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EDITOR'S NOTE

India and China are commemorating the 60th anniversary of Panchsheel. To mark the occasion, the East Asia Centre (IDSA) in collaboration with the Embassy of the People's Republic of China in New Delhi, organised a one-day conference. The daylong exchange of ideas underscored that while India-China relations are often analysed through the prism of competition instead of cooperation, the international order provides enough space to both nations to help build a harmonious world. Discussions highlighted that strong leadership in both India and China is expected to infuse momentum in the bilateral relations. This edition of East Asia Monitor features a brief report of the conference.

Meanwhile, important developments unfolded in May and June concerning China, Japan, and the Korean peninsula, bearing implications for the East Asian regional stability. Japan's shifting security posture stirred critical response from China and Korea; North Korea fired missiles into the Sea of Japan; escalation of tensions in the South China Sea; and terror strikes in Xinjiang reflect the volatile security landscape. The debate on Japan's right to collective self-defence has gained momentum and Prime Minister Abe has successfully navigated through difficult discussions with New Komeito. The coming months are expected to unfold significant developments as Abe intends to submit defence policy-related bills to the Diet next year. Furthermore, Russia is strengthening strategic partnership with China by way of undertaking joint naval drills in the East China Sea and the gas deal with China National Petroleum Corporation. Russia is also taking initiatives to cultivate relations with Pyongyang.

This issue of Monitor features Chinese Ambassador to India, H. E. Mr. Wei Wei's keynote speech delivered in IDSA at the inaugural session of the conference on "60th Panchsheel Anniversary: Relevance for India-China Relations". Prof. Shen Dingli of Fudan University shared his thoughts with the Monitor on several issues including China's all weather strategic cooperative partnership with Pakistan, US's pivot/rebalancing strategy to Asia, Xi Jinping's new model of major power relations between China and US, Sino-Japanese relations and developments in the South China Sea. Additionally, Japanese Professor, Takenori Horimoto from Kyoto University offered his analysis, by way of a commentary, on re-interpretation of Article 9 of the Constitution. 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

60TH PANCHSHEEL ANNIVERSARY

RELEVANCE FOR INDIA-CHINA RELATIONS

(June 11, 2014; Venue IDSA)

Keynote Address: H. E. Mr. Wei Wei

Ambassador Extraordinary and Plenipotentiary of PRC to India

Distinguished Mr. Arvind Gupta, Director General of IDSA,
Experts, Scholars, Friends,
Ladies and gentlemen,
Namaste!



This year marks the 60th Anniversary of the Five Principles of Peaceful Co-existence, or Panchasheel. It is a pleasure for the Chinese Embassy to co-host this seminar with IDSA. Thanks for your hard work and good arrangement. I would also like to extend my gratitude to Mr. Shilpkar Ambale, Director of East Asia Division, MEA and former ambassadors, experts and scholars from IDSA and China for your presence.

Sixty years ago, during Chinese Premier Zhou Enlai's visits to India and Myanmar, he along with Prime Minister Jawaharlal Nehru of India, and Prime Minister U Nu of Myanmar, issued joint statements and initiated the Five Principles of Peaceful Co-existence. Since then, thanks to the efforts by the three countries, these principles have been recognised and accepted by more and more countries, and written into many important international documents, thus becoming fundamentals of international law, widely adopted by the international community. For decades, these principles have significantly contributed to peace, stability and development in Asia and the world at large.

- They have helped countries to safeguard sovereignty and territorial integrity, which serve the fundamental interests of people all over the world.
- They have provided basic guidelines for countries with various social systems to establish and develop relations.
- They have inspired methodology to handle problems left over by history and to settle international disputes by peaceful means.
- They have safeguarded the interests of developing nations, promoted improvement and development of north-south relations.
- They also have laid theoretical foundation for more fair and reasonable international order.

Today, we are living in a very different world from that of six decades ago, but the Five Principles of Peaceful Co-existence are still relevant. We should continue to uphold, at the same time further enrich and develop these principles.

We should follow these principles when conducting diplomacy. We should unswervingly stick to our independent foreign policies, uphold the spirit of non-alignment, and work for a new international order that is more just and reasonable.

We should firmly support equal sovereignty among all states. The right of all nations to choose their own social system and path of development should be respected and protected. No countries should interfere in other's internal affairs on the pretext of human rights or humanitarian protection.

We should actively seek common development. We should stick to the path of peaceful development and common

development, in line with the spirit of equality, mutual benefit, cooperation, and win-win for all. We should respect each other's rights to make independent economic decisions, advocate a mutually beneficial global trade and economic regime, and oppose protectionism in any form. In the economic field, we should make efforts to achieve peaceful co-existence, equal participation, and competition on an equal footing, and win-win for all.

We should promote New Security Concept, featuring mutual trust, mutual benefit, equality and coordination. As President Xi Jinping of China proposed in the recent Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA), it is necessary to advocate common, comprehensive, cooperative and sustainable security in Asia. Differences and disputes among countries shall be resolved through dialogue and consultation, instead of use or threat of force.

We should fully respect diversity in the world. Different civilizations, cultures and religions should strengthen dialogue, seek common ground while shielding differences, accommodate and co-exist with one another in harmony. Nations, having different political systems or in different developing stages, should respect and learn from each other. No countries should impose its ideology or development model on other countries.

Last but not least, we should push the world towards the direction of multi-polarisation. Developing countries should have more representation in international affairs, and international rules should be made through equal and collective consultations. The UN, G20, SCO, BRICS and other multinational regimes should get full scope for the role they play, with a view to make international governance more just and reasonable.

China, India and Myanmar are neighbours connected by common mountains and rivers. We have similar history, in which we were all victims of colonialism and imperialism. And today, we share the common task to develop economy, and enable our people to have more decent lives.

Last year, during his visits to Central Asia and Southeast Asia, President Xi Jinping made two important initiatives of building the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The purpose is to infuse new vigor to the ancient Silk Road, and add two powerful wings to the rejuvenation of Asia as a whole.

Currently, we are working hard for a BCIM Economic Corridor. Once finished, it will substantially increase connectivity among China, India, Myanmar and Bangladesh, greatly promote trade, investment and people-to-people exchanges, and encourage industrial and market integration. It will contribute significantly to peace and prosperity in this region. I would like to say, the BCIM Economic Corridor is a concrete example of implementing the Five Principles of Peaceful Co-existence in contemporary time. We would like to work jointly with other three countries, to build and finish the corridor at an early time, in order to benefit all people in this region.

President Xi Jinping described how precious peace is in his recent public address. He said, "history has already shown us, that war is like demon or nightmare, inflicting endless suffers and pains to people. We must stay highly alert about it. While peace is like air and sunshine, blessing people without being noticed, but once lost, people can never survive." We gather here today and commemorate the 60th Anniversary of the Five Principles of Peaceful Co-existence to develop and enrich these principles, so that they could continuously make contributions to the great cause of world peace and development. I wish this seminar a success.

Thank you! Dhanyavad!

REPORT OF THE CONFERENCE



The East Asia Centre, IDSA, in collaboration with the Embassy of the People's Republic of China in New Delhi, organised a conference titled "60th Anniversary of Panchsheel: Relevance for India-China Relations" on 11 June 2014. The conference had three sessions, besides the inaugural one. The Chinese delegation included former Chinese Ambassador to India, Mr. Zhou Gang, Prof. Shen Dingli of the Fudan University, Mr. Ye Hailin from the Chinese Academy of Social Sciences (CASS), Prof. Chen Jidong from the Sichuan University and Prof. Deng Junbing of the Sunda Consultancy of Association of Former Diplomats of China. The Welcome address was delivered by Dr Arvind Gupta, Director General, IDSA, followed by the Keynote address by His Excellency Ambassador Mr Wei Wei. A Special Address was delivered by Shri Tarun Vijay, Honourable Member of Parliament, Rajya Sabha. The Indian participants included former Indian Ambassador to China, Nalin Surie, former Ambassador R.S. Kalha, Prof. Sujit Dutta from the Jamia Millia Islamia University, Prof. Madhu Bhalla from University of Delhi, Prof. Srikanth Kondapalli from Jawaharlal Nehru University, Mr. Jayadeva Ranade from the National Security Advisory Board and Dr. Jagannath Panda, Research Fellow & Centre Coordinator, East Asia in IDSA.

INAUGURAL SESSION

Welcoming the participants, Dr. Arvind Gupta underscored that the five principles of Panchsheel provide a basis for not only interstate relations but also the construction of a new international order. While the coming together of the two great civilisations led to great expectations, the warmth between the two countries was rather short-lived and the psychological scars of the 1962 war stayed on. Dr. Gupta emphasised that the boundary issue continues to remain unsettled and constitutes a major obstacle in the development of bilateral relations.

India and China are sensitive to the emergence of new global and regional realties as the older world order gave way to a newer one. These changes generated fresh challenges and also offer opportunities for the two countries to work together. Dr. Gupta emphasised that India and China need to cooperate if this century is to be the Asian century. He raised a few questions: In what ways can the two countries revive the spirit of Panchsheel and work together for their mutual benefit and for regional and global peace? How relevant is Panchsheel in today's world characterised by globalisation, which cut across boundaries and intense mutual dependencies?

Delivering the keynote speech, the Chinese Ambassador to India, H.E. Mr. Wei Wei traced the trajectory of Panchsheel and emphasised that its principles constitute the fundamentals of international law, contributing to peace, stability and development in Asia. The Panchsheel principles inspired the methodology to handle the problems left over by history and to settle international disputes by peaceful means and provided a theoretical foundation for a more fair and reasonable international order. There is a need for multi-polarisation of the world and greater representation of developing countries in international affairs.

In today's scenario, Panchsheel could be instrumental in guiding states in diplomacy. India and China follow their independent foreign policies and support equal sovereignty among all states. The right of all nations to choose their own social system and path of development should be respected and protected. While no country should impose its ideology or development model on the other, disputes among countries needed to be resolved through dialogue and consultation and not the use or threat of force.

The speech of Joint Secretary, East Asia, Ministry of External Affairs, Mr Gautam Bambawale, was read out. Mr. Bambawale said that Panchsheel provided an alternative voice to the newly independent countries in Asia. Nehru and Zhou Enlai elaborated their vision of Panchsheel as the framework not only for India and China but also for relations with all other countries to lay a solid foundation for peace and security in the world. Panchsheel gave substance to the voice of the newly established countries who were seeking space to consolidate their hard-won independence as it provided an alternative ideology dedicated to peace and development of all as the basis for international interaction. India and China are celebrating the year 2014 as a year of friendly exchanges and the bilateral relationship has reached a stage where it could be consolidated and taken to the next level. The two countries maintain a good momentum of high-level contacts and exchanges. Expressing concern over trade imbalance in India-China economic relations, he called for greater Chinese investments in India, particularly in the manufacturing and infrastructure sectors. Furthermore, he stressed that peace and tranquillity in the border regions is an important guarantor for development and continued growth of the bilateral relations. Both India and China need to accommodate and be sensitive to each other's concerns and aspirations and see each other as equal partners for development. They need to focus on mutual complementarities to realise the untapped potential of this strategic and cooperative partnership.

Shri Tarun Vijay, Member of Parliament, Rajya Sabha delivered the Special Address. He pointed out that there never was a more opportune time to improve India-China relations. He added that Panchsheel in 2014 is viewed in a positive manner because of the tremendous changes in India-China relations. He underscored 'togetherness' as the key in the bilateral relations and both countries explore solutions through negotiations. He congratulated the Chinese people for being warm and generous and noted that China has always displayed warm regards for India. Due to the established talks and bilateral mechanisms that India and China had peaceful relations despite 'provocations'. While citing that the two countries have established strategic partnership and series of agreements to increase mutual trust, and increased people-to-people contacts, Shri Vijay argued that Li Keqiang's visit to India in the year 2013 showed China's focus on India. He urged to address the trade imbalance issue. He also noted that India and China have cooperated on the international front on G-20, BRICS and climate change. He said that friendly cooperation between India and China is key for regional stability. He argued that the key task for India and China is to develop their economies and eradicate poverty. Therefore, the Honourable MP recommended that confrontation should be replaced with cooperation and more media and youth exchanges should be considered. He said that India and China should increase mutual awareness of each other and India, in particular should understand China more. He raised the slogan 'Go China, Learn Chinese' for getting information from China rather than Western media sources.

SESSION 1: INDIA-CHINA RELATIONS: HISTORICAL PERSPECTIVES

Chair: Amb. R.S. Kalha

Speakers: Prof. Sujit Dutta, Prof. Madhu Bhalla, and Prof. Shen Dingli

Prof. Dutta pointed out that though principles have a place in laying out a roadmap, they have to be shaped by the dynamics of politics such as domestic and external factors. Three factors are stressed in this context, namely, the nature of global politics, domestic politics and the role of ideology in bilateral relations, especially in the case of India and China.



There was an improvement in India-China relations after the death of Stalin, with the two countries willing to resolve the issue of Tibet. This led to the enunciation of the five principles and the agreement in 1954 with Tibet, which led India to have a new position on Tibet in order to build new ties with China. India figured that it would stabilise the bilateral relations. Though the five principles gave importance to the political requirements of safeguarding state sovereignty, territorial integrity, and non-aggression in a deeply ideologically torn world, the significant part of Panchsheel was peaceful coexistence. But differences over the definition of peaceful coexistence led to conflict. Countries reacted positively to the post-Stalin definition of peaceful coexistence, followed by the successful visit of Soviet leaders to India. Peaceful coexistence became popular in the security-political context as Pakistan was in talks with the US for a defence agreement and had joined SEATO. The positive environment quickly decayed as the global and domestic political situation worsened. India-China relations were caught up in the worsening Sino-Soviet relations.

Currently, the global conditions have changed and this has led to an improvement in India-China relations from being one-dimensional to multi-dimensional. There are many positive aspects in the relationship now because the conditions are different. However, to be relevant, the principles of Panchsheel needed to be redefined in the prevailing context. Globalisation has redefined sovereignty; therefore there is a need for new institutions and global cooperation to look at the challenges posed by globalisation. Globalisation has also influenced domestic affairs.

The principle of mutual non-aggression for peaceful settlement of contending issues and peaceful coexistence has become important in India-China relations. But the relationship is getting affected due to the worsening Japan-China and China-US relations, which is deeply worrying. Interdependence that focused only on economic affairs is not a security guarantee: the dynamics between China and the US is an example.



Prof. Shen Dingli in his turn opined that the five principles are not new. The five principles constitute a part of the soft power of India, China and Myanmar. Responding to the points made by Prof. Dutta, Prof. Shen Dingli pointed out that China has indeed changed according to the new situation, by moves such as joining global institutions. In this scenario, even if countries have trade disputes with China, it is possible to resolve the issue at WTO and China is willing to subject its trade and investment sovereignty to a third party. China's stance on the dispute regarding rare earth minerals is an example. Other than this, there is no need to redefine the five principles.

China and India agree on several international issues such as the wars in Iraq and Syria and the situation in Iran and Libya, underscoring respect for the five principles. This is because both countries are opposed to western-oriented power politics. India has consistently supported the legitimacy of the PRC even after the 1962 war, thus honouring the five principles. China had also applied the principles regarding sovereignty to international scenarios

such as Vietnam, Philippines and Japan. In the case of Japan, that country does not have sovereignty over Senkaku, therefore China offered to discuss the dispute and eventually peacefully resolve the issue.

Despite their soft power, India and China are not always successful in resolving conflicts peacefully. The two countries need to learn a lot from the past not to repeat mistakes. The two countries have made efforts to make the line of actual control tranquil and to sign border agreements, which is a smart policy move in terms of honouring the five principles. This could in turn be applied to the China-Japan dispute regarding the Diaoyu Island.

Prof. Madhu Bhalla, the next speaker, started with a question: what Panchsheel meant to do for India and China? The principles have served China better than India. There are two different readings of Panchsheel, two different senses of its functionality and different ideational values in the two countries' foreign policies. At the functional level, Panchsheel did not work for India: the Tibet question is solved for China; but the issue of a peaceful border is not solved for India.

Panchsheel is supposed to be an antithesis for the traditional balance-of-power doctrine and competitive security. However, India and China has competitive security issues on the borders and these fell within the balance-of-power politics. Therefore, Panchsheel is an embarrassment and a failure for the Indian state. The claim for Panchsheel became ambitious later as it is considered as a way to have cooperative security and improved economic cooperation at the bilateral, regional and global levels. Panchsheel is actually a code of behaviour, but the rhetoric of value blurred the distinction between interests and values. Therefore, there is criticism that both countries have not defined the areas of cooperation.

Mao Zedong saw Panchsheel as a tool to solve the Tibet issue. Therefore, clarity about Panchsheel is more evident in the Chinese behaviour. The 18th border talks between India and China attested to the fact that the border issue is not resolving. Panchsheel was originally meant as a guide for bilateral relations, not for guiding foreign policy globally. The rhetoric about Panchsheel is devoid of meaning for India. If Panchsheel is to have a future in India-China relations, it has to be subjected to rigorous scrutiny against the demands of Indian foreign policy in the bilateral and global contexts.

The speakers in the first session addressed several questions and comments. Questions were asked of Prof. Shen regarding Xi Jinping's reiteration of the five principles and whether it is a nuanced position and China's policy in joint development in areas of disputed sovereignty. Prof. Shen responded that China adopted the five principles not to solve the Tibet issue only but to make countries stronger against the Western powers. This leads to moral leadership, leading other states to agree with India and China's reading of the UN charter. Panchsheel was primarily used for settling disputes in a peaceful way and avoid using adversarial ways. It will take China some time to offer concessions on the border because it will take a long time to change the mind-set.

Amb. Zhou Gang asserted that India and China should give importance to peaceful principles because these had built a solid foundation for improving their bilateral relations and for resolving bilateral disputes. These principles are accepted in the UN by both developed and developing countries. Dr. Arvind Gupta questioned why India could not take advantage of the five principles; whether it was a deliberate policy or India was unable to do so. Prof. Bhalla responded that in India, there was disappointment because of the failure in India-China relations. The reason why India did not take Panchsheel more seriously was that India did not perceive it to have a broader role than in India-China relations.

Prof. Dutta pointed out that the use of the term Panchsheel was affected in a negative way because of the 1962 war. However, the general principles of Panchsheel were already relevant in the Indian foreign policy, as was evident in Nehru's policy regarding the Cold War. Peaceful coexistence was important for India even before the Panchsheel agreement. India and China had similar concerns about sovereignty.

SESSION II: INDIA-CHINA COOPERATION IN THE GLOBAL CONTEXT



Chair: Amb. Nalin Surie

Speakers: Amb. (retd) Zhou Gang, Mr. Jayadeva Ranade, Prof. Deng Junbing , and Prof. Srikanth Kondapalli

Amb. (retd) Zhou Gang said that ever since their first enunciation, the five principles have played a core role in shaping India-China relations. Leadership meetings, close contacts on global issues, exploring new areas of cooperation, people-to-people relations and expansion of military cooperation were some of the aspects of India-China friendship. Earlier, fewer leadership meetings, lack of political understanding and strategic trust had restrained the relationship between the two countries. Lack of resolution of the boundary dispute and the activities of the Dalai Lama and his group created a trust deficit in this relationship.

The primary task for India and China is to vigorously accelerate economic development and improve people's lives. Economic reforms in both countries have led to great achievements. Both could learn from each other and create a win-win situation. Respecting each other's core interests and properly handling the disputes will help the relations in the future. The recent consensus between the leadership of the two countries on cooperation is a good sign for the future. China and India share a common interest in global multi-polarisation and diversification of order, besides climate debate and global commons. Close cooperation also will help increase the influence of emerging countries in the international order.

Mr. Jayadeva Ranade, who spoke next, pointed out that after their war in 1962, Panchsheel was ignored in the global order. The 1993, 1996 and 2005 agreements and the recent BDCA (Border Defence Cooperation Agreement) are at the core for the future of India-China relations.

From India's point of view, the issues that derailed India-China relations are China's claims on Arunachal and its military and nuclear help to Pakistan. From the Chinese view, the presence of the Dalai Lama in India is an irritant. Strong personalities of the top leaders in India and China could give a momentum to the bilateral relations. The recent Indian election was monitored closely by the Chinese media, which expressed positive expectations about the future. Cooperation on food security, water security and clean energy could deepen India-China relations and help them solve shared and common problems. Damming of the Brahmaputra by China adds to India's challenges vis-à-vis its relations with China.

Prof. Deng Junbing, the third speaker, noted that India is the first non-socialist country to have recognised the People's Republic of China. The vitality of Panchsheel is in the fact that China and India have overcome the distrust created by the 1962 conflict and the Indian nuclear tests of 1998. The principles of Panchsheel are important guiding principles of the Chinese foreign policy.

The current international situation is experiencing profound challenges. Efforts for creating peace without war,

development without poverty, and cooperation without confrontation would help build a shared harmonious world. The five principles can be part of the process of attaining these objectives. Hegemony, power politics and new interventionism were on the rise. The UN Charter can be used to promote new concepts of security. The five principles are useful for this purpose. China and India can work jointly for democratisation of the international order.

Prof. Srikanth Kondapalli, the fourth speaker, saw India-China global cooperation in terms of competition and cooperation. India and China cooperate on terrorism as their definitions of this phenomenon are similar, even though there is some dichotomy. There is no substantial counterterrorism cooperation as yet. China tends to take a lenient view of some of the Jamat groups. The recent terrorist attacks in China may alter this position.



UNSC reforms is another important area. China welcomes a greater role for India in international affairs but does not support its UNSC permanent seat candidature directly. There is cooperation in multilateral organisations. However, India has not been able to expand its role in the SCO as yet and China is only an observer in SAARC. There is some form of cooperation in WTO and in BASIC. On energy issues, there is a mixed picture of competition and cooperation. Third-country cooperation on investments had not materialised as yet. There is also serious disagreement on maritime, space and cyber issue areas. India-China relations should not be seen in terms of media hype. Common interests need to guide their cooperation. On energy security, Prof. Kondapalli said the two sides need to take a broader view. The two countries can coordinate against energy cartels that have a grip on pricing, but competition overtook cooperative tendencies.

On maritime issues, India supports freedom of navigation, demilitarisation and dispute settlement using multilateral frameworks. Indian scholars pointed out that China had taken inconsistent positions based on UNCLOS in the South China Sea and the Yellow Sea. On the other hand, the Chinese participants noted that the Chinese position is based on the narrowness of the Yellow Sea. The differential interpretation is not deliberate. China would not militarise its EEZ in the South China Sea: it is not entitled to such privileges. The Indian participants in their turn pointed out that if ADIZ is to be extended to the South China Sea then even commercial ships might be subjected to scrutiny.

SESSION III: INDIA-CHINA RELATIONS IN REGIONAL PEACE AND STABILITY

Chair: Prof. Shen Dingli

Speakers: Prof. Chen Jidong, Prof Ye Hailin, and Dr.Jagannath Panda

Prof. Chen Jidong elaborated on how discourses on Sino-Indian relations are viewed from the prism of competition rather than cooperation. The world is big enough for both China and India and they do not need to clash. In recent years, India-China cooperation has increased in the realm of economics. The BCIM corridor holds great significance, not only bilaterally, but also regionally and globally as it would lead to economic prosperity in all four countries. India having a developed service sector and China having a developed manufacturing sector, he argued, is like killing two birds with one stone. Both countries need to deepen cooperation as BCIM will not only lead to regional integration and connectivity but also regional prosperity. The Kunming Initiative has passed through many hurdles. From being a Track II initiative, it has slowly graduated to a Track I initiative in 2011. The five principles of the Panchsheel agreement are a precondition to the construction of BCIM and the participant countries need to cooperate to further this project.



Prof. Ye Hailin echoed the sentiments of Wang Yi, the Chinese Foreign Minister who had recently visited India and has called India a "strategic and cooperative partner of China". Asia is becoming increasingly nuclearised and countries need to be extremely careful not to escalate tensions. He said both India and China has a moral responsibility to secure the Asian community. Both are part of CICA, which sought to enhance cooperation between countries to build a stable and peaceful environment. Three main regional issues will shape India-China relations in the future, namely, regional integrity, cross-border regional development and maritime security.



Both India and China believe in regional institutions as sacrosanct. The fact that China is an observer state at SAARC and India is a part of ASEAN+6 will allow both states to share ideas and forge a common security concept. Regional linkages such as BCIM and the Silk Road economic belt are also important for fostering cooperation. Discussion on China being a threat because of the Nine-dash line made the Chinese speaker point out that Vietnam and Philippines too have demarcated huge territories claiming ownership on them. Confidence-building measures are important in managing the problem. For China, its Maritime Silk Road project is important for boosting maritime connectivity.

India and China are facing similar challenges and need to cooperate. China needs India's help in tackling security challenges in Afghanistan and Pakistan as growing extremism in both countries is a major challenge. Myanmar is another example where India and China can work together. There is a lot of room for trilateral dialogue to find answers to key security challenges both countries face. Prof. Ye Hailin also tried to clear the air on various issues such as String of Pearls, Chinese funding of Gwadar Port and the China threat theory.

Dr. Jagannath Panda noted that the contribution of Panchsheel is universal, as its values are replicated in the charter of UN, SCO, ASEAN and SAARC. There are two sides to Panchsheel: one is the emotional and ideological aspect and the other is the practical aspect. The realities of today are very different from the ones faced by leaders such as Nehru and Zhou Enlai. Both Xi Jinping and Narendra Modi, towering leaders in their own right, face a completely different set of challenges. The 1962 war is not about the question of sovereignty but about lack of respect for each other's territorial integrity. The lingering boundary issue is not about technicalities but is about highly politicised sentiments of nationalism. As regards non-aggression, the real aggression took place not in action but in perception. There is a great deal of hostility, distrust and suspicion on both sides, which had been played up by the media. This issue needs to be tackled at the highest level. As regards the third principle, non-interference in each other's internal affairs, he argued, both China and India have interfered in the other's internal issues at some point in history.



China is undergoing a slow democratisation process and the reforms that are underway are a result of this process. Both nations defined democracy very differently and this issue needs to be brought to the table in solving the issues of the boundary and Tibet. As regards the fourth principle of Panchsheel, which is that of equality and mutual benefit, both India and China, other than being the third and second largest economies of the world, are vast territorially. They cannot mutually benefit and integrate regionally if they do not give space to each other. India needs to give space to China in the Indian Ocean and China to India in the South China Sea. Regarding the principle of peaceful coexistence, there is a duality in the Chinese position. On the one hand, it talks about creating a new type of major power relation and saw itself as equal to the US, while also talking about being a developing country and still having a lot of catching up to do. With the session ending, Prof. S. D. Muni questioned the panel as to the reasons for the slow pace of BCIM and why China fished in troubled waters whenever India faced bilateral tensions with its neighbours. Summing up, the sessions yielded many important insights about the future scope of India-China relations.



SHEN DINGLI

Shen Dingli is a Professor and Associate Dean at Fudan University's Institute of International Studies. He is Vice President of Chinese Association of South Asian Studies, Shanghai Association of International Studies, Shanghai Association of American Studies and Shanghai UN Research Association. He was an Eisenhower Fellow in 1996, and advised in 2002 the then UN Secretary General Kofi Annan for his strategic planning of second term. He is on the Global Council of Asia Society, and is appointed by Shanghai Municipality as Shanghai's Conference Ambassador. He has co-edited 17 books and published some 2000 papers and articles worldwide.

*1. How do you analyze the challenges related to Xi Jinping's *wei quan* and *wei wen* policy?*

It is a balance between defending different interests. Under the circumstance of foreign relations, *wei quan* means defending China's sovereignty vis-à-vis other countries, while *wei wen* means maintaining stability of such relations. On the one hand, promoting *wei quan* could possibly help promote *wei wen*. For instance, when China defeats external challenge to its sovereign interest, this will help make peace and stability for China's external environment. On the other hand, some improper *wei quan* would rather lead to counterproductive outcome, making China's external environment more instable. Therefore, it is an art to strike the right balance between *wei quan* and *wei wen*.

2. How do you respond to India's concern about China's all weather strategic cooperative partnership with Pakistan?

It means that such a relationship is based on mutual trust and therefore totally dependable. This partnership is based on respective and overlapping needs, and theoretically is not developed against any third country. However, for various reasons, India may not perceive China-Pakistan relations free of the factor of India. Moreover, India may view that such a relationship as unhelpful to it, and sometime even has undermined India's legitimate national interests. I think China shall review its relationship with Pakistan to make sure that it will be developed per international law. Meantime, China shall work with India to make sure that India's foreign policy would also follow international norm and law.

3. How do you analyse US's pivot/rebalancing strategy to Asia? Do you consider it as aimed at a rising China? If so, what is your perspective on the prospects of the new model of major power relations between China and US, propagated by Xi Jinping?

This strategy has been developed to respond to the ever unbalancing in East Asia – China's rapid rise and the challenges the US has perceived, Japan's improper action by changing status quo of the disputed Diaoyu Islands, as well as the DPRK's military development that could destabilize the region. To assure the US and to develop a stable and predictable relationship with the US, China has proposed "a new model of major country relations", with stress on mutual equality and trust. Certainly it will take time for America to accept the notion of equality so Sino-US relations will not be smooth in the immediate future. However, it will not be a Soviet-US type of ideological competition and the present interdependence at the age of globalization will make the "new model" of relations more plausible.

4. The Sino-Japanese relation has witnessed an escalation of tensions following the developments in the East China Sea. Japan has responded to Chinese ADIZ by formulating a national security council, national defence program guidelines, and reviving the debate on right to collective self-defence. What are the possible ways to deescalate the tension between the two countries?

On the one hand, Japanese leaders shall not seek historical revisionism, so that it will have less chance to be distrusted. Visiting Yasukuni Shrine in an official capacity hurts both Japan and its former victims, and make no room for their political reconciliation. On the other hand, in the East China Sea, neither Japan nor China shall compete to change the status quo. The race of Japan-nationalizing-islands and China-launching-ADIZ ought to

be reversed. In addition, China and Japan shall sign their military and security confidence building paper, to avoid incidental risk in the air and at the sea.

5. *How do you analyse China's allegedly growing aggressiveness in the South China Sea where sovereignty over numerous islands and reefs is in dispute?*

China has owned many of these islands for ages, and when it claimed all of them in 1947, all other neighbouring countries in the region were silent, except for French Vietnam. However, North Vietnam government, after defeating France, openly admitted that the entire Spratly and Paracel Islands belong to China. The Philippines had officially claimed, until 1997, that its westernmost island was Luzon, leaving the entire Spratly to China. Though both Hanoi and Manila have presently negated their earlier commitment, they would not secure any legal grounds in owning the islands in South China Sea. Subsequently, China has sovereign rights in dealing with all these islands and reefs in whatever way, and none of the means shall be viewed as aggressive. What is under real dispute shall not be these rock features, but the nature of those overlapping waters between China's nine-dash-line and others' exclusive economic zones. If China would push ahead without taking care of its neighbours' legitimate concerns, that can be viewed as truly controversial.

JAPAN'S FURTHER MILITARISATION: RE-INTERPRETATION OF ARTICLE 9 OF THE CONSTITUTION



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On May 15, Prime Minister Shinzo Abe's advisory panel on security released a much anticipated report advocating loosening of the restraints against the use of military by re-interpretation of the Article 9 of Japan's Constitution to legalise Japan's right of collective self-defence. Article 9 stipulates "... the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. To accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized."

Against the backdrop of the prevailing cold war, and particularly with the outbreak of the Korean conflict, the Self-Defense Forces (SDF) were established in 1954, based upon the assertion that a nation has an inherent right to have the capacity to defend itself. The SDF are defensive forces that are presumed not to be an army as its name connotes. Therefore, they are not equipped with offensive weaponry such as ICBMs, nuclear weapons, aircraft carriers, or bomber fleets. During the past half century, successive Japanese governments have taken the position that Japan has both right to self-defence and collective security. However, all the governments have maintained that the right of collective self-defence has been prohibited by Article 9. Simply put, the Japanese Cabinet and Parliament have interpreted Article 9 to prevent the SDF from firing their weapons on behalf of others.

Conservative forces in Japan have made efforts to amend Article 9 including the insertion of a phrase the 'right of collective self-defence'. In other words, Japan might be able to have its own army to cope with any contingencies as a truly independent country, to be a truly equal partner of the US under the Japan-US security treaty unlike a junior and senior partner to date, and contributing to global peace by dispatching its troops as UN peacekeeping forces with no restrictions. But there is a big barrier to amend the Constitution. The Article 96 of the Constitution stipulates that its amendment requires the support of a 2/3 majority of both houses of the Japan's Parliament, followed by a national referendum ratified by a simple majority. To date, no party has commanded such a 2/3 majority in both houses.

While Abe was serving in his first term in 2007, he called for a bold review of the Constitution to execute a larger role in the global affairs and foster Japan's pride at the occasion the 60th anniversary of the Constitution. His term ended abruptly because of his poor health. Now Abe, in his second term, is eager to implement what he has cherished in his mind: amendment of Article 9. At the moment, Abe's party the Liberal Democratic Party (LDP), with the support of like-minded conservative parties is in a position to garner a commanding 2/3 majority of both houses. Abe is poised to proceed with the amendment even though the amendment process does not at all appear to be in a state of smooth sailing.

Since some factions exist within the LDP against the Constitutional amendment, Abe must find out a quicker way to re-interpret Article 9 without the amendment process. Abe has established an advisory panel on security

which has recommended re-interpretation of Article 9 to allow Japan with its right to collective self-defence. He has shown his strong resolve to carry on his agenda.

Abe might be contemplating to gain a perfect independence of Japan with its collective security right and also to give concessions to the US in return of President Obama's assurance of US defence of the Senkaku Islands. President Obama who has welcomed Abe's initiative on collective security, told the Yomiuri Shimbun on April 23, 2014 that "the policy of the United States is clear-the Senkaku Islands are administered by Japan and therefore fall within the scope of Article 5 of the U.S.-Japan Treaty of Mutual Cooperation and Security."

I understand that Japan should be creative in terms of security spheres to cope with the contemporary international situations: weakening US power, the assertive emergence of China, and provocative activities of North Korea. To my understanding, gaining the right to collective self-defence through re-interpretation of the Constitution is akin to gaining admission into an educational institution through its back door. Due steps should be undertaken by the way of a Constitutional amendment. The Constitution is a basic law of a nation and sacrosanct which should not be arranged by a ruling party or a Prime Minister at their own convenience. Already Abe's Article 9 blitz has alarmed Asia.

On May 17, two days after the advisory panel report, the Soka Gakkai, a parent organisation of New Komeito party, which constitutes a coalition government with the LDP, has put forward a statement saying the Constitutional amendment should be done first, implying avoidance of a re-interpretation of Article 9. New Komeito party maintains Japan is able to act within the present framework of the Constitution. According to the May 26 opinion poll reported in Nihon Keizai Shimbun, 51 percent were against the re-interpretation and 28 percent supported it. Probably, by the time the Japanese people go to a national referendum for the amendment, if it ever happens, there would be fierce discussion related to security and international situations. Naturally, such discussions might enable the Japanese to acknowledge the reality surrounding Japan. The Japanese people have become complacent about peace, having been exposed to no war at any time in the past half century after the Second World War

TRACKING CHINA

China-Russia cooperation deepens

The relationship between China and Russia is visibly deepening, as they expand their strategic partnership. China and Russia undertook joint naval drills, designated as 'Joint Sea 2014' in the East China Sea. The naval drill took place between May 20 and 26, 2014. China sent: JH-7 warplanes; submarine flotillas;¹ in addition to three guided missile destroyers – the *Zhengzhu*, the *Harbin* and the *Ningbo*; two guided frigates - the *Yantai* and *Liuzhou*; a supply ship *Qiandaohu*; and new-guided missile speedboats.² It was reported that the exercise would include a joint anti-submarine project, where "two submarines of the People's Liberation Army Navy (PLAN) will play the 'blue force' to independently confront without plans the three surface ships of the Chinese and Russian naval forces".³ This flotilla arrived in Shanghai on May 22, 2014, and conducted an anchorage defence drill to test the 'comprehensive response capability of the taskforce, namely capabilities of evacuating warships, organising air defence at the anchorage area and striking the approaching targets through the electronic communication and command system'.⁴ *Xinhua* reported, that unlike previous drills, this time, "all the Chinese and Russian vessels are mixed into three different groups, commanded by both the Chinese and Russian commanders".⁵ Earlier, China and Russia held a Joint Sea Exercise in 2012 (near Qingdao, Shandong) and then in 2013 in the Peter the Great Bay in the Sea of Japan.

China National Petroleum Corp (CNPC) and Russia have also signed a deal for Gazprom to deliver 1.3 trillion cubic feet of natural gas to China for 30 years, the value of which is an estimated \$400 billion. Russia will also build pipelines and processing plants in Siberia at a cost of \$55 billion to deliver the gas. Both countries stated that they would establish a 'comprehensive energy cooperation partnership'.⁶ Not only that, China and Russia signed 49 agreements during Vladimir Putin's visit to Shanghai for Asia Security Summit. These relate to: "political, trade and military areas to strengthen Sino-Russian partnership... and would expand local currency settlement for bilateral trade, cross-border investment and financing, and strengthen exchanges to formulate macro-economic policies."⁷ China and Russia are also cooperating on other fronts, such as vetoing the draft resolution for taking Syria to the International Criminal Court (ICC)⁸ and by jointly submitting the draft international treaty for banning weapons deployment in space. The *China Daily* quoted Wu Haitao as saying that the "new draft treaty has

¹ "Chinese Troops Ready for 'Joint Sea – 2014' Military Exercise", *China Military Online*, May 21, 2014, at http://eng.chinamil.com.cn/news-channels/china-military-news/2014-05/21/content_5912844.htm accessed May 26, 2014

² "Chinese Naval Forces in 'Joint Sea 2014' Joint Drill", *People Daily*, May 21, 2014 at <http://english.people.com.cn/n/2014/0521/c98649-8730129-3.html> accessed May 26 2014

³ "Chinese Troops Ready for 'Joint Sea – 2014' Military Exercise", *China Military Online*, May 21, 2014, at http://eng.chinamil.com.cn/news-channels/china-military-news/2014-05/21/content_5912844.htm, accessed May 26, 2014

⁴ "Joint Sea-2014 Military Exercises Kicks Off," *Ministry of National Defence The People's Republic of China*, May 23, 2014, at http://eng.mod.gov.cn/DefenseNews/2014-05/23/content_4511327.htm accessed May 26 2014

⁵ "China, Russia Hold Joint Naval Drills in Shanghai", *Xinhua*, May 20, 2014 at http://news.xinhuanet.com/english/china/2014-05/20/c_133348271.htm accessed May 26, 2014

⁶ "China, Russia to Fully Implement Gas Deal", *People's Daily*, 22 May 2014, at <http://english.peopledaily.com.cn/n/2014/0522/c90883-8731319.html> "China, Russia Pledge Stronger Cooperation in Trade, Energy", *Xinhua*, May 20, 2014 at http://news.xinhuanet.com/english/china/2014-05/20/c_133348209.htm accessed May 26, 2014

⁷ "49 deals cement China, Russia Ties", *People's Daily*, May 21, 2014, at <http://english.peopledaily.com.cn/n/2014/0521/c90883-8730112.html>, accessed May 26, 2014

⁸ "Russia, China Veto Draft Resolution on Syria", *Xinhua*, May 23, 2014 at <http://english.people.com.cn/n/2014/0523/c90777-8731656.html>, accessed May 26, 2014

supplemented, revised and refined some clauses of the one Russia and China presented in 2008, including definition and scope of the treaty, organisations as well as mechanisms to solve disputes".⁹

Chinese cyber espionage

Five Chinese PLA military officers- Huang Zhenyu, Wang Dong, Sun Kailiang, Gu Chunhui, and Wen Xinyu were indicted by the US Department of Justice (DOJ) on May 19, 2014 on charges of cyber espionage. They were accused of hacking into the computers of companies such as Alcoa Inc, United Steel Corp, Allegheny Technologies Inc, Westinghouse Electric Co, subsidiaries of SolarWorld AG, US Steelworkers Union etc to benefit the Chinese state-owned enterprises (SOE). The indictment charged that Unit 61398 of the PLA provided the SOEs with intelligence stolen from US companies. Chinese defence ministry spokesperson Geng Yansheng on May 20, 2014 strongly opposed the indictment and said that the: "Chinese government on cyber security is consistent and clear-cut... the Chinese government, military and their relevant personnel have never engaged or participated in cyber theft of trade secrets... the accusation is groundless".¹⁰ In addition, the Chinese Assistant Foreign Minister summoned the American Ambassador to lodge a protest against the indictment.¹¹ According to a *Global Times* commentary, the US is the one: "that spies both home and abroad with the PRISM" programme and that Washington is "condemned by international public opinion and therefore its pretentious accusation against Chinese army officers is ridiculous".¹²

Xinhua commented that the US action is: "a telling indictment of Washington's double standard on cyber-security... and Washington's deliberate fabrication, which likely to be a hidden agenda, grossly violates basic norms governing international relations and jeopardises China-US cooperation and mutual trust".¹³ *Xinhua* also commented that China is a victim of US "world-wide wiretapping web" and "as undeniably substantiated, the sole superpower in the world is easily the biggest eavesdropper on the planet with Washington sitting at the core of a global network of organized website hacking and telephone tapping".¹⁴ China also suspended the China-US working group on cyber issues.¹⁵

China's economic woes continue

Chinese economy grew at 7.4 per cent in the first quarter of 2014 compared to the 7.7 per cent growth in the last quarter of 2013. Due to the efforts of the Chinese government to improve consumption, retail sales went up. The National Bureau of Statistics reported that retail sales rose 12.5 per cent from the previous year to 2.12 trillion yuan (\$341 billion); but fixed-asset investment growth slowed to 17.2 per cent.¹⁶ Though value added

⁹ "China Russia Update Draft Treaty To Prevent Arms Race in Outer Space", *China Daily*, June 11, 2014 at http://www.chinadaily.com.cn/world/2014-06/11/content_17579161.htm accessed June 15 2014

¹⁰ "China Strongly Opposes U. S. Indictment Against Chinese Military Personnel", *Xinhua*, May 20, 2014 at http://news.xinhuanet.com/english/china/2014-05/20/c_133347615.htm, accessed May 26, 2014

¹¹ "China Summons U. S. Ambassador on Indictment Against Chinese Military Officers", *Xinhua*, May 20, 2014 at http://news.xinhuanet.com/english/china/2014-05/20/c_133346998.htm accessed May 26 2014

¹² "Washington Plays Victim of Espionage", *Global Times*, May 21, 2014 at <http://www.globaltimes.cn/content/861382.shtml> accessed May 21, 2014

¹³ "Cyber-Spying Charges Against Chinese Officers An Indictment Of US Hypocrisy", *Xinhua*, May 20, 2014 at http://news.xinhuanet.com/english/china/2014-05/20/c_133347543.htm accessed May 23 2014

¹⁴ "Commentary: Cyber-spying Charges Against Chinese Officers An Indictment of US Hypocrisy", *Xinhua*, May 20, 2014, at http://news.xinhuanet.com/english/china/2014-05/20/c_133347543.htm accessed May 26 2014

¹⁵ "China Suspends Cyber Working Group Activities with US To Protest Cyber Theft Indictment", *Xinhua*, May 20, 2014, at http://news.xinhuanet.com/english/china/2014-05/20/c_126520553.htm accessed May 26 2014

¹⁶ "Chinese Economy Improves Mildly", *Xinhua*, June 14, 2014, at http://news.xinhuanet.com/english/business/2014-06/14/c_133406459.htm accessed June 16 2014

industrial production increased by 8.8 per cent, the lending figures for May went up and fiscal spending by governments continued to rise, implying that “new bank lending rose faster than expected, while total fiscal spending by the central and local governments surged nearly 25 per cent in May from earlier year”.¹⁷ In April, Yu Yongding of the Chinese Academy of Social Sciences reiterated that the Chinese economy will not collapse despite the slowdown. He pointed out that the: “complexity and distinctiveness of China’s economy meant gloomy predictions were pointless, and that they have repeatedly emerged in the past 30 years but never came true... dismissed China’s real-estate price bubble as a catalyst for a crisis, as the country has no sub-prime mortgages and the down payment to buy a home exceeds 50 percent.”¹⁸

Reacting to concerns, Chinese economists asserted that the property bubble will not lead to the collapse of the Chinese economy.¹⁹ Moreover, there were calls for maintaining confidence in the Chinese economy because of innovation, development potential and easing of administrative policies.²⁰ Xi Jinping was reported to have presided over a meeting of the Central Leading Group of Financial and Economic Affairs in view of these concerns and reiterate the seriousness of the Chinese government for undertaking reforms.²¹

China-Pakistan joint air exercise

China and Pakistan held their third joint air exercise - Shaheen-III – at the Rafiqui air base in Punjab province of Pakistan. On May 5, 2014, the Chinese Air Force contingent arrived in Pakistan as “part of the exchange and cooperation programmes between the two air forces”.²² Pakistani news reported that: “a six-member PLAAF delegation led by Major General Zhan Houshun, Commander of Chengdu Regional Air Force Command, witnessed the exercise on the last day and participated in a simple yet graceful closing ceremony... the three weeks duration air exercise was designed to further strengthen the existing exemplary bonds between two air forces, learn modern air warfare mechanics and share operational thoughts among pilots, radar controllers and other team members.”²³

China-Vietnam conflict in South China Sea

The tensions between China and Vietnam escalated after China stationed its Haiyang Shiyou 981, an oil platform near the Paracel Islands for drilling operations, 180 miles from the Hainan island. The operations were supposed to last from May 2 to August 15, 2014. This led Vietnam to protest strongly against the presence of the Chinese ships, as the oil platform was supported and protected by Chinese maritime and naval ships. Vietnam sent around 29 ships to disrupt the operations of Haiyang and was reportedly rammed several times by Chinese vessels. The Foreign Ministry in China urged Vietnam against such actions stating that “operation of the drilling rig is lawful in China’s territorial waters and Vietnamese harassment of Chinese companies conducting normal activities runs

¹⁷ “Chinese Economy Improves Mildly”, *Xinhua*, June 14, 2014, at http://news.xinhuanet.com/english/business/2014-06/14/c_133406459.htm accessed June 16 2014

¹⁸ “China Economy Collapse Theory Fear Mongering: Economist”, *Xinhua*, April 21, 2014, at http://news.xinhuanet.com/english/china/2014-04/21/c_133279125.htm, accessed May 1 2014

¹⁹ Ren Zhongxi, “Xinhua Insight: Property Bubble Will Not Wreck China’s Economy”, *Xinhua*, April 26, 2014, at http://english.cntv.cn/2014/04/26/ARTI1398504791329490_2.shtml accessed, May 1, 2014

²⁰ “China Should Stay Confident in Economic Growth”, *People’s Daily*, April 18, 2014, at <http://english.peopledaily.com.cn/98649/8602084.html> accessed May 1 2014

²¹ “Xi stresses efforts to revolutionize energy sector”, *Xinhua*, June 13, 2014, at http://news.xinhuanet.com/english/china/2014-06/13/c_133405882.htm accessed June 16 2014

²² “Chinese Contingent Arrives in Pakistan For Joint Air Drill”, *Xinhua*, April 5, 2014 at http://news.xinhuanet.com/english/china/2014-05/05/c_133311444.htm, accessed April 24, 2014

²³ “Pak-China Joint Air Drill Concludes”, *The Nation*, May 18, 2014 at <http://www.nation.com.pk/islamabad/28-May-2014/pak-china-joint-air-drill-concludes> accessed May 20, 2014

counter to international law and basic norms of international relations as well as China's sovereignty and administration rights".²⁴

Xinhua commented that the interference by the Vietnamese include "36 vessels, including warships, into waters near the Chinese oil rig to harass the drilling operation, deliberately and rampantly ramming Chinese boats for as many as 171 times... and Vietnamese frogmen were found just 5 meters away from Chinese ships in intimidation, in addition to illegal placement of numerous broken fishing nets and large obstacles in obstruction in the waters".²⁵ Vietnam also witnessed anti-Chinese protests in Hanoi, Da Nang, Can Tho and Ho Chi Minh City and escalated into destruction of property. Amid the violence, the Chinese government sent four passenger vessels to evacuate its citizens from Vietnam.²⁶ China had initiated the evacuation after reports emerged that two Chinese workers were killed in the riots and hundreds injured, which was confirmed by the Foreign Ministry of China on May 16, 2014. These protests drew sharp criticism from China. Liu Jianchao, Assistant Foreign Minister held talks with Vietnam urging "for continued investigation into the violence and harsh punishment of all perpetrators... resolute and effective measures to immediately prevent violent actions to make sure that similar acts do not recur and protect the safety of the lives and property of all Chinese nationals and organizations in the country".²⁷ Later, the Ministry of Commerce in China stated that the continuing violence would affect trade relations between China and Vietnam, with Zhang Yi, the head of the Foreign Trade Department announcing that "this would definitely damage the healthy development of China-Vietnam trade, which China is unwilling to see, and will also be detrimental to the Vietnamese economy".²⁸ On May 26, 2014, a Vietnamese fishing boat sank after being rammed by the Chinese vessel.²⁹ Chinese Foreign Ministry on June 8, 2014 stated its position on the drilling rig in Paracel Islands.³⁰ China also blamed Vietnam for escalating the tensions in the South China Sea dispute.³¹

China released the white paper on human rights

The Information Office of the State Council of the People's Republic of China released a White Paper on 'Progress in China's Human Rights in 2013' on May 26, 2014. The White Paper presents the Chinese perspective on human rights, apart from providing data on the progress made with regard to human rights in the country. The document broadly categorises human rights as the: right to development; right to social security; democratic rights; right to freedom of speech; rights of the person; rights of ethnic minorities; rights of persons with disabilities; and the right to a clean and healthy environment.³²

²⁴ "China Urges Against Vietnamese Interference in Territorial Water Exploration", *Xinhua*, 7 May, 2014 at http://news.xinhuanet.com/english/china/2014-05/07/c_133317025.htm, accessed May 20, 2014

²⁵ "Vietnamese Harrassment Disrupts, Complicates South China Sea Disputes", *Xinhua*, 12 May, 2014 at <http://english.peopledaily.com.cn/90883/8623807.html>, accessed May 20, 2014

²⁶ "More Chinese Nationals Evacuated From Vietnam", *Xinhua*, 19 May, 2014, at <http://english.peopledaily.com.cn/90883/8630140.html> accessed 20 May, 2014 "China Rushes to Evacuate Citizens From Vietnam", *Xinhua*, 20 May 2014, at <http://english.peopledaily.com.cn/n/2014/0520/c90883-8729664.html> accessed May 20, 2014

²⁷ "China Vietnam Hold Talks on Recent Anti-China Violence", *Xinhua*, 17 May, 2014 at <http://english.peopledaily.com.cn/90883/8629997.html>, accessed May 20, 2014

²⁸ "China-Vietnam Trade To Suffer From Violence: Official", *Xinhua*, May 20, 2014 at <http://english.peopledaily.com.cn/n/2014/0520/c90883-8729920.html> accessed May 21, 2014

²⁹ "Hanoi Says Chinese Ships Ram, Sink Vietnamese Fishing Boat", *Vietnam Tribune*, 27 May, 2014 at <http://www.vietnamtribune.com/index.php/sid/222348115/scat/fc849e836694179b/ht/Hanoi-Says-Chinese-Ships-Ram-Sink-Vietnamese-Fishing-Boat>, accessed June 8 2014

³⁰ "HYSY 981 Drilling Rig: Vietnam's Provocation and China's Position, Full Text", *Xinhua*, 8 June, 2014 at http://news.xinhuanet.com/english/china/2014-06/08/c_133392240.htm, accessed June 8, 2014

³¹ Chen Qinhong, "Vietnam Must Take Responsibility For Escalating Tensions in South China Sea", *China Daily*, 1 June, 2014 at <http://english.peopledaily.com.cn/n/2014/0601/c90883-8735401.html>, accessed June 8, 2014

³² "Full Text: Progress in China's Human Rights in 2013", *Xinhua*, May 26, 2014 at http://news.xinhuanet.com/english/china/2014-05/26/c_133361505_2.htm accessed on June 4, 2014

Terror strikes in Xinjiang

A terrorist explosion at a market place in Urumqi, Xinjiang on May 22, 2014 killed 31 people and injured more than 90.³³ Before this, in another terrorist strike at a railway station in Urumqi on April 30, 2014 three people lost their lives and 79 were injured.³⁴ Recently Xinjiang has witnessed a series of terrorist strikes and violence. The latest in the series was the third major attack after the terrorist attack in Kunming in Yunnan, in which around 30 lives were lost.³⁵ President Xi Jinping has emphasised a 'strike-first strategy against terrorism in Xinjiang in a bid to deter enemies and inspire people'.³⁶ He also toured Xinjiang from April 27 to 30, 2014 when he underlined development as the solution to the terrorist problem. The media reported that Xi is likely to focus more 'on labour-intensive industries, agriculture, and other traditional local industries to encourage local businesses and create jobs. Thus, tough handling along with economic development is his policy for tackling the terrorist problem in Xinjiang.'³⁷ Separately, Pakistan's Chief of Army Staff, General Raheel Sharif visited China and met the Vice Chairman of Central Military Commission (CMC) on June 4, 2014. The visit is noteworthy in the backdrop of the terrorist strike in Xinjiang. China is concerned about the links between Xinjiang terrorist groups and the terrorists groups operating in Pakistan's tribal areas.³⁸

Li congratulates Modi; Wang Yi visits India

On May 29, 2014, Chinese Premier Li Keqiang phoned Mr. Narendra Damodardas Modi, to congratulate him on his election as India's 15th Prime Minister after recently concluded general elections in India. The two leaders expressed their desire 'to enhance mutual trust'.³⁹ The Indian Ministry of External Affairs informed that 'this was the first telephonic conversation that Prime Minister had with a foreign Head of Government after he took over office.' Later, the Chinese Foreign Minister, Wang Yi paid a visit to India from June 8-9, 2014 as the Special Envoy of President Xi Jinping. The two interactions in such a short interval points out the priority the two countries accord each other. India's Minister for External Affairs, Sushma Swaraj had a meeting with the visiting Chinese foreign minister.⁴⁰

China and Bangladesh sign important agreements

Recently during General and Vice-Chairman of the Central Military Commission (CMC) of the Communist Party of China (CPC), Xu Qiliang's Bangladesh visit, the Chinese military signed four agreements with the Bangladesh military and the Bangladesh University of Professionals for defence cooperation. The university is

³³ "President Xi Vows Severe punishment for Terrorists", *Xinhua*, May 22, 2014 at http://news.xinhuanet.com/english/china/2014-05/22/c_133353057.htm accessed on June 4, 2014

³⁴ "President Xi Urges 'Decisive Actions' Against Terrorism After Xinjiang Blast", *Xinhua*, April 30, 2014 at http://news.xinhuanet.com/english/china/2014-05/01/c_133302286.htm accessed on June 4, 2014

³⁵ "28 Dead in Kunming Rail Station Violence", *China Daily*, March 1, 2014 at http://www.chinadaily.com.cn/china/2014-03/01/content_17315035.htm accessed on June 4, 2014

³⁶ "China to Deploy 'Strike-First' Strategy Against Terrorism: Xi", *Xinhua*, April 30, 2014 at http://news.xinhuanet.com/english/china/2014-04/30/c_133302069.htm accessed on June 4, 2014

³⁷ "China Voice: Xi's Tour Delivers New Signals on Xinjiang Policies", *Xinhua*, May 4, 2014 at http://news.xinhuanet.com/english/china/2014-05/04/c_133309290.htm accessed on June 4, 2014

³⁸ "Senior Chinese Military Official Meets Pakistani Army Chief", *Xinhua*, June 4, 2014 at http://news.xinhuanet.com/english/china/2014-06/04/c_133383205.htm accessed on June 4, 2014

³⁹ "Chinese Premier Discusses Bilateral Ties With New Indian PM", *Xinhua*, May 29, 2014 at http://news.xinhuanet.com/english/china/2014-05/29/c_133371721.htm accessed on June 4, 2014

⁴⁰ "Transcript of Media Briefing by Official Spokesperson", *The Ministry of External Affairs*, June 8, 2014 at <http://www.meaindia.gov.in/incoming-visit-detail.htm?23409/Transcript+of+Media+Briefing+by+Official+Spokesperson+June+8+2014> accessed on June 15, 2014

run by the Bangladesh military. The Chinese military will provide training and other support to the Bangladesh military. A language laboratory will be set up at the University. The media noted that 'all these would be provided free of charge.'⁴¹

Ranjit Kumar Biswas, Secretary in the Bangladesh Cultural Affairs Ministry, and Li Jun, the Chinese Ambassador to Bangladesh signed an agreement for a 'Cultural Exchange Programme (CEP)' on May 28, 2014 in Dhaka. The aim is to further deepen the cultural cooperation between the two countries. The next year, 2015 will mark the 40th anniversary of establishment of their relationship, and the two sides are expected to further extend their cultural cooperation.⁴²

President Xi heads the Finance and Economic Affairs Group

A move that signals further consolidation of power at the top, Xi Jinping now heads one more group reforming the finance and economic affairs of the state. Earlier this position was held by the Premier and not by the President. Premier Li Keqiang is now the Vice Director of the group. This group works on issues such as, monetary policy, inflation, demand and supply constraints and management. President Xi has also told the group to look into energy pricing and supply, environmental challenges and technological upgrading.⁴³ Besides heading the party, state and the army, President Xi also heads the National Security Commission, the Military Reforms Commission, the Leading Group on Deepening Reforms and a panel on Social and Economic Reforms.⁴⁴ Experts have argued that the consolidation at the top goes against the logic of reforms.

President Xi Jinping visited the newly created Shanghai Free-Trade zone

The Shanghai free-trade zone got a big boost when President Xi visited it in June 2014. The Shanghai free-trade zone, modelled on the Hong Kong port and markets system, was created in October 2013 and is being overseen by Premier Li Keqiang. This visit is of great political significance as hardliners within the Communist Party had opposed further liberalisation of the economy, and the market system. This visit confirms President Xi's strong support to the model and is akin to former President Deng Xiaoping's famous southern tour. Premier Li is expected to visit the zone in October when it completes its first year.⁴⁵

TRACKING TAIWAN

Tsai Ing-wen takes charge of the DPP

Tsai Ing-wen was elected the chair of the Democratic Progressive Party (DPP). She defeated Kuo Tai-lin, former Kaohsiung County Deputy Commissioner, by an impressive margin. Now she is believed to be preparing to contest the Presidential election as the DPP candidate in 2016. She had earlier been President of the DPP for two

⁴¹ '4 Military Agreements Signed with China', *bdnews24.com*, May 12, 2014 at <http://bdnews24.com/bangladesh/2014/05/12/4-military-agreements-signed-with-china> accessed on June 10, 2014

⁴² "Bangladesh, China Ink Deal to Enrich Cultural Ties", *Xinhua*, May 28, 2014 at http://news.xinhuanet.com/english/china/2014-05/29/c_133368988.htm accessed on June 4, 2014

⁴³ Keith Zhai and Victoria Ruan "Xinhua reveals Xi Jinping is leading Finance and Economic Affairs Group", *South China Morning Post*, June 14, 2014 at <http://www.scmp.com/news/china/article/1532177/xinhua-reveals-xi-jinping-leading-finance-and-economic-affairs-group> accessed June 15, 2014

⁴⁴ Victoria Ruan "Xi Jinping takes charge of China's Economic Reforms", *South China Morning Post*, June 16, 2014 at <http://www.scmp.com/business/economy/article/1533597/xi-jinping-takes-charge-mainlands-economic-reforms> accessed June 17, 2014

⁴⁵ George Chen "Xi Jinping's Visit to Shanghai Zone gives new Hopes to Economic Reforms", *South China Morning Post*, June 26, 2014 at <http://www.scmp.com/business/economy/article/1519496/xi-jinpings-visit-shanghai-zone-gives-new-hope-economic-reform> accessed June 27, 2014

terms from 2008-12 and had also contested the Presidential election in 2012, when she lost to the present President, Ma Ying-jeou. The DPP, known for its pro-independence proclivities, is the main opposition force in Taiwan. Tsai Ing-wen has been a major figure in the party for long now. She supports engagement with civil-society and pro-democracy groups in China.⁴⁶

Taiwanese companies targeted during anti-Chinese protests in Vietnam

Recently, in the month of May, massive violent anti-foreigner and particularly anti-China protests took place in Vietnam. The demonstrators were reacting to the collisions of Vietnamese and Chinese ships, in the disputed waters of the South China Sea off the Vietnamese coast. As per reports, more than 3,000 Chinese citizens fled from Vietnam. The media also reported the loss of Chinese lives. International media has described this episode as the lowest point in the Sino-Vietnam relations, ever since they fought a war in 1979.⁴⁷ Incidentally, Taiwanese companies suffered heavy collateral damage as the violent mobs took them to be Chinese companies, because of the Chinese language signboards. According to a report, around 107 Taiwanese companies became the victims of the violence. Vietnam apologised to Taiwan and the Taiwanese victims. The media reported that Vietnam was mulling 'offering tax cuts and other forms of compensation'.⁴⁸ This gave fresh ammunition to the opposition to criticise the KMT government's China policy.⁴⁹

TRACKING JAPAN

Japan hits out at China during the Asia Security Summit

On May 30, Prime Minister Shinzo Abe delivered the keynote address at the Asia Security Summit (Shangri-La Dialogue) hosted by Singapore. Supporting the Philippine and Vietnamese initiatives in the South China Sea, with regard to the territorial disputes with China, Abe pressed that states must respect international law and should not employ force for staking their claims and resolve disputes peacefully through dialogue.⁵⁰ Abe argued for a greater role for Japan in regional security and offered support to the South East Asian nations, many of whom have maritime disputes with China; as well as for ensuring the security of the seas and the skies, and upholding freedom of navigation and freedom of over flight. Moreover, Abe pressed for the maritime code of conduct concerning ASEAN and China along with the operationalisation of the 2007 pact for setting up a Sino-Japanese mechanism to deal with accidental clashes concerning vessels and airplanes.⁵¹ The following day, the Japanese Defence Minister, Itsunori Onodera argued that Japan and others should on no account seek to unilaterally change the status quo by force. Furthermore, the U.S. Defence Secretary Chuck Hagel, severely criticising Chinese

⁴⁶ "Tsai Ing-wen Elected as DPP Chair", *Taipei Times*, May 26, 2014 at <http://www.taipeitimes.com/News/front/archives/2014/05/26/2003591240> accessed on June 4, 2014

⁴⁷ "Over 3,000 Chinese Nationals Evacuated from Vietnam after Deadly Violence", *Xinhua*, May 18, 2014 at http://news.xinhuanet.com/english/china/2014-05/18/c_133341550.htm accessed on June 4, 2014 "At Least 21 Dead in Vietnam Anti-China Protests Over Oil Rig", *The Guardian*, May 15, 2014 at <http://www.theguardian.com/world/2014/may/15/vietnam-anti-china-protests-oil-rig-dead-injured> accessed on 4 June 2014

⁴⁸ "Vietnamese Representative Apologizes Over Riot Losses", *Taipei Times*, May 19, 2014 at <http://www.taipeitimes.com/News/front/archives/2014/05/19/2003590696> accessed June 4, 2014

⁴⁹ Austin Ramzy, "Taiwan Concerned Over Mistaken Identity in Vietnam Protests", *Blog*, May 14, 2014 at http://sinosphere.blogs.nytimes.com/2014/05/14/taiwan-concerned-over-mistaken-identity-in-vietnam-protests/?_php=true&_type=blogs&partner=rssnyt&emc=rss&_r=0 accessed on June 4, 2014

⁵⁰ "Abe's Shangri-La dialogue key note speech", *NHK*, May 30, 2014 at http://www3.nhk.or.jp/nhkworld/english/news/20140531_01.html accessed June 1, 2014

⁵¹ "In dig at China, Abe says Japan supports Southeast Asia on freedom of sea, air", *Reuters*, May 31, 2014 at http://ajw.asahi.com/article/behind_news/politics/AJ201405310020 accessed May 31, 2014

actions, stated that China has unilaterally been undertaking destabilising activities to assert itself in the South China Sea. China has expressed its displeasure with regard to Abe's position and has registered a protest stating that Abe has fabricated the Chinese threat to mask Japan's militaristic ambitions which are disturbing for China and the region.

Lawmakers push for Japan-Russia gas deal

Following the Russia-China gas deal, there were reports that 33 Japanese lawmakers are revitalizing their efforts for a 600 billion yen (\$5.9 billion) natural gas pipeline between Sakhalin Island and Ibaraki prefecture. The proposed pipeline is expected to carry around 20 billion cubic metres of natural gas per annum. The pipeline issue is anticipated to feature as a critical element during Putin-Abe meeting this fall. Gazprom will transfer natural gas through the Sakhalin-Khabarovsk-Vladivostok pipeline. If the leadership does manage to sign the agreement, the building of the pipeline will probably take five to seven years.⁵² Observers argue that while Japan can purchase Russian gas at an economical price, if the pipeline is constructed, Russia will no longer depend on European market which is cutting its reliance on Russian gas supplies following the Ukraine crisis. Japan's energy crisis following the 2011 Fukushima catastrophe, has compelled it to pursue the Russia-Japan pipeline. In 2013, Japan purchased 87.49 million metric tons of the fuel and Russia supplied 9.8 per cent of the country's gas.⁵³ While in the 2000s, Exxon and few other natural gas suppliers were considering constructing a pipeline connecting Sakhalin and Japan, the plan was shelved since Japanese utilities were unenthusiastic about buying the gas.⁵⁴

Japan-North Korea work on abduction issue

Japanese officials held a three-day discussion on the resolution of the abduction issue with the North Korean authorities between May 27-29 in Stockholm. While North Korea assured that it would initiate fresh investigations relating to the abductions of Japanese nationals in the late 1970s-early 1980s, Japan agreed to ease sanctions once Pyongyang institutes a special investigation committee on the abduction issue. Japan will ease the constraints on travel and port-calls by North Korean vessels. Later, on May 30, the North Korean representative for regularising relations with Japan, Song Il Ho, reached Beijing where he stated that Pyongyang intends to institutionalize a special panel to carefully investigate the issue of missing Japanese nationals, together with the ones kidnapped by North Korean agents.⁵⁵ Earlier in 2008, when Pyongyang pledged reinvestigation into the abduction issue, Japan agreed to ease sanctions. However, North Korea failed to deliver on the agreement.⁵⁶

The South Korean government confirmed that Japanese authorities informed it of this development through diplomatic channels prior to issuing the official statement. While the South Korean government recognised Japan's concerns from a humanitarian perspective, they articulated their anxiety regarding the settlement and argued that Japan, the United States and South Korea have an understanding with regard to the North Korea's nuclear programme. Park Geun-hye administration will closely watch the forthcoming negotiations between

⁵² "Is a Russia-Japan Natural Gas Deal Next for Putin?", *Wall Street Daily*, June 18, 2014 at <http://www.wallstreetdaily.com/2014/06/18/russia-japan-natural-gas-deal/> accessed June 20, 2014

⁵³ "Japanese Lawmakers to Lobby Abe for Russian Gas Pipeline", *Bloomberg*, May 28, 2014 at <http://www.bloomberg.com/news/2014-05-27/japanese-lawmakers-to-push-abe-on-russia-natural-gas-pipeline.html> accessed May 31, 2014

⁵⁴ "Proposed Japan-Russia Natural Gas Pipeline Would Be Good News for Tokyo and Moscow, But Bad News for Washington", *The Epoch Times*, June 2, 2014 at <http://www.theepochtimes.com/n3/blog/proposed-japan-russia-natural-gas-pipeline-would-be-good-news-for-tokyo-and-moscow-but-bad-news-for-washington/> accessed June 3, 2014

⁵⁵ "N.Korea envoy: Investigation panel to come soon", *NHK*, May 30, 2014 at http://www3.nhk.or.jp/nhkworld/english/news/20140530_25.html accessed June 3, 2014

⁵⁶ "Abe hopes new agreement will resolve abduction", *NHK*, May 29, 2014 at http://www3.nhk.or.jp/nhkworld/english/news/20140530_09.html accessed June 3, 2014

Japan and North Korea.⁵⁷ Following the agreement reached in Sweden, there were reports of a possible visit by Prime Minister Abe to North Korea.⁵⁸

Pyongyang launches ballistic missiles in the Sea of Japan

On June 29, North Korea fired two short-ranged ballistic missiles into the Sea of Japan. Japanese authorities confirmed that the missiles were fired from around Wonsan city towards the east. While authorities are gathering information about the missiles, Japan has registered a strong diplomatic protest although there was no damage to the aircraft and vessels in the region. Japan is working with the United States and South Korea to gather information.⁵⁹ In response, the North Korean authorities have argued that the firing of ballistic missiles is a part of regular military exercises.⁶⁰ Earlier, on June 26, North Korea test fired precision-guided missile into the Sea of Japan.⁶¹

United States deploys Global Hawks at Misawa Air Base

The United States has deployed two most advanced long-distance surveillance drones at Misawa Air Base (Aomori prefecture) for five months, from June through October. A US military official confirmed that operation from Japan is strategically important for the security of Japan and adjoining areas.⁶² These drones are reportedly equipped with advanced communication capabilities and the can fly at 18,000 metres for 30 hours on autopilot.⁶³ Some observers argue that this move showcases Obama's pledge towards Asian security and his rebalancing of forces to the Pacific. It is likely to improve US's capability for observing nuclear developments in North Korea and the naval operations of China.⁶⁴ Meanwhile, there are reports that Japan is planning to procure three Global Hawks in 2015.⁶⁵

Abe outlines Japan's growth strategy

On June 24, the Japanese cabinet decided on a fresh Basic Policies for Economic and Fiscal Management and Reform and a revised Japan Revitalisation Strategy. Prime Minister Abe underscored his resolve to implement

⁵⁷ "S.Korea shows mixed reaction to Japan-N.Korea deal", *NHK*, May 29, 2014 at http://www3.nhk.or.jp/nhkworld/english/news/20140530_11.html accessed June 3, 2014

⁵⁸ "Historic North Korea trip may be in cards for Abe", *AFP-JIJI*, Kyodo, June 4, 2014 at http://www.japantimes.co.jp/news/2014/06/04/national/japan-to-grant-n-korea-passage-of-food-medicine-if-abductions-inquiry-makes-progress/#.U6_2FUBRJw0 accessed June 5, 2014

⁵⁹ "N.Korea fires ballistic missiles", *NHK*, June 29, 2014 at http://www3.nhk.or.jp/nhkworld/english/news/20140629_19.html accessed June 29, 2014

⁶⁰ "N.Korea calls launches 'regular military drills'", *NHK*, June 29, 2014 at http://www3.nhk.or.jp/nhkworld/english/news/20140629_15.html accessed June 29, 2014

⁶¹ "North Korea fires more short-range missiles ahead of abduction talks", *The Japan Times*, June 29, 2014 at http://www.japantimes.co.jp/news/2014/06/29/asia-pacific/north-korea-fires-more-short-range-missiles-seoul/#.U6_2QEBRJw0 accessed June 29, 2014
"N.Korea: Kim attended launch of precision missiles", *NHK*, June 27, 2014 at http://www3.nhk.or.jp/nhkworld/english/news/20140627_33.html accessed June 29, 2014

⁶² "US forces unveil Global Hawks in Japan", *NHK*, May 30, 2014 at http://www3.nhk.or.jp/nhkworld/english/news/20140530_31.html accessed June 2, 2014

⁶³ "2nd U.S. Global Hawk drone deployed to Misawa base", *Japan Today*, May 29, 2014 at <http://www.japantoday.com/category/national/view/2nd-u-s-global-hawk-drone-deployed-to-misawa-base/comments/popular/id/4358425> accessed May 29, 2014

⁶⁴ "US deploys first advanced drones to Japan", *Al Jazeera*, May 31, 2014 at <http://www.aljazeera.com/news/asia-pacific/2014/05/us-deploys-first-advanced-drones-japan-201453081056500403.html> accessed June 2, 2014

⁶⁵ "Japan eyes acquiring 3 Global Hawk spy drones in FY 2015", *Kyodo*, June 5, 2014 at <http://english.kyodonews.jp/news/2014/06/294219.html> accessed June 9, 2014

reforms for rejuvenating the economy. According to authorities, Japan is not in a state of deflation anymore and achieving mid-and long-term economic growth will depend on topping up depleted resources and addressing the complications arising from a steadily dropping population. The government has stressed on tax reforms to facilitate economic growth. The growth strategy includes a reduction in the corporate tax rate to below 30 per cent along with the organisational reform of agricultural cooperatives.⁶⁶ The corporate tax rate in Japan stands at approximately 36 per cent for big corporations in Tokyo, which is the steepest among the industrialised nations.⁶⁷ While observers had criticised the earlier growth strategy arguing that it lacked comprehensive initiatives to ease the regulations enforced by anti-reform lobbies including the agricultural sector. There are mixed market reactions towards the revised growth strategy aimed at regulatory reforms. The following day, the Nikkei Stock average fell 0.7 per cent.⁶⁸

Japan-China trade ministers meet

Japanese Trade and Chinese Commerce Minister, Toshimitsu Motegi and Gao Hucheng held meeting in Qingdao (China), on the sidelines of the two-day Asia-Pacific Economic Cooperation forum on May 17. This was the first ministerial level meeting between the two countries since Prime Minister Abe's visit to the controversial Yasukuni shrine in December 2013, which evoked severe protests from China. Observers argue that the Motegi-Gao meeting was a step to gear up for Abe's scheduled visit to China in November for the APEC summit. Motegi reportedly emphasized that while there are various issues between China-Japan, both countries should cooperate and underscored the necessity to advance economic ties.⁶⁹ Chinese authorities confirmed that, during the meeting, Gao mentioned that though Japan is responsible for the problematic situation, China is ready to enhance bilateral economic activities and agreed on the requirement to improve cooperation in energy conservation and environmental protection. While China urged Japan to better the investment atmosphere for Chinese business, Japan expressed concerns over safe operations of its companies in China. Japan also reportedly referred to the issue of a Shanghai court's confiscation of an iron-ore carrier of a Japanese shipping corporation and the cases filed by Chinese nationals pursuing compensation from Japanese companies.⁷⁰

Japan embraces fresh weapons development strategy

On June 19, the defence ministry embraced a new policy meant to support joint development of weapons with other nations, marking a key shift from the 44-year-old strategy upholding domestic production of arms to lift national defense contractors. Taking note of the international joint development projects which involve the defence industries of different countries, there was increasing worry about the possibility that Japan may lag behind technologically if the previous policy was continued. Japan will deliberate on participating in joint development projects provided it advances Japanese technology and diminish expenditure. The new policy urged for better cooperation with universities and research organisations to improve defence technology.⁷¹ Swelling of

⁶⁶ "Govt must achieve both economic growth and regulatory reform", *The Yomiuri Shimbun*, June 25, 2014 at <http://the-japan-news.com/news/article/0001380415> accessed June 29, 2014

⁶⁷ "Japan reveals plans to cut corporate tax to below 30%", *BBC News*, June 24, 2014 at <http://www.bbc.com/news/business-27994913> accessed June 29, 2014

⁶⁸ "Japan Markets Muted Toward Abe's Economic Plan", *The Wall Street Journal*, June 25, 2014 at <http://online.wsj.com/articles/japan-markets-muted-toward-abes-economic-plan-1403689950> accessed June 29, 2014

⁶⁹ "Japan, China ministers meet for first time since Abe's Yasukuni visit", *The Asahi Shimbun*, May 18, 2014 at http://ajw.asahi.com/article/behind_news/politics/AJ201405180017 accessed June 2, 2014

⁷⁰ "Japan, China ministers hold 1st talks since ties frayed over islet", *Kyodo*, May 17, 2014 at <http://asia.nikkei.com/Politics-Economy/International-Relations/Japan-China-ministers-hold-1st-talks-since-ties-frayed-over-islet> accessed June 2, 2014

⁷¹ "Japan adopts new weapons development plan", *NHK*, June 19, 2014 at http://www3.nhk.or.jp/nhkworld/english/news/20140619_32.html accessed June 29, 2014

the arms development expenses steered a worldwide trend of countries collaborating to produce advanced ordnances and Japan was not allowed to take part in these project owing to its three principles concerning arms exports. However, in April, the Abe government eased the principles to enable arms exports and to allow Japanese businesses to participate in international development projects. The new policy is expected to reinforce Japan's alliances with other countries. Several states including the United States, Britain, France, Australia, India, and South East Asian countries have been identified as probable partners to explore the joint development of innovative military equipment and share arms technologies. Furthermore, to manage threats emanating from the region, Japan reportedly intends to improve its patrol and surveillance competencies by fast tracking the development of drones and amphibious vehicles to defend disputed islands.⁷²

Japan-Myanmar strengthen defence ties

Japan's Chief of Staff of the Self-Defence Forces, General Shigeru Iwasaki, met President Thein Sein in Naypyitawon May 28, 2014 to enhance defence cooperation and exchanges. He met Senior General Min Aung Hlaing, his Myanmar counterpart, and both agreed that exchanges between the Self-Defence Forces and Myanmar Armed Forces would be advantageous for both countries. They reportedly exchanged views on the Asia-Pacific security situation and agreed that regional issues should best be resolved through dialogue.⁷³

Abe manages support from New Komeito on collective self-defence debate

On June 17, Shinzo Abe presented the draft statement on the right to collective self-defence. The statement reflects the way in which Japan can manage the gray-zone settings and provide increased logistical support to its allies and ease restrictions on usage of weaponries in the course of peacekeeping operations by the Self- Defence Forces. Natsuo Yamaguchi, the New Komeito (the junior coalition partner) chief, expressed his reservations regarding the policy shift, because of the position taken by the Buddhist group Soka Gakkai's position against the Liberal Democratic Party's push for collective self-defence. However, the Abe administration managed to address the concerns of its coalition partner by revising few phrases in the draft statement and New Komeito agreed in principle to the draft document that marks a shift in the government interpretation of the Constitution. In the June 24 meeting, the LDP offered new wording for three new conditions that needs to be satisfied prior to the use of force. In the initial draft, one new condition stated that armed force might be employed in case "Japan has come under military attack as well as when another nation has come under attack and that leads to the possibility that the survival of Japan is threatened ...". The section on "another nation" coming under attack has been incorporated to allow the right to collective self-defence. In the June 24 draft, "another nation" was replaced by "another nation that has a close relationship with Japan" and the section reading "leads to the possibility" was replaced by "a clear danger exists". After the draft statement is broadly agreed upon by the LDP and New Komeito, it will be presented for approval to the cabinet to alter the interpretation of the right to collective self-defence.⁷⁴

⁷² "Japan accelerates joint arms development with other nations", *The Asahi Shimbun*, June 20, 2014 at http://ajw.asahi.com/article/behind_news/politics/AJ201406200065 accessed June 29, 2014

⁷³ "Japan, Myanmar to boost defence ties", *Kyodo* May 29, 2014 <http://www.japantimes.co.jp/news/2014/05/29/national/japan-myanmar-boost-defense-ties/> accessed May 30, 2014

⁷⁴ "Major Security Shift: New Komeito agrees to revised collective self-defence proposal", *The Asahi Shimbun*, June 25, 2014 at <https://mail.google.com/mail/?tab=wm#inbox/146ec49eeb6fd096> accessed June 29, 2014

TRACKING THE KOREAN PENINSULA

Russia move towards improving relations with North Korea

Disturbed by the West's strong anti-Russia stance over the recent developments in Ukraine, Russia is trying to improve its relations with North Korea. Such a move seems to indicate that Moscow is not only trying to distance itself from the EU and the US, but also trying to improve its relations with various Asian states and build political alliances. Strong bilateral relations with Russia will certainly be beneficial for poverty-stricken North Korea. In fact, over the last few months, Moscow has promised to enhance its bilateral political interaction and assist Pyongyang in various trade and development projects. The Russian government is even trying to write off the North's debt of around \$10 billion from the Soviet era. Even though Moscow remains highly concerned about a nuclear North Korea, many security analysts argue that growing interaction between the two states could hamper the efforts towards denuclearising North Korea.⁷⁵

South Korea, US and Japan agree to pursue an intelligence pact

During a trilateral meeting of the Defence Ministers of South Korea, Japan and the US in Singapore on the sidelines of the Shangri-La Dialogue on May 31, the three leaders agreed to pursue a defence intelligence sharing pact to deal with North Korea's provocative behaviour. Despite the fact that Washington already has such pacts with both of its alliance partners, for years, it has been eager to have a trilateral intelligence sharing pact. However because of the tenuous relations between South Korea and Japan, the prospects for concluding such an agreement remain dim.⁷⁶

North Korea's agreement with Chinese fishermen irks South Korea

It is alleged that North Korea has recently signed a contract with Chinese fishermen allowing the latter to fish in waters near the Northern Limit Line (NLL), the disputed inter-Korean maritime border. North Korea reportedly will extract monetary benefit from the contract. The South Korean officials however have expressed their strong opposition to this contract, as it would allow the fishermen to fish near the South Korean border. Seoul officials further state that because of this extension of the joint fishery area to the waters south of the NLL, there has been greater movement of Chinese vessels in that area than before. This is a major concern for Seoul. South Korean military officials argue that by virtue of this contract, North Korea is not only trying to blur the maritime boundary between the two Koreas, but is also hoping to earn foreign exchange from it.⁷⁷

Chinese Foreign Minister visits South Korea

The Chinese Foreign Minister, Wang Yi paid a two-day official visit to Seoul from May 26 to May 27. This was his first visit to South Korea after assuming office. The visit was closely monitored in Seoul as it was for preparing the ground for the scheduled visit of Chinese President Xi Jinping to Seoul in early July.⁷⁸ The visit was also

⁷⁵ "Putin looks east to bolster ties with N.K.", *The Korea Herald*, June 4, 2014, at <http://www.koreaherald.com/view.php?ud=20140604000590> accessed on June 6, 2014

⁷⁶ "S. Korea, US, Japan push for intelligence-sharing pact", *The Korea Herald*, June 1, 2014, at <http://www.koreaherald.com/view.php?ud=20140601000360> accessed on June 3, 2014

⁷⁷ "North rents out waters near NLL", *Korea JoongAng Daily*, May 30, 2014, at <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2989913> accessed on June 2, 2014

⁷⁸ "China's Foreign Minister starts 2-day official visit", *Korea JoongAng Daily*, May 26, 2014, at <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2989680> accessed on May 28, 2014

significant considering that the Chinese Foreign Minister visited South Korea before visiting its ally -North Korea.⁷⁹ During his visit, Wang held diplomatic discussions with his South Korean counterpart, Yun Byung-se, regarding the current security environment in the Korean Peninsula. While agreeing that the security threat in the region had increased manifold in the wake of Pyongyang's nuclear test, the two leaders agreed that they needed to join hands in order to realise a denuclearised North Korea.⁸⁰

South Korean President disbands Coast Guard

On May 19, South Korean President Park Geun-hye announced her decision to disband 61-year old coast guard. It has been argued that Park may have decided to take such drastic step after the agency's ineffective handling of the rescue operations when the Seoul ferry sank on April 16, leaving more than three hundred people dead. The coast guard's major responsibility relating to the investigation of maritime crimes and rescue operations is handed over to the National Police Agency. The South Korean government will set up a national safety agency to undertake maritime patrolling.⁸¹

⁷⁹ "Chinese Foreign Minister makes first official visit to Beijing", *Donga Daily*, May 26, 2014, at <http://english.donga.com/srv/service.php3?bid=2014052694068> accessed on May 28, 2014

⁸⁰ "China's foreign minister relays hopeful outlook", *Korea JoongAng Daily*, May 27, 2014, at <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2989745> accessed on May 28, 2014

⁸¹ "Park makes apology, disbands Coast Guard", *Korea JoongAng Daily*, May 20, 2014, at <http://koreajoongangdaily.joins.com/news/article/Article.aspx?aid=2989415> accessed on May 22, 2014

DATA FROM THE REGION (MAY-JUNE 2014)

CHINA

- National Bureau of Statistics reported that in June, the consumer price index increased by 2.3 per cent year-on-year.⁸²
- Ministry of Commerce People's Republic of China reported that in January-May 2014, trade between Mainland and Taiwan amounted to US\$76.29 billion, representing a 12.2% decline year-on-year. While mainland's export to Taiwan reached US\$17.08 billion, import from Taiwan amounted to US\$59.21 billion.⁸³
- Ministry of Commerce People's Republic of China confirmed that in January-May 2014, trade between Mainland and Hong Kong reached US\$132.05 billion, representing a 26.6 per cent drop year-on-year. While mainland's export to Hong Kong reached US\$127.36 billion, import from Hong Kong amounted to US\$4.69 billion.⁸⁴

JAPAN

- In May, the consumer price index was 103.5 (2010=100), up 0.4 per cent from the earlier month, and up 3.7 per cent year-on-year.⁸⁵
- In May, the number of employed individuals was 63.98 million, representing a rise of 580 thousand or 0.9 per cent from the preceding year. The number of unemployed individuals amounted to 2.42 million, indicating a decline of 370 thousand or 13.3 per cent from the preceding year. The unemployment rate, seasonally adjusted, stood at 3.5 per cent.⁸⁶
- Ministry of Finance reported that in May, the value of exports amounted to ¥5,607,390 million, representing a 2.7 per cent decrease year-on-year. The value of imports amounted to ¥6,518,152 million, representing a 3.5 per cent decrease year-on-year. The trade balance amounted to 910,762 million yen.⁸⁷

SOUTH KOREA

- Ministry of Trade, Industry and Energy confirmed that for the first half of 2014, exports reached US\$283.6 billion representing a year-on-year growth of 2.6 per cent. Imports reached US\$ 263.3 billion indicating a year-on-year growth of 2.7 per cent. The trade balance amounted to US\$ 20.3 billion.⁸⁸

⁸² "Consumer Prices for June 2014", *National Bureau of Statistics of China*, July 9, 2014 at <http://www.stats.gov.cn/english/> accessed July 10, 2014

⁸³ "Statistics of Mainland-Taiwan Trade and Investment in January-May 2014", *Ministry of Commerce People's Republic of China*, July 1, 2014 at <http://english.mofcom.gov.cn/article/statistic/lanmubb/hkmacaotaiwan/201407/20140700655643.shtml> accessed July 10, 2014

⁸⁴ "Mainland-HongKong Economic and Trade Cooperation in January-May 2014", *Ministry of Commerce People's Republic of China*, July 7, 2014 at <http://english.mofcom.gov.cn/article/statistic/lanmubb/hkmacaotaiwan/201407/20140700653079.shtml> accessed July 10, 2014

⁸⁵ "Japan May 2014, Ku-area of Tokyo June 2014 (preliminary)", *Statistics Bureau, Ministry of Internal Affairs and Communications*, 27 June 2014 at <http://www.stat.go.jp/english/data/cpi/1581.htm> accessed July 1, 2014

⁸⁶ "Monthly Results-May 2014", *Statistics Bureau, Ministry of Internal Affairs and Communications*, June 27, 2014 at <http://www.stat.go.jp/english/data/roudou/results/month/index.htm> accessed July 1, 2014

⁸⁷ "Value of Exports and Imports May 2014", *Ministry of Finance Japan*, June 27, 2014 at http://www.customs.go.jp/toukei/shinbun/trade-st_e/2014/2014055e.pdf accessed July 1, 2014

⁸⁸ "Export and Import Trends for June and 1st Half of 2014", *Export and Import, Division Ministry of Trade, Industry and Energy*, July 1, 2014 at http://www.motie.go.kr/language/eng/news/news_view.jsp?tableNm=E_01_01&seq=1260# accessed July 1, 2014

(Based on the volume of customs clearance, USD 0.1 billion and %)

| Items | Jan through Jun 2013 | 2014 | | | | | | |
|---------|----------------------|--------------|------------|-----------|-----------|-----------|------------------|------------------------------|
| | | Jan | Feb | Mar | Apr | May | Jun ^p | Jan through Jun ^p |
| Export | Volume (Growth Rate) | 2,765 (0.5) | 456 (-0.2) | 429 (1.4) | 491 (3.7) | 503 (9.0) | 478 (-1.0) | 478 (2.5) 2,836 (2.6) |
| Import | Volume (Growth Rate) | 2,565 (-2.9) | 448 (-1.1) | 420 (3.9) | 455 (3.6) | 458 (5.0) | 425 (0.3) | 426 (4.5) 2,633 (2.7) |
| Balance | Volume | 200 | 8 | 9 | 35 | 45 | 53 | 53 203 |

Source: Ministry of Trade, Industry and Energy

- In June, the consumer price index was 109.10(2010=100), indicating a 0.1 percent decrease from the earlier month and 1.7 increase percent year-on-year.⁸⁹
- Bank of Korea projects the GDP growth rate to be 3.8 per cent for 2014 and 4.0 per cent for 2015.⁹⁰

⁸⁹ "Consumer Price Index in June 2014", *Price Statistics Division, Economic Statistics Bureau, STATISTICS KOREA*, July 1, 2014 at <http://kostat.go.kr/portal/english/news/1/1/index.board?bmode=read&aSeq=328136> accessed July 1, 2014

⁹⁰ "Economic Outlook for Second Half of 2014", *Bank of Korea*, July 10, 2014 at <http://www.bok.or.kr/contents/total/eng/boardView.action?menuNavId=634&boardBean.brDid=14104&boardBean.menuId=634&boardBean.rnum=1> accessed July 10, 2014

ACTIVITIES OF THE CENTRE

- Dr. Jagannath Panda, Research Fellow, IDSA, participated as a speaker at the 1st Green Asia Conference: Climate Governance and Competitiveness of New Energy Industries in Asia, organised by the Copenhagen Business School (CBS), Denmark from May 14-15, 2014. Dr Panda presented a paper on 'BASIC and Climate Politics: A Contending or Cooperative India-China Perspective?'.
- A three member delegation from China Institutes of Contemporary International Relations (CICIR, Beijing) visited IDSA on May 29, 2014, for an interaction with the scholars of the East Asia Centre.
- M.S. Prathibha spoke on the Chinese Views on Indian Elections/New Government in the Monday Morning meeting on June 9, 2014.
- The East Asia Centre, IDSA, in collaboration with the Embassy of the People's Republic of China in New Delhi, organised a one-day conference titled "60th Anniversary of Panchsheel: Relevance for India-China Relations" on 11 June 2014.
- The IDSA team, comprising of Director General, Dr Arvind Gupta, and scholars Dr Uttam Sinha and Dr Jaganath Panda visited the China Institutes of Contemporary International Relations (CICIR, Beijing) on June 23, 2014, as part of the Institutional Bilateral. The team also visited other think tanks in Beijing, including CASS and CIIS.
- The IDSA team, comprising of Director General, Dr Arvind Gupta, and scholars Dr Jaganath Panda and Mr Rajorshi Roy visited Ulaanbaatar to conduct a bilateral dialogue with the Institute for Strategic Studies (ISS), Mongolia, from June 25-28 2014. The team also visited the Ministry of Defence and the Parliament of Mongolia for interactions.

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