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EDITOR'S NOTE

East Asian theatre is rapidly evolving and China's growing influence is shaping new regional order. At the epicentre of Asia's economic dynamism, this region also features several security hotspots. Confrontational posturing in East Asia poses a risk to the regional stability. Since India is increasingly engaging with players in the region both bilaterally and in multilateral forums, awareness of geopolitical developments and security concerns in the region needs to be deepened. To this end, East Asia Centre (IDSA) has taken the initiative to launch East Asia Monitor.

East Asia Monitor is a bimonthly newsletter, focussing on the significant foreign policy, security, and economic developments in the region, particularly in China, Japan and Korean Peninsula. This newsletter is intended for the policymakers and the academic community. The information is drawn from speeches, articles, ministries and regional forums with special emphasis on area sources.

This inaugural issue features three interviews of regional experts offering their perspectives on critical issues, including the contested islands in the East China Sea, political debate on pacifist orientation of Japan, status of Sino-Japanese, Sino-Indian and India-Taiwanese relations, future of US-Japan security alliance, foreign policy shifts and implications for the region. Additionally, three commentaries offer analysis on significant developments unfolding in January-February. Despite India-Japan summit in January, leaders refrained from signing the agreement for cooperation in the peaceful use of nuclear energy. In this context, a Japanese expert explores the prospect of India-Japan civil nuclear cooperation. The second commentary reflects on the strategic thinking of Chinese Navy in the South China Sea and Indian Ocean. The third commentary evaluates the politics around US base relocation involving Okinawa, Tokyo and Washington bearing implications for the US rebalancing strategy. Furthermore, significant developments in China, Japan and Korean Peninsula are captured by way of brief news items.

We look forward to comments and suggestions from our readers.

TTTLI BASU



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1. *How do you perceive the evolving debate in Japan about Article 9 of the Pacifist Constitution? Do you see the possibility of Japan becoming a “normal” country in the coming years?*

The implications of the term “normalisation” need to be examined. It implies that Japan will have the right to wage war against a foreign country. It will create space for Japan to become a military state. History shows that Japan has committed heinous war crimes but it continues to deny its role as a coloniser. Japan’s approach to various issues including: comfort women, the Nanking massacre, the Yasukuni shrine, and its refusal to admit to the war crimes it committed during World War II are proof that Japan defends colonisation. Prime Minister Abe is deliberately fostering a sense of confrontation vis-à-vis China to legitimise his ambition of revising the constitution. He is using China as an excuse, to make his ambition acceptable to the electorate.

2. *What is the best way to deescalate tensions between China and Japan, following the developments around the contested islands?*

Prime Minister Abe is determined to heighten tensions with China. Despite impressive bilateral trade figures, the confrontation will intensify as Abe has no intentions of addressing the real issue. So any opportunity to de-escalate the tension will surface only after there is a leadership change in Japan. No amount of effort by China will yield any positive results since Abe needs this confrontation to justify his attempts to change the pacifist orientation of Japan.

3. *How do you perceive Japan’s attempt to diversify beyond the US-Japan security alliance?*

Prime Minister Abe’s policy to create a sense of China threat and sell it to the world is doomed to fail. Containing China by way of making alliances with Australia, India or United States is futile since these countries are hesitant to be a part of Japan’s strategy against China. Globalisation will make the containment strategy fail. The economic interests of countries are more intertwined than ever before and economic interdependence makes it impossible for them to isolate China.

4. *What is the future of the US-Japan Security Alliance?*

Joe Biden did not support Prime Minister Abe’s visit to the Yasukuni shrine. The nationalisation of the Senkaku was also not supported by the United States. The Obama administration is not interested in getting involved in a conflict. Sensing the cold response of Obama, Abe stated that China and Japan can manage the dispute from getting escalated. Article 5 of the Security Alliance is to defend Japan in case of an attack, but does not support Japan going to war. The United States does not want a war between China and Japan. China, as a policy, will never shoot first.



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1. Where do you situate India and China in the Asian political order?

The rise of India and China as the two Asian superpowers has been a dominant feature of twenty-first century world politics. This implies that both China and India will have a greater say in regional and global affairs. For example, India now plays a bigger role in the South China Sea issue than ever. The various possibilities of how China–India interactions will shape the international order and Asian security are currently being discussed. Of these, the most notable includes an Indo–American alliance against China, a China–India–Russia strategic triangle against the US, and ‘Chindia’ as a dominant player in international society. For the moment however, the competition for regional leadership dominates Sino–Indian relations. New Delhi keeps a wary eye on China’s ties with its South Asian neighbours, especially Pakistan. Beijing is greatly concerned that India is enhancing its efforts to extend its influence eastward, and it is also acutely conscious of the growing engagement between India and other East Asian states, such as Japan.

2. What is Taiwan’s position vis-à-vis the Indo-China border conundrum?

As early as in 1987, the Taiwan government had issued a statement denouncing the establishment of Arunachal Pradesh as a full-fledged state of the Indian Union, because Taiwan was claiming sovereign legitimacy over the whole of mainland China, at that time. In practice, however, Taiwan does not take any stand on China-India border dispute. The stories of Chinese crossing the LAC have been reported frequently by Taiwan’s media and interpreted as part of Chinese assertive behaviour. Taiwan hopes that a peaceful resolution of the dispute will eventually be found.

3. How do you think the Tibet issue will unfold in the future and how will it affect India-China relations?

Compared to the other disputes between China and India, Tibet is the one issue that has irked China, more than it has troubled India. Although China and India seemed to have found some common ground on the Tibet issue, as mentioned in some joint diplomatic documents, both sides have failed to agree on a positive way to address each other’s concerns, relating to the Tibet issue. As India is still playing host to Dalai Lama and the Tibetan government–in–exile, it thereby occupies a crucial position in the tortured politics of the Tibet issue. But the Chinese side resents the Indian interest in Tibetan affairs, and sees India’s warm reception of Dalai Lama and his followers as a violation of the cardinal principle of non–interference in another’s internal affairs. The Chinese have tended to interpret India’s assistance to the exiled Tibetans as India’s desire to use Tibet as an instrument against China. The discord over Tibet will be a constant that both sides must address, as India’s hosting of Tibetan émigrés and the Tibetan government–in–exile will continue to affect the course of Sino–Indian relations.

4. In what ways have a nuclear India and China altered the global security landscape?

India’s nuclear test in 1998 marked a new phase in China–India relations. Being a nuclear state, India’s influence and identity have changed. It has now become a more resolute power. China is concerned about India’s ongoing

attempts to maintain a credible nuclear deterrent and to secure a de jure nuclear power status, but it remains confident that China's overall strength remains greater than India's. Even though China took a hard-line policy towards India's nuclear programme, but in fact, it did not take any apparent actions to block India's initiatives. What worries China is India's improving security ties with the US, as the Indo-US nuclear deal has further strengthened the Indo-US strategic partnership.

5. *What are the prospects/potential of India-Taiwan relations?*

The future of the relationship between India and Taiwan is very promising because there are no serious disagreements or conflicts between the two sides. And, do not forget that, both India and Taiwan are Asian democracies and have shared interests, values and concerns with regard to a wide range of issues. On the economic front, for example, Taiwan's economic structure and strength in science and technology complement India's development and future rise. In addition, both sides could share their knowledge about a rising China, as no country knows China better than Taiwan. There is still ample scope for the two countries to expand cooperation.

6. *Do you consider PRC an impediment to India-Taiwan relations?*

The China factor has had both a positive and negative impact on India-Taiwan relations. Taiwan would like to diversify its trade engagement with India to reduce its economic dependence on the Chinese market. A rising India is seen by some of Taiwan's strategists as a possible bulwark against China's aggressive intentions. But India officially follows the so-called 'One China policy' and as a result has been very cautious about developing political relations with Taiwan, let alone the highly sensitive matter of military cooperation. Till date, New Delhi has not allowed its ministers and high-ranking officials to visit Taiwan to avoid angering Beijing. Ironically, China's ministers and officials have no problem in doing so. As Cross-Strait relations improve, India should feel more confident about engaging with Taiwan, and put its own national interest above third party's concerns.



FUMIO OTA

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Dr. Ota was a Professor at the National Defence Academy in 2013. He served as a visiting fellow at the Centre for International Security and Arms Control at Stanford University. Dr. Ota has authored several books including *The US-Japan Alliance in the 21st Century*.

1. *What are your thoughts on the debate over Japan becoming a "normal" country?*

Prime Minister Shinzo Abe's initiative of making Japan a 'normal' country implies a shift from the excessive pacifism practiced following World War II. What Abe has done so far, and is going to do with regard to: formulating a National Security Strategy; passing the Special Secret Protection Act; establishing the National Security Council; relaxing the arms export ban; increasing the defence budget; and exploring the right to collective defence; is what every country has already done. Hence if China and Korea argue that Japan, becoming a 'normal' country is a dangerous ideology, then every country is dangerous. China possesses nuclear armed ballistic missiles and nuclear submarines. Japan's ally, the United States is welcoming Japanese normalisation. So, that is the way for Japan to go.

2. How do you perceive Prime Minister Abe's visit to the controversial Yasukuni shrine in December 2013?

A soldier would not feel motivated if the Supreme Commander of the Armed Forces did not pay homage to the souls of those who sacrificed their lives in the line of duty. Prime Minister Abe paid a visit to the Yasukuni Shrine in December 2013 and offered his condolences, paid his respects and prayed for the souls of all those who had fought for the country. He said that he has no intention at all, to hurt the feelings of the Chinese and Korean people. This is the behaviour of a normal country. I believe that Abe's visit to the Yasukuni Shrine is same as an American President visiting the Arlington Cemetery on Memorial Day. 'A' class war criminals at the International Military Tribunal for the Far East were enshrined at Yasukuni Shrine in 1978 and it was open to the public in 1979. Prime Minister Ohira, Suzuki and Nakasone visited the Yasukuni Shrine more than twenty times between 1979 to 1985. However, China and Korea had never objected then. China's criticism of the Prime Minister visiting Yasukuni Shrine is not based on historical issues, but because of their national interests.

3. How do you perceive the recent developments in the Sino-Japanese relations following the nationalisation of the Senkaku islands in 2012?

China claims that deterioration in Sino-Japanese relations was triggered by the Japanese nationalisation of the Senkaku islands in 2012, but that is not true. In reality, it was triggered by China in 1992 when Beijing announced a Territorial Sea and the Contiguous Zone Law that declared that its territorial waters encompassed not only almost the entire South China Sea but also much of the East China Sea including the Senkaku Islands. The Japanese nationalisation of Senkaku is merely an owner's transfer. The Japanese Government had carefully investigated whether or not any country had sovereign rights over the Senkaku before 1885. Tokyo found that nobody controlled the islands and thus declared its sovereignty over it before the end of Sino-Japan War. Prior to World War II, the Senkaku Islands hosted a Japanese dried bonito factory, and several people lived there. Beijing did not claim its sovereignty over the islands until 1971. After the Economic Commission for Asia and Far East (ECAFE) of the United Nations announced the likelihood of energy reserves being found near the Senkaku Islands in 1969, China staked its claim. Therefore, it is obvious that the Senkaku islands belong to Japan historically in accordance with international law. Prime Minister Abe has said that the dialogue option is always open. The problem is that China does not want to respond. China may wait for the next Prime Minister who will succeed Abe.

4. Is Japan satisfied with US response to the Chinese ADIZ?

Japan is not satisfied with the US response to the Chinese ADIZ, but it is impossible for the US State Department to control civilian aircraft companies. We are satisfied with American Air Force bombers flying over the Chinese ADIZ right after Chinese announcement. However, I believe that the Chinese ADIZ announcement was triggered by the statement of National Security Adviser Susan Rice, about operationalising a new model of major power relations between China and US. That statement is equivalent to the Acheson line which triggered the Korean War. Beijing tested the American reaction by announcing ADIZ.

PROSPECTS OF JAPAN-INDIA NUCLEAR COOPERATION



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As the issue of global warming attracted the world's attention, the peaceful use of nuclear power began to gain acceptance as one of the effective sources of clean energy. The movement to promote nuclear power had been gaining ground until the accident at the Fukushima Daiichi nuclear power plant in March 2011. Heated debates on the risks and merits of civil nuclear power in Japan and elsewhere led some countries like Germany and Italy to prefer non-nuclear options, while others, e.g. USA and France, continued to promote civil nuclear power with upgraded safety measures. Emerging powers like China and India have continued with their plans to increase civil nuclear power generation, while Vietnam, Turkey and some other nations are in the process of introducing civil nuclear power. The global trend appears to continue the use of civil nuclear power, with a greater awareness of its risks along with a determination to minimise them.

Japan opted for civil nuclear power in the late 1950s and started using it in 1963. This increased gradually but steadily, until the first decade of the 21st century, when over 50 reactors were in operation. International cooperation in technologies and import/export of materials is indispensable for the design, construction, operation and maintenance of nuclear facilities. To ensure its use for peaceful purposes and non-proliferation, nations are obliged to accept the IAEA safeguards, implement strict export controls, and conclude bilateral civil nuclear cooperation agreements. In the process of developing civil nuclear power, Japan concluded bilateral agreements with UK, Canada, USA, France and Australia in the 1950s-1970s, with China in 1986 and with EURATOM in 2006. Japan signed agreements with Kazakhstan, the Republic of Korea, Vietnam, Jordan and Russia and negotiations with India, Turkey, South Africa and other nations had started before March 2011. But the negotiations were deferred due to the inconclusive debates on Japan's own nuclear policy, in the wake of the Fukushima disaster. Negotiations were however resumed, and an agreement with Turkey was signed in March 2012. Prime Minister Abe has been keen to promote nuclear cooperation with all these nations.

India as a non-signatory of the Non-Proliferation Treaty had long been outside of the global nuclear community. However, the USA, seeking a stronger relationship with India, signed a civil nuclear cooperation agreement with India in 2007 with certain conditions including India's acceptance of the IAEA safeguards, with which India complied. In 2008, the Nuclear Suppliers Group agreed to grant India a "clean waiver" from its existing rules that forbid nuclear trade with non-signatories of the NPT. Following the NSG decision, India started negotiations and agreements have been signed with Russia, France, UK, ROK, Canada, Argentine, Kazakhstan, Mongolia and Namibia.

Prime Minister Manmohan Singh, during talks with his Japanese counterpart, PM Noda, in November 2011, expressed hopes of sharing the Japanese nuclear technology and experience, especially in the nuclear safety field. Mr. Noda responded that Japan wished to negotiate with India, in a productive and cooperative manner, so that both sides could arrive at a mutually satisfactory agreement. The strong will of the two governments was reaffirmed during Dr. Manmohan Singh's visit in May 2013 and negotiations are proceeding at a fast pace despite some criticism and opposition from anti-nuclear elements in Japanese society. Japan is attaching increasing strategic importance to India since Prime Minister Mori's visit to India in 2000. Japan's "National Defence Programme Guidelines for FY 2011 and beyond" identifies India as one of the most important countries together with Australia and ROK, who are both US allies, for "multilayered security cooperation." The Japanese government, while admitting that "the Japan-U.S. Alliance remains indispensable for ensuring the peace and security of Japan," is trying to widen and diversify cooperation with other countries. Japan perceives India as a nation with which it "shares common interests in ensuring the security of maritime navigation from Africa and the Middle East to East Asia." Within its constitutional limitations, Japan has enhanced defence and coastguard cooperation with

India. The two countries undertake joint naval exercises, exchange visits and there is talk of collaborating on US-2 seaplanes. Political dialogues have also regularly taken place; along with summits, two plus two dialogues and trilateral dialogues with US.

The slow pace of the negotiations on the nuclear deal might have been an irritant for India although India understands Japanese sensitivity with regard to nuclear issues. Judging from the promotion of Japan's nuclear cooperation with other countries and the increasing importance of India in Japanese foreign and defence policy, the negotiations are expected to proceed further. Civil nuclear energy can be an important field of Japan-India cooperation, which should lead to wider cooperation in science and technology and play a significant role in the prosperity of our two nations.

THE CHINESE NAVY IN THE SOUTH CHINA SEA AND BEYOND



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On January 20, a three-ship flotilla consisting of an amphibian landing craft, *Changbaishan* and the missile destroyers, *Haikou* and *Wuban*, set sail from ports in Guangdong and Hainan provinces for patrol, landing operations and combat drills in the South China Sea, the West Pacific Ocean and the East Indian Ocean. The advertised task of the flotilla by its fleet commander Jiang Weilie was to test the combat ability of leading ships, submarines and aviation forces while exploring methods for normalised open-sea drills. The flotilla included a complement of troops as well as three helicopters. Piecing together the route undertaken and roles performed by this task force re-emphasises the strategic thinking of the Chinese military security and domination in the South China Sea (SCS) and beyond.

The flotilla sailed to the Paracel islands (Xisha Islands) in the SCS and conducted a two-day drill during which it conducted a landing exercise. Parts of the Paracel islands sovereignty is being contested by Vietnam. On January 22, the flotilla proceeded to the Spratly Islands (Nanshan Islands) and conducted a three-day patrol in the area. The People's Republic of China (PRC), Republic of China (Taiwan), Vietnam, Philippines, Malaysia and Brunei all lay claim to – and in some cases occupy- parts of the reefs, islets, atolls, cays, waters and islands constituting the Spratlys.

On January 25, the flotilla proceeded towards the James Shoal (Zengmu Reef), the southernmost area claimed by the PRC. The James Shoal area is also claimed by Malaysia. In a ceremony held in the James Shoal area on January 27, soldiers and officers aboard the three-ship Chinese flotilla swore an oath to safeguard the country's sovereignty and maritime interests. After two days of further sailing the flotilla, as per media reports, entered the East Indian Ocean for exercises. The entry into the East Indian Ocean, most likely, was through the Sunda Strait which lies between the Indonesian islands of Java and Sumatra. Subsequently, the flotilla entered the Western Pacific through the Lombok Strait, and Makassar Strait on February 3. It has been reported that this was the first time that the Chinese navy has taken this route to enter the Indian Ocean. These three straits are important routes for sea traffic proceeding and returning from South East and East Asian countries. The flotilla reached home on February 11 after traversing 8,000 miles and spending 23 days on the high seas.

The extent of the drill conducted by the Chinese indicates its rising confidence in undertaking such long distance voyages as well as their willingness to demonstrate their increasing capabilities in the naval domain. These exercises along with their commitments and efforts in the Western Indian Ocean on anti-piracy operations have provided the PRC with an almost “legitimate” excuse to increase its presence in the SCS and the Indian Ocean. Hitherto, strategic analysts have deemed both regions as separate areas; however, it is time to re-assess that view and

consider the SCS and the Indian Ocean as one, along with the implications of the growing presence of the Chinese Navy and the response of the countries of the region.

THE OKINAWA BASE RELOCATION ISSUE; BIG POLITICS ON SMALL ISLANDS



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On December 27, 2013 the Okinawa governor Hirokazu Nakaima gave the green light for the reclamation of land in Nago on the northern coast of Okinawa, to relocate the US Marine Corps Air Station Futenma, away from densely populated Ginowan. According to US Secretary of Defence Chuck Hagel the decision was “the most significant milestone achieved” in the realignment of US forces on the islands and “absolutely critical to the United States’ ongoing rebalance to the Asia-Pacific region and our ability to maintain a geographically distributed, operationally resilient and politically sustainable force posture in the region”. The controversial issue of base relocation had been the subject of vigorous debate between Okinawa, Tokyo and Washington. After a 17-year long deadlock it seems there will be progress, although local protests continue.

Okinawa houses more than half of the approximately 47,000 US troops on Japanese soil. It is strategically located in the southwest of Japan and lies close to the Senkaku/Diaoyu Islands. Since the adoption of the National Defence Programme Guidelines in 2010, Japan has been shifting its focus and forces away from the north and towards the south. The Midterm Defence Programme, approved in December 2013, foresees the deployment of an additional squadron of 20 F-15 fighters on the islands, along with early warning aircrafts (E-2C) and a new coastal surveillance unit. From the US side, the recent deployment of 24 MV-22 Osprey VTOL (vertical take-off and landing) aircrafts has added to the US potential to project force around the Senkaku/Diaoyu islands within a short response time. In December, shortly after the Chinese declaration of its ADIZ, a squadron of six P-8 reconnaissance aircrafts arrived in Okinawa to replace the Orion P-3C. Okinawa is at the frontline of China-Japan tensions and plays a vital part in the US pivot to Asia.

The US bases on Okinawa soil have been controversial for several reasons. There are complaints of noise pollution as well as public safety concerns. In 2004, a CH-53 helicopter made a hard landing in the Okinawa International University campus. The newly arrived Osprey aircraft, notorious in Okinawa because of their history of failures and crashes, rekindled those concerns, in particular after one crashed in an Okinawa base in August 2013. There are also environmental concerns that land reclamation in Nago will destroy the pristine local marine ecosystem. The incident that created the greatest outrage on the islands was the rape, of a young schoolgirl by US soldiers in 1995. Local resistance to the US presence flares up whenever such tragedies occur. Okinawans feel their share of US presence in Japan is disproportionate and most of them want the US troops to leave the islands entirely. Such public sentiments run deep, and the governor’s decision on December 27 to go ahead with the land reclamation in Nago, despite his election promise to oppose such a move, led to a huge outcry and protests by the local public. The momentum did not last long, since on January 19, after an intense election campaign, citizens of Nago re-elected Susumu Inamine as their mayor. Inamine vowed to staunchly oppose the land reclamation plan and promised he would do everything in his power to delay and prevent the relocation of the US base to his city.

Finally, it should be noted that, despite these concerns, there are plenty of Okinawans that think the US presence is a good thing, since it supports the local economy. When it comes to the relocation of the US base in Okinawa there are many strategic imperatives and local interests which make it difficult for all parties to find a workable compromise. Prime Minister Shinzo Abe’s propositions to relocate US troops away from densely populated Ginowan; to stimulate the Okinawan economy with a financial stimulus package; to realign US troops away from

Okinawa to Hawaii and Guam; and to reduce the number of Osprey aircrafts on the islands will all be welcomed in Okinawa. But whether this will be enough to convince the Okinawans to accept his plans remains to be seen. Frustrated by the lack of progress over the last 17 years, parties might think the momentum to push through is now. However, if Abe decides to forcefully go ahead with the plans shoving local concerns aside, he might be faced with wide-spread opposition and resistance on Okinawa. Abe should instead take concrete action and set fixed time lines to convince the Okinawans of the benefits of: (1) relocating the US troops in particular and (2) having a continued, though smaller, US presence in general.

TRACKING CHINA

Cross-Strait relations

In an important development, that could mark the beginning of new era in Cross-Strait relations, Taiwan's Mainland Affairs Council (MAC) Minister Wang Yu-chi met with his counterpart Zhang Zhijun, Director, China's Taiwan Affairs Office (TAO), in Nanjing on February 11, 2013 while on an official visit to China. The Media has highlighted this development as a landmark meeting as it was the first ever official contact between the two sides since 1949. However, it should be clear that this was the first official contact in the Cross-Strait negotiations. Otherwise the official meetings between the two sides have taken place for other purposes. Incidentally, China's Association for Relations Across the Taiwan Straits (ARATS) and Taiwan's Straits Exchange Foundation (SEF) that have all along conducted the Cross-Strait dialogue since early 1990s, are semi-government bodies. They were created to facilitate a smooth Cross-Strait dialogue. China and Taiwan invented this method for smooth conduct of the talks avoiding complicated issue of each other's political status. Thus the present meeting is a milestone. In the meeting, the MAC and the TAO agreed to set up direct communication between each other, in addition to the existing ARATS-SEF mechanism. Although the possibility of a meeting between China's President Xi Jinping and Taiwan's President Ma Ying-jeou was not discussed in the meeting, the meeting could eventually turn out to be a prelude to a Ma-Xi meeting¹. Ma has expressed a desire to meet President Xi at APEC summit where he can meet him as the leader of Taiwan's economy².

Crackdown on freedom in China

During the first quarter of 2014, the media reported activities that could be construed as yet another example of the crackdown on freedom in China. A prominent rights activist Xu Zhiyong was sentenced to jail for four years on charges of disturbing public order. He has been leading the social justice, transparency movement and rule-of-law movement in China. He was the co-founder of the New Citizens Movement and has been agitating for educational equality and declaration of assets by officials³. The police authorities arrested Ilham Tohti, a Uyghur teacher at the Minzu University of China, for his alleged connections with East Turkistan separatists based outside China and for encouraging 'Xinjiang independence' through the internet⁴. The university is a central university for ethnic minorities' studies in Beijing. The arrest was widely covered in the western media as an assault on dissenting ethnic intellectuals⁵.

As for press freedom, there were reports about the blocking of the *New York Times*, *Bloomberg News* and the *Guardian*, though as reported in the media the blocking is generally temporary. The websites of the *Wall Street Journal* and *Thomson Reuters* were unblocked after more than a month, which was also done in the case of the *Guardian*⁶. The denial of visa extension to Austin Ramzy, a reporter with Bloomberg News who had stayed in

¹ 'MAC Minister Wang in Historic Meeting', *Taipei Times*, February 12, 2014 <http://www.taipetimes.com/News/front/archives/2014/02/12/2003583307> accessed on February 13, 2014

² 'Ma Seeks Meet with Xi at APEC Beijing Summit', *The China Post*, December 26, 2013 <http://www.chinapost.com.tw/taiwan/national/national-news/2013/12/26/396840/Ma-seeks.htm> accessed on February 13, 2014

³ 'China Jails Activist Xu Zhiyong for Four Years for 'Disturbing Public Order'', *The Guardian*, January 26, 2014, <http://www.theguardian.com/world/2014/jan/26/china-jails-activist-xu-zhiyong> accessed on February 13, 2014

⁴ 'Uyghur Teacher Involved in Separatist Activities: Xinjiang Police', *Xinhua*, January 26, 2014, http://news.xinhuanet.com/english/china/2014-01/26/c_133073847.html accessed on February 11, 2014

⁵ 'China Accuses Uighur Intellectual of Separatism for His Advocacy Work', *The New York Times*, January 25, 2014, http://www.nytimes.com/2014/01/26/world/asia/china.html?_r=0 accessed on February 11, 2014

⁶ 'Guardian Website Blocked in China, Then Restored', *The New York Times*, January 8, 2014 http://sinosphere.blogs.nytimes.com/2014/01/08/guardian-website-blocked-in-china/?_php=true&_type=blogs&_r=1 accessed on February 11, 2014

China for more than six years, led to a verbal spat between the US and China. Ramzy had published reports about ‘the family wealth and connections’ of the top Communist Party leaders. After denial of visa extension, he left for Taipei. Reacting to the episode, the US government sources expressed their concerns about the freedom of the foreign press in China, to which the Chinese foreign ministry reacted sharply describing the US concerns as “unjustifiable accusations”. Before Ramzy, two other journalists had been asked to leave China in last 18 months. The US Vice President Joe Biden had raised the subject of freedom for foreign journalists with Chinese leaders during his visit to China in December 2013⁷.

China’s economic slowdown

In 2013, China’s economy slowed down to 7.7 per cent GDP growth, compared to the National Bureau of Statistics predictions of 7.5⁸ per cent GDP growth. The figures released showed that the Chinese government is intent on transforming its economy from investment driven growth to an economy based on services and domestic consumption. In January 2014, the NBS also reported that China’s servicing sector constituted 46.1 per cent of the GDP, outperforming the industrial sector⁹, for the first time, indicating that the reform process, already underway is changing the dynamics of the Chinese economy. The government disclosed that China’s debt was around 53.3 per cent of the GDP ratio¹⁰.

China’s hypersonic missile test

China conducted the flight test of a hypersonic missile on January 9, 2014, which was later confirmed by the Ministry of National Defence. The ministry told the *China Daily* that “it is normal for China to conduct scientific experiments within its borders according to its plans. The tests were not aimed at any nation nor any specific target”¹¹. The report further elaborated on Chinese experts who reiterated the technological superiority of the US and the China’s military transparency. The MOD further said that the test were “normal” and had no “specific targets”¹². The *International Herald Tribune* of the Xinhua commenting on the response to the test said that China needs to develop its military strength to counter missile defences built by the United States and the China threat theory. It further asserted that there is no reason why China should not develop hypersonic missiles since the US does not have a patent on hypersonic missiles¹³.

China-Russia naval exercise

China conducted naval training exercise with Russia in January 2014. Pyotr Veliky nuclear missile cruiser and Yancheng frigate was involved in the training, which was held in the Mediterranean Sea. It was reported that the

⁷ ‘China Hits Back at US in Row over NYT Reporter’s Departure’, *The China Post*, February 1, 2014 <http://www.chinapost.com.tw/china/national-news/2014/02/01/399641/p1/China-hits.html> accessed on February 11, 2014

⁸ ‘China’s Economy Grows 7.7 % in 2013’, *People’s Daily*, January 20, 2014 <http://english.people.com.cn/business/8517252.html> accessed on 30 January 2014

⁹ “China’s Service Sector Outperforms Industry for First Time”, *Xinhua*, January 21, 2014 http://news.xinhuanet.com/english/china/2014-01/21/c_133060493.htm accessed on January 30, 2014

¹⁰ “China’s Direct Gov’t Debt Risks Controllable”, *Xinhua*, December 31, 2013, http://news.xinhuanet.com/english/china/2013-12/31/c_125935563.htm accessed on January 17, 2014

¹¹ “China Seeks To Calm US Fears Over Missile”, *China Daily*, January 16, 2014 http://www.chinadaily.com.cn/china/2014-01/16/content_17238265.htm accessed on January 17, 2014

¹² “No Targets’ for Missiles”, *Global Times* 16 January 2014 <http://www.globaltimes.cn/content/837740.shtml> accessed on January 17, 2014

¹³ “Hypersonic Missiles are Not US Patented”, *International Herald Tribune*, 20 January 2014 <http://ihl.cankaoxiaoxi.com/2014/0120/333961.shtml> accessed on January 30, 2014

training exercise focused on air defence collaboration, naval helicopter landing and “raising the level of operational compatibility between Russian and Chinese military ships during joint actions”¹⁴. The Commanding officers of Russia and China, Captain Pyshklov and Li Pengcheng held tactical discussions and “reached a consensus on the next-step joint naval escort operation for the ships transporting Syria’s chemical weapons and the joint training idea”. They also agreed to “continuously strengthening information exchanges and intensifying the close coordination during subsequent joint operations”¹⁵. The Yancheng frigate was returning from the operation of the removal of Syria’s chemical weapons. Moreover, China and Russia are planning to hold naval drills from May to June called the ‘Joint Sea-2014’.¹⁶

Journey of the Jade Rabbit – Lunar Rover

China’s probe to the moon, Chang’e-3 lander, which was the third moon mission, landed on the moon in December 2013. It encountered mechanical problems on January 25, 2014 before the planned hibernation¹⁷. The moon rover named as the Jade Rabbit (Yutu), will survey the moon’s geological structure for natural resources¹⁸. In January 2014, the lunar rover conducted scientific exploration¹⁹ and collected data²⁰. However, on February 13, 2014, the moon rover once again regained its functionality after the “mechanical abnormality”²¹ was fixed.

Mass-line and anti-corruption remains the central focus of the top leadership

The Chinese Communist Party (CCP) has undertaken a yearlong “mass-line campaign” to bridge the gap between the CCP functionaries and the ordinary Chinese citizen. As part of this campaign, the top leaders have been travelling across the country to supervise the implementation of this campaign. Controlling corruption is central to the campaign against, what are termed, undesirable practices. In February, Premier Li Keqiang made a speech in the State Council in which he stressed on “a systematic and reinforced anti-corruption campaign in 2014”. Premier Li called for better financial accounting, supervision, and transparency in public consumption²².

¹⁴ “Russian-Chinese Naval Training Exercise Begins in Mediterranean”, *RLANOVOSTI*, January 25, 2014 http://en.ria.ru/military_news/20140125/186916270/Russian-Chinese-Naval-Training-Exercise-Begins-in-Mediterranean.html accessed on January 30, 2014

¹⁵ “Commanders of China-Russia Joint Escort Taskforce Hold Tactical Discussion”, *China Military Online*, January 17, 2014 http://eng.chinamil.com.cn/news-channels/china-military-news/2014-01/17/content_5739238.htm accessed on January 20, 2014

¹⁶ “China, Russia to Hold Joint Naval Drills”, *Xinhua*, February 27, 2014 http://www.china.org.cn/world/2014-02/27/content_31619917.htm accessed on March 1, 2014

¹⁷ “China’s Moon Rover Monitored with Abnormity”, *Xinhua*, January 25, 2014 http://news.xinhuanet.com/english/china/2014-01/25/c_133072966.htm accessed on January 30, 2014

¹⁸ “China’s Lunar Probe Soft-lands On Moon”, *Xinhua*, December 14, 2013 http://news.xinhuanet.com/english/china/2013-12/14/c_132968305.htm accessed on 17 January 2014

¹⁹ “China’s Moon Rover Performs First Lunar Probe”, *Xinhua*, January 14, 2014 http://news.xinhuanet.com/english/china/2014-01/15/c_126004697.htm accessed on January 17, 2014

²⁰ “China’s Lunar Probe Observes Stars, Explores Moon”, *Xinhua*, January 17, 2014 http://news.xinhuanet.com/english/china/2014-01/17/c_126023631.htm accessed on January 17, 2014

²¹ “China’s Lunar Rover Wakes After Mechanical Issues”, *Xinhua*, February 13, 2014 http://news.xinhuanet.com/english/china/2014-02/13/c_133112279.htm accessed on February 13, 2014

²² “Full text of Premier Li’s anti-graft speech published”, *Xinhua*, February 24, 2014 <http://english.people.com.cn/90785/8544891.html> accessed on February 26, 2014

TRACKING THE KOREAN PENINSULA

South Korea and the US sign new defence cost sharing pact

On February 2, Seoul and Washington signed a new pact on sharing the expenses of maintaining US troops in South Korea. They signed the renewal of the Special Measures Agreement (SMA) to jointly share the expenditure of hosting 28,500 US troops in South Korea. This is the ninth SMA between the two countries. In 2014, South Korea will give \$858.2 million (920 billion won), which is a 5.8 per cent rise from the previous year. It needs to be noted that Seoul and Washington signed their first SMA in 1991 and subsequently it has been renewed. At first, the treaty had put the responsibility of shouldering the US defence forces based in South Korea entirely on the US²³. On February 7, the renewed SMA was submitted to the South Korean Parliament for endorsement. According to the new agreement, Seoul's input will escalate annually as per the inflation rate, but capped at four per cent²⁴.

South Korea-Japan relations continue to remain strained over territorial disputes

The tensions between South Korea and Japan have escalated recently over territorial and historical disputes. So far neither Seoul nor Tokyo has shown any willingness to improve the strained relations. Instead the Japanese Prime Minister Shinzo Abe's recent announcement regarding his government's deliberation on taking the territorial dispute over Takeshima/Dokdo islands to the International Court of Justice has increased resentment within South Korea. South Korea however perceives Abe's remarks as 'empty talk'²⁵. The Abe administration has also drawn the ire of South Korea by initiating changes in textbook guidelines in order to bolster Japan's claim to the Dokdo/Takeshima islets²⁶. The South Korean President, on January 27, urged the Japanese politicians to follow the 'right path' and compensate for colonial-era conduct. 2015 signifies the 50th anniversary of the normalisation of relations between Seoul and Tokyo²⁷. However if the two countries continue their confrontational attitude towards each other, the prospects of a cordial relationship between them will be largely dissipated.

The two Koreas held the first family reunion after three years amid growing tension

The two Koreas have decided to go ahead with the family reunion of the separated families despite growing tension between Seoul and Pyongyang. The six-day event between February 20 and February 25 was hosted at the Diamond mountain resort situated in North Korea. After November 2010, it is the first time that the two countries held such event. On the first day, around 200 North and South Koreans assembled for the reunion²⁸. South Korean President Park expressed hope that the cross border gathering would bring back the currently stained Seoul-Pyongyang relations on the right track. While presiding over the Cheong Wa Dae security meeting recently, Park said: "With the holding of the reunions, I hope that we can find a fresh momentum to improve

²³ "Seoul, Washington sign new defence cost sharing pact", *The Korea Herald*, February 2, 2014 <http://www.koreaherald.com/view.php?ud=20140202000208> accessed on February 3, 2014

²⁴ "Korea-US defense cost sharing pact submitted for Assembly approval", *The Korea Herald*, February 7, 2014 <http://www.koreaherald.com/view.php?ud=20140207000929> accessed on February 8, 2014

²⁵ "Korea-Japan ties headed towards nadir", *The Korea Herald*, February 2, 2014 <http://www.koreaherald.com/view.php?ud=20140202000252> accessed on February 5, 2014

²⁶ "Japan's school guidelines lay claim to Dokdo", *The Korea Herald*, January 28, 2014 <http://www.koreaherald.com/view.php?ud=20140128001102> accessed on February 2, 2014

²⁷ "Park calls for Japanese politicians to get back on the right track", *The Korea Herald*, January 27, 2014 <http://www.koreaherald.com/view.php?ud=20140127000966> accessed on February 1, 2014

²⁸ "North and South Korea hold first family reunion in three years", CNN, February 21, 2014 <http://edition.cnn.com/2014/02/20/world/asia/koreas-reunion> accessed on February 24, 2014

inter-Korean relations and work together towards peninsula peace and mutual development”²⁹. However, initially citing Seoul’s refusal to cancel its upcoming annual drill with the US, Pyongyang threatened to rethink the bilateral agreement to hold the family reunion.

South Korean President pays a State Visit to India

The South Korean President Park Geun-hye reached New Delhi on January 15, for a four day official visit. The nine pacts signed during the visit are expected to add further momentum to the bilateral relations. While expressing satisfaction with the progress made by the two countries since the establishment of the “strategic partnership” in 2010, President Park and Dr. Manmohan Singh highlighted three elements in their common vision: stronger high level political cooperation; an open economic and trade environment; and a deeper cultural understanding. In order to implement the common vision, the two leaders agreed to take policy decisions to: strengthen bilateral strategic communication channels in the political and security fields; consolidate the institutional framework for economic cooperation; and create more favourable conditions for further expansion of trade and investment; deepen mutual understanding by expanding cultural exchanges and people-to-people contact; and cooperate as partners on the regional and international stages to address the common challenges faced by mankind³⁰.

South Korea engages in a series of naval exercises and enhances its naval capabilities

In recent times, South Korea seems to have gradually upgraded its naval capabilities. The navy has acquired its 13th domestically made guided-missile destroyer. The Hanjin Heavy Industries and Construction which handed over the latest PKG-class patrol ship, equipped with anti-ship missiles having a range of 140 kilometers, will undertake patrol missions to protect the South Korean waters. Moreover, the ship has 76 mm and 40 mm guns³¹.

In February, the South Korean navy conducted a number of drills and military exercises. On February 2, a contingent consisting of 170 navy personnel and 216 Marine Corps troops left for Thailand to participate in the annual Cobra Gold exercise. South Korean forces arrived at Sattahip and the exercise concluded on February 21³². The exercise involved the US, South Korea, Japan, Singapore, Malaysia, China and Thailand³³. Additionally, on February 1, South Korea conducted its maiden joint anti-piracy drill with Ukraine off the Somali coast in order to advance interoperability of the naval forces of the two countries. They explored the possibilities of cooperating to counter piracy and further increase bilateral military cooperation³⁴.

²⁹ “Park urges Pyongyang not to hurt the separated families”, *The Korea Herald*, February 7, 2014 <http://www.koreaherald.com/view.php?ud=20140207000873> accessed on February 8, 2014

³⁰ “India-Republic of Korea Joint Statement for Expansion of the Strategic Partnership” Ministry of External Affairs (Govt. of India), January 16, 2014 <http://www.mea.gov.in/bilateral-documents.htm?dtl/22752> accessed on January 21, 2014

³¹ “S. Korean Navy receives its 13th guided-missile destroyer”, *The Korea Herald*, January 27, 2014 <http://www.koreaherald.com/view.php?ud=20140127000353> accessed on January 28, 2014

³² “Exercise Cobra Gold 2014 concludes”, The US Marine Corps Forces, Pacific, February 21, 2014, at <http://www.marforpac.marines.mil/News/NewsArticleDisplay/tabid/919/Article/159214/exercise-cobra-gold-2014-concludes.aspx> accessed on March 13, 2014

³³ “S. Korean navy forces depart for military exercise in Thailand”, *The Korea Herald*, February 2, 2014, at <http://www.koreaherald.com/view.php?ud=20140202000246> accessed on February 4, 2014

³⁴ “S. Korea, Ukraine hold first joint anti-piracy drills”, *The Korea Herald*, February 4, 2014 <http://www.koreaherald.com/view.php?ud=20140204000473> accessed on February 5, 2014

TRACKING JAPAN

Japan registers trade deficit in 2013

In 2013, Japan registered a US\$112.07 billion (¥11.47 trillion) trade deficit³⁵. It represents a 65.3 per cent increase from 2012 figures. This is owing to escalating energy import bills because of the offline reactors, a weaker Yen and shrinking exports. While imports soared 15 per cent amounting to \$793.2 billion (¥81.26 trillion), exports moved up 9.5 per cent amounting to \$680.9 billion (¥69.79 trillion). While the Yen/Dollar value declined by 21.8 per cent, the import values of LNG and crude oil went up by 17.5 per cent and 16.3 per cent respectively. Exports and imports, to and from China, escalated 9.7 per cent amounting to ¥12.63 trillion; and 17.4 per cent amounting to ¥17.65 trillion respectively³⁶. In 2012, Japan registered a trade deficit of \$78.3 billion (¥6.93 trillion) because of swelling fuel imports and declining exports³⁷.

India-Japan summit meeting

The India-Japan summit level meeting was held on January 25, 2014. Eight agreements were signed to further the strategic partnership³⁸. The Japan Bank for International Cooperation (JBIC) and NTPC signed two loan agreements, without any sovereign guarantees, amounting to US\$430 million³⁹. The Kudgi Super Thermal Power Project Stage-I (Karnataka) received US\$350 million to finance purchase of steam turbine generators and boiler feed water pumps from Toshiba JSW Power Systems Private Limited. To facilitate modernisation of the Auraiya power plant (Uttar Pradesh), a further US\$80 million was given to facilitate the procurement gas turbines and control systems from Mitsubishi Heavy Industries Ltd and Marubeni Corporation. Aimed at augmenting energy efficiency in telecom towers, New Energy and Industrial Technology Development Organisation (NEDO, Japan) and Ministry of Communication & Information Technology and Ministry of New and Renewable Energy (India) signed an MOU to facilitate introduction of renewable energy technologies including lithium-ion batteries and energy management systems for reducing diesel and energy consumption. The currency swap arrangement was increased from US\$15 to \$50 billion effective from January 2014⁴⁰. A Memorandum of Cooperation was signed between Japanese Industrial Standards Committee (JISC) and the Bureau of Indian Standards (BIS) to facilitate trade. An MOU on Tourism and an Implementing Arrangement for Cooperation in the field of science and technology, were also signed.

Japan-Russia summit meeting

Prime Minister Shinzo Abe and President Vladimir Vladimirovich Putin held a summit meeting on February 8, following the inaugural ceremony of the 2014 Sochi Olympic Winter Games. Regardless of the ongoing territorial dispute over the Southern Kurils/Northern Territories, President Putin referred to the two countries as “natural

³⁵ “Record trade deficit of ¥11.47 trillion set in ’13”, *Kyodo*, January 27, 2014 <http://www.japantimes.co.jp/news/2014/01/27/business/japan-logged-record-trade-deficit-of-11-47-trillion-in-2013/#.UwszX85RLSg> accessed on January 30, 2014

³⁶ “Japan posts record 11.47 trillion yen trade deficit in 2013”, *The Asahi Shimbun*, January 27, 2014 <http://ajw.asahi.com/article/economy/business/AJ201401270013> accessed on January 29, 2014

³⁷ “Japan reports record \$78.3 billion trade deficit in 2012”, *The Asahi Shimbun*, January 24, 2013 <https://ajw.asahi.com/article/economy/business/AJ201301240021> accessed on January 30, 2014

³⁸ “List of documents signed during the official visit of the Prime Minister of Japan to India (January 25-27, 2014)”, *Ministry of External Affairs*, January 25, 2014 <http://mea.gov.in/bilateral-documents.htm?dtl/22771> accessed on January 28, 2014

³⁹ “NTPC ties up USD 430 million funding from JBIC”, *NTPC*, January 27, 2014 http://www.ntpc.co.in/index.php?option=com_content&view=article&id=749&Itemid=200&lang=en accessed on February 1, 2014

⁴⁰ “Joint Statement on the occasion of Official Visit of the Prime Minister of Japan to India (January 25-27, 2014)”, *Ministry of External Affairs*, January 25, 2014 <http://mea.gov.in/bilateral-documents.htm?dtl/22772> accessed on January 28, 2014

partners”⁴¹. They favoured bilateral security dialogue and economic cooperation. Japanese investment for exploring the resource rich Russian Far East was also discussed⁴². While this is the fifth meeting since Abe took office, the two leaders are scheduled to meet again on June 4-5 in Sochi on the sidelines of the G8 Summit. In 2012, bilateral trade increased by nearly 13 per cent, amounting to US\$33.5 billion⁴³. Speaking at the Northern Territories Day on February 7, Abe underscored his determination “to persistently pursue the negotiations”⁴⁴ to resolve the issue and negotiate a peace treaty with Russia. Dmitry Medvedev visited Kunashir in November 2010⁴⁵ which escalated the tensions between the countries.

US-Japan TPP negotiations

The Trans Pacific Partnership (TPP) free trade negotiations in Singapore failed to reach an agreement during the Ministerial Talks held between February 22-25. Differences over the issue of elimination of tariff barriers between the United States and Japan have dogged the negotiations. While Japan is keen on protecting its sensitive rice, wheat, beef and pork, dairy and sugar sector, the United States is unrelenting on issue of the elimination of agricultural tariffs⁴⁶. According to critics, the United States has secured its business interests, for instance, the livestock and the automobile industry⁴⁷. Japan, on the other hand, needs the United States to establish a timeframe for scrapping of the 2.5 per cent and 25 per cent tariffs associated with imports of passenger cars and light trucks respectively⁴⁸.

Shift in Japanese security policy

In pursuit of its aim to become a “Proactive Contributor to Peace”, Japan formulated the National Security Strategy (NSS), National Defence Programme Guidelines (NDPG) and the Mid-Term Defence Programme in December 2013. Earlier the National Security Council was set up on December 4. This laid the foundation for Japanese foreign and national security policy in the coming years. The NSS underscores the point that, “China has rapidly expanded and intensified its activities in the seas and airspace around Japan, including intrusion into Japan’s territorial waters and airspace around the Senkaku Islands”⁴⁹. The NDPG underscores the point that “the security environment surrounding Japan is becoming increasingly tense” and in view of this, “Japan will build comprehensive defence architecture and strengthen its system for preventing and responding to various

⁴¹ “Meeting with Prime Minister of Japan Shinzo Abe”, *President of Russia*, February 8, 2014 <http://eng.kremlin.ru/news/6627> accessed on February 9, 2014

⁴² “Putin to visit Japan in fall as Abe aims to enhance dialogue”, *Nikkei Asian Review*, February 8, 2014 <http://asia.nikkei.com/print/article/16429> accessed on February 9, 2014

⁴³ “Economic Relations between Russia and Japan”, *The Embassy Of The Russian Federation To Japan* <http://www.russia-emb.jp/english/embassy/economic.html> accessed on February 10, 2014

⁴⁴ “The Prime Minister Attends the 2014 National Rally to Demand the Return of the Northern Territories”, *The Prime Minister of Japan and his Cabinet*, February 7, 2014 http://www.kantei.go.jp/foreign/96_abe/actions/201402/07hoppou_e.html accessed on February 9, 2014

⁴⁵ “Dmitry Medvedev annoys Japan with his cross-country trips in Russia”, *Pravda.ru*, July 3, 2012 http://english.pravda.ru/russia/politics/03-07-2012/121549-medvedev_japan-0/ accessed on February 9, 2014

⁴⁶ “TPP ministerial talks end without agreement”, *NHK*, February 25, 2014 http://www3.nhk.or.jp/nhkworld/english/news/20140225_37.html accessed on February 27, 2014

⁴⁷ “TPP conclusion rests on Japan-U.S. tariff issue”, *The Japan News* (Yomiuri Shimbun), February 23, 2014 <http://the-japan-news.com/news/article/0001059199> accessed on February 27, 2014

⁴⁸ “Obama’s ambitious trade agenda hits Asian resistance”, *Reuters*, Feb 21, 2014 <http://www.reuters.com/article/2014/02/21/us-usa-asia-tpp-idUSBREA1K0A320140221> accessed on February 26, 2014

⁴⁹ “National Security Strategy”, *Ministry of Foreign Affairs*, December 17, 2013 pg-12-13 http://www.kantei.go.jp/foreign/96_abe/documents/2013/_icsFiles/afieldfile/2013/12/17/NSS.pdf accessed on January 25, 2014

contingencies”⁵⁰. With regard to any attack on the remote islands, Japan asserts that to “ensure maritime and air superiority, the SDF will strengthen its ability to deal with attacks by aircraft, naval vessels, and missiles, etc. The SDF will develop full amphibious capability, in order to land, recapture and secure without delay in case of any invasion to any remote islands”⁵¹. Japan aims to enhance military expenditure by five per cent in the coming five years and in accordance with the Mid-Term Defence Programme, ¥24.7 trillion is scheduled to be shelled out between 2014 and 2019⁵².

⁵⁰ “National Defence Program Guidelines for FY 2014 and beyond”, *Ministry of Foreign Affairs*, December 17, 2013 pg-2 http://www.kantei.go.jp/foreign/96_abe/documents/2013/___icsFiles/afieldfile/2013/12/17/NDPG%28Summary%29.pdf accessed on January 25, 2014

⁵¹ “National Defence Program Guidelines for FY 2014 and beyond”, *Ministry of Foreign Affairs*, December 17, 2013 pg-8 http://www.kantei.go.jp/foreign/96_abe/documents/2013/___icsFiles/afieldfile/2013/12/17/NDPG%28Summary%29.pdf accessed on January 25, 2014

⁵² “Defence outlays to be hiked 5% amid China threat Abe plans to boost air, sea, land hardware to protect remote isles”, *The Japan Times*, December 17, 2013 <http://www.japantimes.co.jp/news/2013/12/17/national/defense-outlays-to-be-hiked-5-amid-china-threat/#.UwxDec5RLSg> accessed on January 27, 2014

DATA FROM THE REGION (JANUARY-FEBRUARY 2014)

CHINA

- In 2014, China intends to increase its defense budget to US\$ 132 billion (808.2 billion yuan) representing a 12.2 per cent increase from 2013's US\$117.7 billion (720.197 billion yuan)⁵³.
- National Bureau of Statistics (NBS) reported that Consumer Price Index (CPI) in January increased 2.6 per cent and 2.2 per cent in urban and rural regions respectively. In January, food costs increased 3.7 per cent year on year⁵⁴.
- General Administration of Customs (GAC) conveyed that in January, foreign trade volume scaled 10.3 per cent year on year amounting to US\$382.4 billion. Exports and imports escalated 10.6 per cent to US\$207.13 billion and 10 per cent to US\$175.27 billion respectively⁵⁵.
- China targets 7.5 per cent GDP growth rate in 2014. China grew at 7.7 per cent in 2013⁵⁶.
- Ministry of Commerce conveyed that the actual use of foreign investment in January increased by 16.11 per cent year on year amounting to US\$10.763 billion⁵⁷.

Top ten nations	Investment in China (US\$)
Hong Kong	7.861 billion
Singapore	521 million
Taiwan Province	504 million
U.S.A.	369 million
Japan	321 million
R.O.K.	261 million
Holland	102 million
U.K.	96 million
Denmark	85 million
Macao	63 million

Source: Ministry of Commerce, People's Republic of China

⁵³ "China defense budget to increase 12.2 pct in 2014", *Xinhua*, March 5, 2014 http://news.xinhuanet.com/english/special/2014-03/05/c_133162589.htm accessed on March 6, 2014

⁵⁴ "China's January inflation flat, subdued inflation expected", *Xinhua*, February 14, 2014 http://news.xinhuanet.com/english/china/2014-02/14/c_133116046.htm accessed on February 20, 2014

⁵⁵ "China's foreign trade up 10.3% year on year in January", *Xinhua*, February 13, 2014 <http://english.people.com.cn/business/8534264.html> accessed on February 22, 2014

⁵⁶ "China keeps growth target unchanged in balancing act", *Xinhua*, March 5, 2014 http://news.xinhuanet.com/english/special/2014-03/05/c_133161682.htm accessed on March 7, 2014

⁵⁷ "Statistics of FDI in China in January 2014", *Ministry of Commerce People's Republic of China*, February 25, 2014 <http://english.mofcom.gov.cn/article/statistic/foreigninvestment/201402/20140200498936.shtml> accessed February 27, 2014

JAPAN

- In January, the value of exports amounted to ¥5,252,384 million, representing a 9.5 per cent increase year on year. The value of imports amounted to ¥8,044,064 million, representing a 25.1 per cent increase year on year. The trade deficit amounted to US\$27.30 billion (¥2.79 trillion)⁵⁸.

Exports and Imports value

Country	Exports	% change	Imports	% change	Balance	% change
China	862,286	13.1	1,907,434	34.4	-1,045,148	59.2
Republic of Korea	419,725	4.8	335,701	7.7	84,024	-5.4
India	61,886	-4.4	70,145	7.5	-8,259	1420.1
United States	1,023,604	21.9	656,680	26.0	366,924	15.1
Russia	80,646	-3.7	191,313	27.1	-110,667	65.7

Unit: million ¥

Source: Trade Statistics of Japan, Ministry of Finance Japan

- Statistics Bureau reported that the CPI was 100.7 in January, representing a decrease of 0.2 per cent from the preceding month⁵⁹.

SOUTH KOREA

- In February, daily average exports increased by 1.6 per cent year on year amounting to US\$ 42.99 billion. Imports raised by 4.0 per cent amounting to US\$ 42.06 billion. The trade surplus is US\$ 0.93 billion⁶⁰.
- Bank of Korea projects 3.8 per cent GDP growth in 2014. 3.9 per cent growth rate is expected in the initial half followed by a 3.7 per cent in the second half⁶¹.
- Economic Statistics Bureau reported that the CPI was 108.79 in February representing a 0.3 per cent increase compared to the previous month and 1.0 per cent increase year on year⁶².

⁵⁸ "Value of Exports and Imports January 2014", *Ministry of Finance Japan*, February 27, 2014 http://www.customs.go.jp/toukei/shinbun/trade-st_e/2014/201401de.xml accessed on February 27, 2014

⁵⁹ "Japan January 2014, Ku-area of Tokyo February 2014 (preliminary)", *Statistics Bureau, Ministry of Internal Affairs and Communication*, 28 February 2014 <http://www.stat.go.jp/english/data/cpi/1581.htm> accessed on February 28, 2014

⁶⁰ "Export and Import Trends in February 2014", *Export & Import Division Ministry of Trade, Industry and Energy*, March 1, 2014 http://www.mke.go.kr/language/eng/news/news_view.jsp?tableNm=E_01_01&seq=1222# accessed on March 1, 2014

⁶¹ "Economic Outlook for 2014", *Bank of Korea*, January 9, 2014 <http://www.bok.or.kr/contents/total/eng/boardView.action?boardBean.brdid=13185&boardBean.rnum=39&menuNaviId=634&boardBean.menuid=634&boardBean.cPage=4&boardBean.categorycd=0&boardBean.sdt=&boardBean.edt=&boardBean.searchColumn=&boardBean.searchValue> accessed on January 10, 2014

⁶² "Consumer Price Index in February 2014", *Statistics Korea*, March 4, 2014 <http://kostat.go.kr/portal/english/news/1/1/index.board?bmode=read&aSeq=311989> accessed on March 4, 2014

ACTIVITIES OF THE CENTRE

- A four member delegation from Taiwan visited IDSA on January 24 and interacted with the scholars on Taiwan's Role and Position on South China Sea; India-Taiwan Relations; and Think-Tanks culture in Taiwan.
- The East Asia Centre hosted a bilateral discussion between IDSA and Japan Institute of International Affairs (JIIA) on December 24, 2013. The daylong interaction focused on India-Japan Strategic Partnership; Maritime Security and Territorial Disputes in Asia; China, US Rebalance to Asia, and the Emerging Asia-Pacific Security Architecture.

LIST OF CENTRE PUBLICATIONS

- **“Factoring the RCEP and the TPP: China, India and the Politics of Regional Integration”, *Strategic Analysis* Volume: 38 Issue: 1 January 2014**
Dr. Jagannath P. Panda
<http://www.tandfonline.com/doi/full/10.1080/09700161.2014.863462#.Ux2B6M5RLSb>
- **“India-China Border Talks Shift from Resolving Disputes to Managing Them”, *China Brief* Volume: 14 Issue: 4 February 20, 2014**
Dr. Rup Narayan Das
http://www.jamestown.org/uploads/media/China_Brief_Vol_14_Issue_4_-_Copy__4_.pdf
- **“Never Forget National Humiliation: Historical Memory in Chinese Politics and Foreign Relations by Zheng Wang”, *Strategic Analysis* Volume: 38 Issue: 1 January 2014**
Dr Prashant Kumar Singh
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- **“Shinzo Abe's Visit to India: Reviewing the Strategic Partnership”, *IDSA Comment*, February 27, 2014**
Titli Basu
http://www.idsa.in/idsacomments/ShinzoAbesVisittoIndia_tbasu_270214

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