', *Korea Joongang Daily*, December 13, 2014, <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2998482> accessed 30 December 2014

³⁴ 'ASEAN-Korea summit honor ties', *Korea Joongang Daily*, December 10, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2998336> accessed 30 December 2014

³⁵ 'Korea, ASEAN end Busan summit', *Korea Joongang Daily*, December 13, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2998482> accessed 30 December 2014

³⁶ 'Vietnam FTA makes progress', *Korea Joongang Daily*, December 11, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2998377> accessed 30 December 2014

³⁷ 'S. Korea launches annual defence drill to deter N. Korea', *The Korea Herald*, November 10, 2014 <http://www.koreaherald.com/view.php?ud=20141110001009> accessed 30 December 2014

³⁸ Ibid.

³⁹ 'N. Korea urges South to halt massive military drill', *The Korea Herald*, November 17, 2014 <http://www.koreaherald.com/view.php?ud=20141117000771> accessed 30 December 2014

counterterrorism and cyber security. In Jordan, Yun held talks with King Aduallh II on the expansion of bilateral cooperation. While attending the 11th Korea-Middle East Cooperation Forum in Amman, Yun insisted on the need for greater understanding of economic and security issues in order to deepen ties between South Korea and the Middle East. He also visited a Syrian refugee camp in Jordan which houses more than 80,000 displaced people and presented them 40 caravans. Yun arrived at Saudi Arabia on December 23 and held talks with government officials on issues ranging from expansion of economic ties to promoting joint infrastructure projects such as renewable energy facilities.⁴⁰

The UN Security Council officially includes North Korea's human rights issue

On December 22, the UN Security Council (UNSC) took a historic decision by officially including Pyongyang's human rights record on its agenda. It is reportedly the first time that the human rights situation of any country will be part of the agenda of an ongoing debate in the UNSC. The decision was taken after 11 of the 15-member Security Council supported it. While two members voted against it, two other members abstained from voting.⁴¹ The issue came to the UNSC following the UN General Assembly's endorsement of a key resolution on November 18, 2014 that could lead to prosecution of North Korea's leader Kim Jong-un for crimes against humanity. The resolution also urges the UNSC to refer the North Korean human rights situation to the International Criminal Court (ICC). The draft of the resolution was co-sponsored by sixty two nations, including the US, South Korea, Japan as well as members states of the EU. Later on, it was adopted by an overwhelming majority of the Third Committee of the UN General assembly that deals with human rights issue.⁴²

South Korea has welcomed the UNSC's decision and hoped that intense debate on the North Korean human rights issue in the Security Council could be helpful in improving the North's human rights record. North Korea has reacted fiercely against the move by the UNSC.⁴³ Just after the passing of the resolution in the General Assembly in November, North Korea's national Defence Commission headed by Kim Jong-un announced that the said resolution is an explicit declaration of war that hurts North's sovereignty. It also termed the resolution "a malicious plot created by the US and its puppets", and threatened US, Japan and South Korea with menacing retaliation.⁴⁴ While three permanent members of the UNSC –the US, UK and France are of the view that the issue of referring the North Korean human rights to the ICC should be considered, the fate of the said resolution is still uncertain. It is so because the other two permanent members of the UNSC-China and Russia- are opposed to the resolution⁴⁵ and might veto it.

North Korean envoy visits Russia

North Korean leader Kim Jong-un sent his special envoy Choe Ryong-hae to Russia on November 17 in order to bolster the bilateral ties. During his visit, Choe travelled to Russia's Far East, including Khabarovsk and deliberated

⁴⁰ 'Foreign minister discusses security in Middle east', *Korea Joongang Daily*, December 24, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2998878> accessed 30 December 2014

⁴¹ 'Seoul lauds move to put the North on UN agenda', *Korea Joongang Daily*, December 24, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2998884> accessed 30 December 2014

⁴² 'North threatens retaliations over UN resolution', *Korea Joongang Daily*, November 24, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2997684> accessed 30 December 2014

⁴³ 'Seoul lauds move to put the North on UN agenda', *Korea Joongang Daily*, December 24, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2998884> accessed 30 December 2014

⁴⁴ 'North threatens retaliations over UN resolution', *Korea Joongang Daily*, November 24, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2997684> accessed 30 December 2014

⁴⁵ 'Seoul lauds move to put the North on UN agenda', *Korea Joongang Daily*, December 24, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2998884> accessed 30 December 2014

with Russian leaders on the expansion of bilateral economic ties. This visit was largely successful as far as North Korea is concerned due to the following reasons. Firstly, North Korea secured Russia's support on the resumption of the Six party Talks. Secondly, Choe also succeeded in securing Russia's support against the recent UN Resolution that pushes for the prosecution of North Korean leader Kim Jong-un at the International Criminal Court (ICC). Thirdly, this visit also helped North Korea in securing economic cooperation with Russia especially in agricultural and industrial sectors.⁴⁶

North Korea holds memorial to mark the third death anniversary of Kim Jong-il

North Korea held a memorial event on December 17 to commemorate the third death anniversary of former leader Kim Jong-il. It took place in the plaza in front of Kamsusan Palace of the Sun, which serves as the mausoleum for both Kim Jong-il and his father Kim Il Sung. It was attended by top officials from the Workers' Party as well as government and military officials.⁴⁷ The event was significant as it marked the end of the traditional three-year long mourning period for Kim Jong-il's son and successor-Kim Jong-un. The Rodong Shinmun, the official mouthpiece of the Workers' Party has termed the last three years after Kim Jong-il's demise as "sacred three years". While noting current leader Kim Jong-un's two-track policy of pursuing nuclear development and economic growth simultaneously, the Rodong Shinmun suggested that Kim is now in full control of his country.⁴⁸

TRACKING JAPAN

China-Japan summit

Following months of negotiation between the policymakers of the two countries, Chinese President Xi Jinping and Prime Minister Shinzo Abe held a summit meeting for the first time in two years since the leaders assumed office ahead of the APEC summit. The official meeting between Chinese State Councilor Yang Jiechi and Japanese National Security Advisor Shotaro Yachi produced a four-point agreement intended to improve bilateral relations.⁴⁹ China and Japan, while accepting differing positions on the contested islands, decided to resume political, diplomatic and security dialogue. Both the countries decided to follow the principles laid out in the four political documents⁵⁰; surmounting political impediments in the "spirit of facing history squarely"; and decided to institute crisis management mechanisms to shun incidents in the East China Sea and manage tense situations by way of dialogue.⁵¹ This laid the foundation for the much needed confidence building measure between the two countries. Moreover, Foreign Minister Fumio Kishida and Wang Yi met for the Japan-China Foreign Ministers' Meeting.

⁴⁶ 'Jong-un's envoy ends Russia trip', *Korea Joongang Daily*, November 25, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2997733> accessed 30 December 2014

⁴⁷ 'Shivery memorial held in Pyongyang', *Korea Joongang Daily*, December 19, 2014 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2998717> accessed 30 December 2014

⁴⁸ 'Kim Jong-un's official mourning period ends', *Korea Joongang Daily*, December 17 <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2998619> accessed 30 December 2014

⁴⁹ 'Regarding Discussions toward Improving Japan-China Relations', Ministry of Foreign Affairs Japan, November 7, 2014 http://www.mofa.go.jp/a_o/c_m1/cn/page4e_000150.html accessed on December 6, 2014 accessed 30 December 2014

⁵⁰ The four political documents include 1972 China-Japan Joint Statement, the 1978 China-Japan Treaty of Peace and Friendship, the 1998 China-Japan Joint Declaration and 2008 joint statement on advancing strategic and mutually-beneficial relations in a comprehensive way.

⁵¹ Yamei Wang, 'China, Japan reach four-point agreement on ties', *Xinhua*, November 7, 2014 http://news.xinhuanet.com/english/china/2014-11/07/c_133772952.htm accessed on December 6, 2014

Shinzo Abe wins the December snap polls

Prime Minister Abe dissolved the House of Representatives in November and called for election on December 14. This was primarily because Abe claimed to seek public mandate on his decision of postponing an additional consumption tax rate hike to 10 percent from the current 8 percent by 18 months which was initially scheduled for October 2015. Since he began his second term as Prime Minister in December 2012, Abe has forcefully argued the case of Abenomics. However, Abe decided in favour of a snap election as the Cabinet Office released the initial gross domestic product number for July-September period marking a negative growth of 1.6 percent.⁵² The December 14 election cost around ¥63 billion i.e. over \$500m with only 52.7 percent turnout. Abe's Liberal Democratic Party (LDP) secured 291 seats in the lower house of the Diet. Adding up the coalition partner Komeito's contribution, ruling coalition managed 326/475 seats thus keeping two-third majority.

Tax reform plans in FY2015

In December, LDP and Komeito adopted 2015 tax reform policies enabling corporate tax cut and expanding the tax break for the rich. This is aimed at reinforcing slow household spending and improving business investment to facilitate economic recovery. By strengthening the profitability of large businesses and encouraging asset transfers from the old to the young, Abe expects to support Abenomics and rejuvenate local economies across Japan. However, the critics underline that the reforms do not include far-reaching measures supporting the lower income groups and small corporations who are affected by the consumption tax hike in April leading to price rise and weak yen. In 2015, Japan will reduce the existing 34.62 percent corporate income tax to 32.11 percent. Furthermore, in 2016 it will be slashed to 31.33 percent. Nevertheless, Japan is unable to offer steady financial resources to make up for the tax cuts. Japan aims to slash the effective corporate tax rate, which is comparatively high by international standards, to less than 30 percent over a period of time. To stimulate the regional economy, LDP and Komeito decided to offer tax breaks to corporations shifting their head office from Tokyo to regional areas. Moreover, to avert offshore tax evasion, taxation on rich Japanese based overseas will be reinforced.⁵³

Modi-Abe met in Brisbane

Japanese Prime Minister Shinzo Abe hosted a dinner for Prime Minister Modi in Brisbane a day before the G20 Summit in November. The two leaders discussed a range of issues including strengthening economic cooperation, progress of the negotiation on US-2 amphibious aircraft, prospects of high-speed railway in India, and enhancing bilateral security cooperation by way of vice foreign and defence ministers meeting. Prime Minister Abe reportedly underscored the significance of advancing multilateral security cooperation involving Japan, US, Australia and India to 'counter China's rise'.⁵⁴

Japan strengthen security ties with the US and Australia

On the sidelines of the G20 summit in Brisbane, the US, Japan and Australia agreed to strengthen security cooperation including efforts to jointly build submarines and other defence equipment and conducting joint exercises involving the three nations. Analysts interpret this move in the context of developments in the South China Sea and the East China Sea. Moreover, the leaders discussed several other issues such as combating the

⁵² 'Lower house to dissolve Friday; Abenomics faces litmus test', *The Japan News*, November 18, 2014 <http://the-japan-news.com/news/article/0001728366> accessed 30 December 2014

⁵³ 'Japan's ruling bloc OKs FY 2015 tax reform plan, favoring wealthy', *Kyodo*, December 30, 2014 <http://asia.nikkei.com/Politics-Economy/Economy/Japan-s-ruling-bloc-OKs-FY-2015-tax-reform-plan-favoring-wealthy> accessed 30 December 2014

⁵⁴ 'Abe, Modi talk on export of MSDF aircraft, trains to India', *Jiji Press*, November 15, 2014

Ebola crisis in West Africa, eliminating the risk emanating from Islamic State, and the challenges posed by the North Korean nuclear and missile programs and abduction issue concerning the Japanese nationals.⁵⁵ Meanwhile, in a separate meeting Japan and the US discussed the issue of updating the defence cooperation guidelines⁵⁶ and commitment to conclude the Trans-Pacific Partnership free trade talks.

Japan-ASEAN talks

Japanese Defence Minister Akinori Eto met with the defence ministers of the ASEAN countries for a round-table session in Bagan, Myanmar and talked about several non-traditional security issues including maritime security cooperation, cyber security, humanitarian aid and disaster relief. Both US and China have similar multilateral defence talks with ASEAN countries. During the Japan-ASEAN summit in Tokyo, Japanese Prime Minister Abe proposed this defence ministers' meeting.⁵⁷ Minister Eto stated that Japan would support ASEAN by way of capacity building and cooperation in equipment and technology. Moreover, Eto underscored that ASEAN countries are situated in the critical route of sea lanes and thus strengthening cooperative ties with Southeast Asia is important. It is crucial to expand the scope of Japan-ASEAN relations beyond economy and explore cooperation on non-traditional security issues.⁵⁸

Japan strengthens cyber security

Following the North Korean cyber attack case in relation to the Sony Pictures, Japanese cyber security professionals and policymakers are taking initiatives aimed at securing its infrastructure. Japan is strengthening its reaction to such threats and ensuring that in an event of a cyber attack, its basic functions will continue including critical services like the power network, gas supplies and transport system. The National Information Security Center is reportedly asking businesses to augment security with regard to cyber attacks. While North Korea has rejected any accusation with regard to the Sony hacking incident, US claimed Pyongyang's role behind the cyber attack. Japanese authorities acknowledged the vulnerability of its businesses whose security rating stands at 58.5/100 as per Trend Micro. Internet providers and IT firms are less vulnerable compared to welfare services, medical facilities and transportation and infrastructure systems.⁵⁹

Japan reports high number of scrambling incidents

Defense Ministry official reportedly said that between October and December 2014, there were 164 instances⁶⁰ where Japanese Air Self-Defense Force (JASDF) jets scrambled approaching Chinese jets. There were recurring

⁵⁵ 'Japan, U.S., Australia 'to deepen security ties', *AP*, November 15, 2014 <http://newsok.com/us-japan-australia-agree-to-deepen-security-ties/article/feed/760144> accessed 30 December 2014

⁵⁶ 'Abe, Obama vow to work to revise Japan-U.S. defense guidelines', *Kyodo*, November 16, 2014 <http://www.japantimes.co.jp/news/2014/11/16/national/politics-diplomacy/abe-obama-vow-work-revise-japan-u-s-defense-guidelines/#.VQE4b-Gr9gA> accessed 30 December 2014

⁵⁷ 'Eto to visit Myanmar to join first talks with ASEAN defense ministers', *Kyodo*, November 19, 2014 <http://www.japantimes.co.jp/news/2014/11/19/national/eto-visit-myanmar-join-first-talks-asean-defense-ministers/#.VGwwHmdNFK8> accessed 30 December 2014

⁵⁸ 'Extra Press Conference by the Defense Minister Eto', *Ministry of Defence Japan*, November 19, 2014, <http://www.mod.go.jp/e/pressconf/2014/11/141119.html> accessed 30 December 2014

⁵⁹ Tim Kelly and Nobuhiro Kubo, 'Japan, wary of N.Korea, works to secure infrastructure after Sony attack', *Reuters*, December 24, 2014 <http://in.reuters.com/article/2014/12/24/northkorea-cyberattack-japan-idINKBN0K20IT20141224> accessed 30 December 2014

⁶⁰ 'Japan says jets scrambling at record pace to counter Chinese, Russian intrusions', *Reuters*, January 20, 2015 <http://www.reuters.com/article/2015/01/20/us-japan-china-russia-idUSKBN0KT0KT20150120> accessed 30 January 2015

incidents allegedly between the main island of Okinawa and Miyako Island. Moreover, there were 45 similar incidents with regard to the Russian jets.⁶¹ It needs to be noted that both Chinese and Russian jets did not encroach into the airspace of Japan. Earlier, between the period of April and September 2014, there were reportedly 207 instances of scrambling by the JASDF.⁶²

Abe-Putin's 10th meeting

Japan-Russia summit meeting happened in Beijing on November 9. Prime Minister Shinzo Abe met President Vladimir Putin for the 10th time. Earlier the leaders met in Sochi in February. In the latest meeting, they reportedly discussed the prospects of President Putin's visit to Japan, foreign vice-minister-level consultations, Foreign Minister Kishida's visit to Russia, and negotiations on concluding a peace treaty. With regard to economic ties, Japan and Russia has undertaken cooperative projects on urban environment and Far East agriculture. In the Ukraine issue, Prime Minister Abe articulated concerns over the "election" done by the separatists in Eastern Ukraine and urged Russia to perform a constructive role in fulfilling the ceasefire agreement.⁶³

⁶¹ 'Japanese scrambles against Chinese planes hit quarterly record high', *Kyodo*, January 20, 2015 <http://asia.nikkei.com/Japan-Update/Japanese-scrambles-against-Chinese-planes-hit-quarterly-record-high> accessed 30 January 2015

⁶² 'Japan Defence Focus', No 58 *Ministry of Defence Japan*, November 2014 <http://www.mod.go.jp/e/jdf/no58/> accessed 30 January 2015

⁶³ 'Japan-Russia Summit Meeting', *Ministry of Foreign Affairs of Japan*, November 9, 2014 http://www.mofa.go.jp/erp/rss/northern/page4e_000152.html accessed 30 January 2015

CHINA

- In January-December 2014, Chinese import and export amounted to US\$ 4.30304 trillion, representing an increase of 3.4 percent year on year. Export amounted to US\$ 2.34275 trillion, up 6.1 percent year on year, and import totalled at US\$ 1.96029 trillion, up 0.4 percent. Trade surplus amounts to US\$ 382.46 billion, up 47.7 percent.⁶⁴

JAPAN

- Ministry of Finance in December confirmed that value of exports amounted to ¥6,891,804 million representing a 12.8 percent increase year on year. The value of imports amounted to ¥7,557,385 million representing a 1.9 percent increase year on year.⁶⁵
- All items index of consumer prices in 2014 was 102.8 (2010=100), up 2.7% over the year.⁶⁶

SOUTH KOREA

- In 2014, the Consumer Price Index was 109.04(2010=100), up 1.3 percent year on year.⁶⁷

⁶⁴ 'Brief Statistics on China's Import & Export in December 2014', *Ministry of Commerce Peoples Republic of China*, January 19, 2015 <http://english.mofcom.gov.cn/article/statistic/BriefStatistics/201501/20150100871755.shtml> accessed January 30 2015

⁶⁵ 'Value of Exports and Imports December 2014', *Ministry of Finance, Trade Statistics*, March 12, 2015-03-16 http://www.customs.go.jp/toukei/shinbun/trade-st_e/2014/2014127e.pdf accessed March 15 2015

⁶⁶ 'Japan 2014 Summary', *Statistic Bureau, Ministry of Internal Affairs and Communication*, January 30 2015 <http://www.stat.go.jp/english/data/cpi/158c.htm> accessed 30 January 2015

⁶⁷ 'Consumer Price Index in December 2014', *Price Statistics Division, Economic Statistics Bureau, STATISTICS KOREA*, December 31, 2014 <http://kostat.go.kr/portal/english/news/1/1/index.board?bmode=read&aSeq=332938&pageNo=2&rowNum=10&amSeq=&sTarget=title&sTxt=> accessed 25 February 2015

ACTIVITIES OF THE CENTRE

- A six-member delegation from China led by Mr. Wu Xinbo, Professor and Executive Dean, Institute of International Studies at the Centre for American Studies, Fudan University visited IDSA for an interaction on 12th December 2014. There was discussion on Maritime Silk Road, Maritime Security, Trans-Asian Infrastructure and China-India-US Trilateral Relations etc.
- A three-member delegation led by Dr. Cho Nam Hoon from the Korean Institute for Defence Analyses (KIDA), Seoul visited IDSA for the annual bilateral dialogue on 16th December. Dr. Boo Hyeong Wook and Dr. Seol In Hyo accompanied Dr. Cho.

LIST OF CENTRE PUBLICATIONS

- Naval Jagota, China Yearbook 2013, Publisher: Magnum Books Pvt Ltd, ISBN: 978-93-82512-24-0 <http://www.idsa.in/book/ChinaYearbook2013.html>
- Naval Jagota, Showcasing of PLAAF Technological Developments, IDSA Comment, December 11, 2014 http://www.idsa.in/idsacomments/ShowcasingofPLAAF_njagota_111214.html
- Titli Basu, Xi-Abe handshake, not yet an embrace, IDSA Comment, November 24, 2014 http://www.idsa.in/idsacomments/XiAbehandshake_tbasu_241114.html

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