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EDITOR'S NOTE

The East Asian theatre witnessed dynamic foreign policy, security, and politico-economic developments during March-April 2014. International community witnessed strengthening of old alliances aimed at managing security concerns and consolidating economic interests while exploring the potential for new and renewed partnerships. Tracing the trajectory, President Obama's state visit to Japan, infusing energy to the US rebalance strategy by way of strengthening US-Japan security alliance, triggered sharp response from China; South Korea-US-Japan trilateral talks in The Hague in an effort to dilute tensions between two of President Obama's most important allies in the region; North Korea launching missiles protesting against US-South Korea joint military exercise; Chinese and Japanese response to the Crimean crisis shaped by their respective strategic objectives; and Xi Jinping's Europe tour emphasising China's efforts for international standardisation of RMB later followed by Prime Minister Shinzo Abe's Europe visit aimed at strengthening the prospects of Japan-EU Free Trade Agreement negotiations. While both China and Japan are navigating through economic predicament, priority remains protecting their respective defence and security interests. This is reflected when Xi Jinping underscored that military reform is aimed at building a strong army and General Political Department reportedly ordered the army to deliberate on combat readiness and effectiveness. Meanwhile, Japan is building radar station in Yonaguni Island, situated close to the contested Senkaku/Diaoyu Islands providing capability to enhance surveillance close to the Chinese mainland and observe its military movements. Since the outlining of the Chinese ADIZ, managing the escalation of tensions is becoming an enormous challenge for the stakeholders in the region.

This issue of the East Asia Monitor features two interviews reflecting on significant policy developments in the domestic realm which has captured the attention of the international community. The Japanese Cabinet approved the first Basic Energy Plan since the nuclear catastrophe at the Fukushima Daiichi nuclear power plant in 2011. Mr Akira Kawasaki, Executive Committee member of Japanese NGO Peace Boat, offers his analyses, in an interview, on the new Plan marking a clear shift from DPJ's zero nuclear policy. He offers his perspective on anti-nuclear mobilisation versus electoral politics, the corrupt nuclear village, prospects of renewable energy and nuclear fuel cycle policy. Furthermore, at the National People's Congress, the Chinese Premier Li Keqiang articulated Chinese war against pollution and focussed on implementation of energy intensity reduction targets. Dr Lei Xie, a Chinese scholar on environmental politics, shared her understanding with the Monitor, on Chinese concept of ecological civilization, development versus the environment debate, water conundrum, and challenges and opportunities for China in achieving the ambitious emission reduction and energy intensity targets. This issue also features two expert commentaries. Dr. Rup Narayan Das reflects on the prospect of Panchsheel as India and China commemorate the 60th anniversary of the Agreement. In addition, as the international community approaches the 2015 Review Conference of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), Dr. Theresa Hitchens pens her anxiety over the trust deficit and the negative atmosphere pervading international nuclear diplomacy. 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.

TITLI BASU

PERSPECTIVES FROM THE REGION



AKIRA KAWASAKI

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Mr. Akira Kawasaki is an Executive Committee member of the Tokyo-based NGO Peace Boat. After the March 2011 disaster in Japan, Mr. Kawasaki initiated Peace Boat's activities to help children of Fukushima and organised Global Conference for a Nuclear Power Free World in January 2012. He is also the Co-Chair of International Campaign to Abolish Nuclear Weapons (ICAN).

- 1. The Cabinet approved the Basic Energy Plan in April which underscored nuclear power plants as “an important base load power source”. The Abe administration is keen to reactivate idle nuclear reactors and there is a possibility of building new nuclear power plants and reactors. How do you evaluate the new Basic Energy Plan crafted by the Abe administration following the Fukushima nuclear meltdown which marks a clear shift from DPJ's zero nuclear policy?*

It is important to assess both the substance and the process by which the LDP-led government shaped the Basic Energy Plan (BEP). The process of putting together this new energy plan has been an exclusive one, as opposed to the system of national debate (*kokuminteki giron*) followed by DPJ. The BEP of April 2014 was made in a top-down manner which completely reversed 'Innovative Strategy for Energy and Environment' drafted by the DPJ. In the new BEP, there are two major problems: restart of nuclear power plants and continuation of the nuclear fuel cycle policy. It is aimed at saving power utilities, rather than securing power supply. Since the Fukushima accident, Japan has survived, with zero or close-to-zero nuclear power operation. It is true that seeking sustainable power sources remains critical, since Japan had relied on nuclear power for nearly 30 per cent of the total electricity generation. Yet, the supply issue is not the fundamental reason for the government and industry to announce the restarting of nuclear plants. The important agenda for them is to avoid a situation where, by declaring a nuclear phase-out, the 50 nuclear power reactors become dead assets and electric utilities go bankrupt. This would create a serious economic crisis including unemployment. Nevertheless, it will be difficult to restart the reactors because consent of governors and mayors that are hosting nuclear plants is necessary to allow any restart, and local decision-makers are resisting any restarts. Moreover, the nuclear fuel cycle policy had been virtually a dead plan even before Fukushima, especially after the 1995 Monju accident. The government then shifted to the policy of “pluthermal” plans. The economic disadvantage of reprocessing of spent fuel, as against a one-through direct disposal, has been proven by many scientific studies. But Japan couldn't make a decision to withdraw from the flawed dream of achieving a nuclear fuel cycle one day. It was a grave mistake that the new BEP has decided on the continuation of the nuclear fuel cycle policy, including investments both on Monju and Rokkasho.

- 2. Japan witnessed an unprecedented anti-nuclear mobilisation following the nuclear accident. You have been actively involved in the routine Friday protests around the national Diet. However, the anti-nuclear sentiments did not translate into votes in the Lower and Upper House, and gubernatorial elections. Why do you think the electorate voted in favour of Liberal Democratic Party, which carries the baggage of the nuclear village?*

There indeed is an overwhelming support for a nuclear phase-out among the Japanese public. My organisation, Peace Boat, has played a major role in public mobilisation. Friday protests started as a spontaneous action by volunteers, but scaled up to more than 100,000 protesters, promoted by social media network. This is historic in Japan which is known for its shyness in terms of public political actions. Then, why wasn't it reflected in the electoral outcomes? There are a number of reasons. First, in the post-disaster context people were unwilling to vote for the DPJ. The March 2011 disaster was an unprecedented national crisis. The way the DPJ government mismanaged the crisis, ignited mistrust against the government and the party. The fact that the LDP promotes, while the DPJ is critical of nuclear power, did not become a major factor for the voters to take a decision.

Secondly, Japan has nearly always had one-party dominance by the LDP, for well over a half century since the end of WWII. Japan has had non-LDP governments only twice - in 1993-1994 and 2009-2012. As such, there is a widely shared perception that "governance is in the hands of the LDP". The LDP carries credibility not necessarily because of its policies, but because of its ability to make things happen. In the wake of the national turmoil, people sought stability, which meant voting for the LDP. Lastly, the LDP's strong campaign on their economic policy was appealing, since the country had suffered from the decades-long recession. The LDP's economic policies gave stocks a lift and raised hopes of wage increases. To sum up, although the majority of people in Japan do favour a nuclear phase-out, their higher priority is regaining the stability. This explains why people chose the LDP, which is pro-nuclear but is believed to be capable of achieving and maintaining stability.

3. The prospects of renewable energy strengthened with the Act on Special Measures concerning the Procurement of Renewable Electric Energy by Operators of Electric Utilities. Are you satisfied with the volume of investment? Is the 'nuclear village' constraining the prospects of renewable energy?

There are two major challenges for Japan in its quest to promote renewable energy: the separation of the ownership of production and transmission of electricity; and feed-in tariff (FIT) for renewables. Japan's electricity supply, including nuclear power, has been carried out under the "privatised national policy (*kokusaku minei*)" i.e. run by private companies but centrally controlled by the government. Market monopoly has prevailed. A single company has owned each of major regions of Japan for both power production and transmission. There has been no room for newcomers to enter the market. The corrupt nuclear village, a closed community of stakeholders, has dominated decision-making. Now is the time to break it and introduce an open market. A separation of electricity transmission from power production would allow new renewable-power production companies to compete with the old guard in cost-performance. Considering the large governmental subsidies that nuclear power production has been relying on, and the ever-increasing amount of compensation in case of accidents, the myth that nuclear power is cheap, is not valid any more. In November 2013, the Diet passed a bill to work towards such a separation. But it took a too modest approach in starting such a separation after 2018. Governmental support for FIT is also essential. The FIT law was enacted in July 2012. To date, it has resulted in a doubling of the quantity of renewable power production in Japan, mostly by solar energy. However, there are many issues yet to be addressed including: accountability, target setting, and further reforming of related regulations. It is important that investment is made not only in alternative energy sources, but also for reducing power consumption and enhancing energy efficiency. In other words, we should think not only about meeting the demand but also about reducing it. Immediately after the March 2011 disaster, Japan's power consumption at peak time was saved by 10 to 15 per cent, in the spirit of national unity for emergency. There is much potential in technologies for saving and efficiency, including for industry and housing. Localisation of the energy cycle from production to service is also important to pursue.

4. What lessons can a developing economy like India draw from the Fukushima nuclear accident, particularly when India is expanding nuclear energy generation, to address its resource paucity and environmental concerns?

When Chernobyl happened, many in Japan thought it was a Soviet story and would never happen in Japan. However, 25 years later, it did. Now one should not think that Fukushima was a Japanese-special case caused by an unprecedented tsunami which would never happen in India. Japanese people long believed that they could control nuclear technology safely. But it was a myth. Since Fukushima, many cases of nuclear corruption have been disclosed. In July 2012, the National Diet Investigation Commission called Fukushima as "man-made disaster." Many stories have been reported, regarding precautions ignored and whistle-blowing covered up. Japan is thought to be a country of discipline. Yet this severe accident did happen. Nuclear power can never be an environmental solution. Proponents of nuclear power claim that it will lower CO2 emission. However, it is unrealistic for India, or other countries, to build nuclear power plants to a level that could significantly contribute to the prevention of global warming. Thermal power plants are not the only source of CO2 emission. True environmental solution lies in a comprehensive approach for sustainable development. Sustainability, saving, efficiency, and localisation are the keys. This should be an important lesson for India too.



DR. LEI XIE

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Dr.Xie's research focuses on transnational social movements, environmental politics and environmental communication. She has worked as a Visiting Research Fellow at Department of International Politics, City University London. She pursued her BA in Political Science and Economics (double major) at Peking University; has an M.Phil from the Chinese University of Hong Kong, and a doctoral degree from Wageningen University, the Netherlands. She authored a book titled *Environmental Activism in China* published by Routledge in 2009.

1. *One of China's goals is to reduce carbon dioxide emissions per unit of gross domestic product by 40-45 per cent from 2005 levels by 2020. What are the challenges that China faces to accomplish this target?*

This is an ambitious goal for China. Through innovative policy instruments, China is promoting the transition to a low-carbon economy. To a large extent, dramatic reforms have been underway as China progressively switches from a command-and-control system to economic and market instruments in its energy policy, such as emissions trading and carbon taxation. Nevertheless, enforcing of targets is indeed a challenge for the country. To accomplish it, great transformations are needed not only in technological innovation capacity but also in society. There is a lack of public representation in the current models and scenarios. The Chinese authorities are faced with an increasing number of protests and collective actions when individual citizens articulate discontent against environmental injustice. Without properly involving the public in climate policy making, China will hardly be able to achieve a cost-effective and sustainable model of development.

2. *China is the world's second largest economy and this growth has come at a cost, with escalating energy demands and associated carbon emissions. How do you evaluate the development versus environment dilemma in China? Do you think the smog that is plaguing Beijing and other cities will serve as a turning point in the way the government thinks about energy use?*

In recent years, the concept of 'ecological civilisation' has gained increasing significance in China's political decision making. The Chinese authorities advocate that China pursues a sustainable, low carbon development path that simultaneously promotes economic growth and environmental protection. To realise the transition to low carbon development, China emphasises on secured energy supply, high energy efficiency and controlled environmental impact. It indicates that addressing climate change and realising sustainable development has been put on the Chinese government's political agenda. Serious environmental degradation has certainly strengthened government's determination in this regard. A greater dilemma facing the Chinese authorities relates to the kind of green development needed and the impact such a transformation would have on existing social problems, such as a deepening social inequality. The concept of 'inclusive development' implies that the government is concerned about the issues of injustice and inequality with regard to disadvantaged social groups. In particular, the CCP's legitimacy is challenged because of a political system that lacks transparency and political representation.

3. *China's water resource challenge includes both water quantity and quality issues, each of which present distinctive challenges for Chinese policy. Although the Chinese government is implementing perhaps the world's most ambitious water resource management strategy, its efforts risk being undermined by inter-governmental rivalries, corruption, and incentives that favour economic development over sustainable resource use.*

China has hardly adopted widely used water management mechanisms in its water policy, such as Integrated Water Resources Management. Its water policies are undergoing dramatic reforms in recent years. Policy emphasis

in water management has been greatly dominated by the exploitation of water resources, including hydropower development and transport systems. China's water resources greatly suffer from the lack of domestic comprehensive institutional and policy support that implies insufficient management by central and local authorities. What is also crucial is that public interest is hardly incorporated in policy processes.

4. As two of Asia's fastest growing economies, how do you think India and China can cooperate in climate negotiations in the post Kyoto Framework?

China and India have a common interest in realising low-carbon development. Both China and India have followed similar trajectories of rising energy consumption and greenhouse gas emissions. Both have been undergoing economic transformation as their economies have shifted to a stronger reliance on the manufacturing and service sectors. Adaptation to climate change is an area which poses a challenge to both countries. Between the two countries, a certain level of clean technology business competition has developed, but in the long term, more collaboration is needed. Ample opportunities exist for both countries to closely work together on scientific and technological research and learn from each other's experience to promote low-carbon development. In sum, China and India share common concerns in fighting climate change. This provides the ground for the two countries to work together and strengthen mutual trust in international climate negotiations.

WORDS MATTER: THE NEED FOR BUILDING TRUST ON NUCLEAR DISARMAMENT



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The value of a nation state's words - both via declaratory policy and treaty adherence - has never been more important when it comes to nuclear weapons diplomacy. As we approach the 2015 Review Conference of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), the international community is roiled by suspicions and strife with regard to the global "nuclear order." The very foundation of the NPT - the bargain struck between the five NPT-sanctioned states possessing nuclear weapons and those who have renounced nuclear weapons under the treaty, whereby the nuclear weapons states (NWS) promised to move towards nuclear disarmament, in exchange for the non-nuclear weapons states (NNWS) agreement not to pursue such weapons - is being questioned. Many of the NNWS have come to suspect that the NWS have no intention of ever keeping their promise to disarm, despite their treaty obligations and their declaratory policies which pledge all five to a nuclear-free world. The NWS for their part feel frustrated that their efforts towards disarmament, as glacially slow as those efforts might seem, are not being recognised; moreover, that NNWS do not understand the domestic national security considerations that make it difficult to move towards zero.

At the same time, North Korea's withdrawal from the NPT in 2003 and its subsequent testing of nuclear weapons (arguably re-purposing the nuclear energy technology it gained under the treaty towards weapons development) continues to vex the international community. And strong suspicions (backed by some evidence) that Iran is pursuing the same covert path, despite Tehran's heated objections, have added to the scepticism about the NPT's value. Worse yet, Russia's abrogation of the Budapest Memorandum on Security Assurances in the crisis over Crimea - which pledged the Russian Federation, the United Kingdom and the United States to uphold the territorial integrity of Ukraine, after it dismantled its Soviet-legacy nuclear weapons - has led NNWS to wonder whether they can trust the NWS to make good on their promises, including negative security assurances regarding the non-use of nuclear weapons against those states not in possession of nuclear weapons. Indeed, some hot-heads have even asserted that Ukraine fell victim to its own good non-proliferation intentions; that if Ukraine had remained a nuclear power Russia would never have moved to annex Crimea. There are plenty of reasons that this is a spurious argument, however, perceptions in international relations can sometimes out-trump reality in the minds of policy-makers.

Of course, nuclear diplomacy does not only involve the members of the NPT. Three countries outside of the treaty regime - India, Israel and Pakistan - possess nuclear weapons. The failure so far, of efforts to begin a process toward a zone free of nuclear weapons and other weapons of mass destruction in the Middle East, as called for by the 1995 NPT Review Conference, is yet another serious irritant in the relations between the NPT signatories. While one might legitimately question the wisdom of NPT members in pledging to develop such a zone when one of the key actors, Israel, is not a member of the NPT and therefore not bound by any NPT-related decisions, the frustration felt by the Arab states at the lack of progress on the issue is visceral and real. The inability to even bring parties to the table for a conference on the issue in 2012, as pledged by the Russian Federation, the United Kingdom and the United States has prompted some countries, notably Egypt, to mutter darkly about NPT withdrawal.

As far as regional rivals India and Pakistan are concerned, nuclear competition continues apace. Pakistan, annoyed at the deal cut by the United States and the Nuclear Suppliers Group with New Delhi, on civil nuclear energy cooperation (which both Pakistan and the People's Republic of China see as an indirect boost for India's continued

weapons development), is refusing to countenance negotiations on a fissile materials treaty that would stop production, and perhaps roll back holdings of bomb-making material. Both countries continue to spend large amounts of money to expand and improve their nuclear arsenals, despite struggling with serious domestic economic problems and entrenched poverty.

India, (not unlike most of the NWS) has a bit of a schizophrenic nuclear policy: while very strongly pledged to nuclear disarmament, and long a thought leader on how to achieve that goal (for example, the Rajiv Gandhi Action Plan for Nuclear Disarmament of 1988), it continues to pursue development of a strategic triad, justified by pointing to Pakistan's nuclear expansion and China's weapons modernisation programme. Thus, a recent hint by the Bharatiya Janata Party (BJP) that if successful in India's upcoming elections, it might abandon New Delhi's long-standing no first use doctrine, created a wave of concern both inside and outside the region. While there are some who pooh pooh the value of such declaratory statements, India's no first use policy (in place since 1999), has in the minds of many served as a stabilising factor in the region, perhaps more so because of India's fraught relationship with China, rather than its enmity with Pakistan. China, too, has a no first use policy that, at least up to now, has been backed by a fairly restrained force posture optimised for second-strike capabilities. While it is true that China's first priority in nuclear gamesmanship is not India but the United States, a signalled change in India's nuclear doctrine could not be ignored by Beijing. BJP president, Rajnath Singh in mid-April, clarified that the party had no intention of reversing the no first use pledge, but nonetheless there is now a bit of uncertainty about India's nuclear direction.

At the heart of the negative atmosphere pervading international nuclear diplomacy is a supreme lack of trust - a disbelief that a nation state's words, even backed by signatures on legally binding documents, can be relied upon. This miasma of distrust has been darkening almost every multilateral discussion of nuclear disarmament, non-proliferation and even nuclear energy issues. It should be obvious to all that such a situation breeds misperceptions and fosters instability. Therefore the time has come for world leaders to first reassess their own commitments, both declaratory and legal, and to find ways to shore up others' confidence that those commitments will be upheld. There needs to be deeper, more meaningful dialogue on nuclear weapons issues. And trust must be rebuilt. Words matter, but keeping one's word matters more.

PANCHSHEEL: RETROSPECT AND PROSPECT



Dr. Rup Narayan Das

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The Panchsheel Agreement, or the five principles of peaceful coexistence, was the culmination of Sino-Indian relations in mid-1950s in the context of resurgent Asian nationalism that began with the onset of the process of decolonisation. It reached its apogee at the Bandung Conference, and met its nemesis in the Sino-Indian war of 1962. One needs to revisit the historical circumstances in the context of which the idea germinated and was conceptualised. Two major world events, viz. the Korean crisis and the Indo-China imbroglio, and India's proactive involvement there, forged understanding and cooperation between India and China.

Close on the heels of these two developments, on April 29, 1954, an Agreement on Trade and Intercourse between Tibet and India was signed between India and China. As per this Agreement, India gave up all extra-territorial rights and privileges enjoyed in Tibet by the British Government of India, and New Delhi recognised

that Tibet was a region of China. The Agreement specified trade agencies, market and pilgrim routes and laid down regulations for trade and intercourse across the common border. The Agreement was to be in force for eight years. In the Preamble to the Agreement, both sides reaffirmed that they would abide by the Five Principles: mutual respect for each other's territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in each other's internal affairs; equality and mutual benefit; and peaceful co-existence. This presumed that there were no problems pending between the two countries and such questions that might arise thereafter would be settled on the basis of mutual goodwill. These concepts of non-interference and mutual respect, although not in themselves, new or earth-shaking, soon gained wide recognition as the articulation of the desire of Asians to shape their future on Asian terms, rather than by simply reiterating the language of Western statecraft.

An exchange of notes dealt with matters of the withdrawal of Indian military escorts stationed at Yatung and Gyantse and the transfer of post, telegraph and telephone services and the rest-houses belonging to India in Tibet to the Government of China. A most useful and fascinating outcome of the Geneva negotiations (April-July, 1954) on the Korean crisis and Indo-China imbroglio, was the quickening of China and Zhou En-lai's interest in India. In his speech in Geneva, Zhou En-lai had emphasised the role of Asian countries in settling Asian problems. "We do not claim a monopoly to speak for Asian nations, but the aspirations of the Asian people cannot be ignored when pressing problems facing Asia are discussed." He had particularly mentioned India, and a beaming Krishna Menon made a special trip to Geneva to invite Zhou En-lai to India because Nehru was mortified to have been kept out of the Geneva talks. In New Delhi, Zhou En-lai was given a rousing reception on June 25, 1954, and on June 28, a Joint Statement was issued by the Prime Minister of India and China. After reaffirming the Five Principles, they declared "If these Principles are applied, not only between various countries, but also in international relations generally, they would form a solid foundation for peace and security and the fears and apprehensions that exist today would give place to a feeling of confidence... The Prime Ministers expressed their confidence in the friendship between India and China which would help the cause of world peace and peaceful development of their respective countries as well as the other countries of Asia".

Zhou En-lai visited Rangoon on June 28, 1954 to meet Burmese leader U Nu and signed the communique on the five principles of peaceful coexistence similar to the one signed in New Delhi, the very next day. It was against this growing understanding between the two countries, not merely on bilateral issues but also on many global problems, that Nehru's own visit to China took place in October 1954. Nehru had detailed discussions with both Zhou En-lai and Mao Zedong on both bilateral and international issues. In the bilateral talks, he raised with the Chinese leaders the question of some maps published in China which had shown incorrect boundary alignment between the two countries and incorporated about 50,000 square miles of Indian territory within China. Nehru asserted that this was presumably by some error, as far as India was concerned, and that she was not much concerned about the matter because her boundaries were clear and well known and not a matter of argument.

But the spirit of Sino-Indian bonhomie ran out of steam soon when border dispute between the two countries erupted, leading to the war of 1962, the details of which need not be recounted in greater detail considering the solemnity of the 60th anniversary of the Panchsheel Agreement on April 29. Nevertheless, it is worthwhile to ponder over as how to reinvent the spirit of Panchsheel. As the context of Panchsheel has changed, it is all the more essential that the two countries need to reinvent and redefine Panchsheel in the new context of a new world order; taking into account globalisation, and mutual economic interdependence. One more point that needs to be reckoned with is the asymmetry between the two countries; and the trust deficit and security dilemma. China should be sensitive to India's aspiration to acquire its rightful place in the comity of nations such as the United Nation's Security Council, Nuclear Supplier's Group, etc. There are also domestic concerns such as: the strategic nexus between China and Pakistan; the issue of the stapled visas to Indian citizens from Arunachal Pradesh; and also the growing adverse trade imbalance against India. There should not be a 'zero sum game' between the two and words should match actions. A new world equilibrium needs to emerge recognising the global shift of power. The transition may be tenuous, but not turbulent.

TRACKING CHINA

Xi Jinping's military reforms

Xi Jinping's first meeting as the head of the leading group for deepening reform on national defence and the armed forces was held on March 15, 2014. Xi stressed that "military reforms should be guided by the objective of building a strong army". *Xinhua* further reported that Xi's focus is that the "reform of the commanding system, power structure and related policies should be advanced to support the consolidation of national defence and the building of strong armed forces".¹ The Central Military Commission Vice Chairman Fan Changlong and Xu Qiliang are the deputy heads of the leading group. Xi Jinping also chairs the National Security Commission and Internet Security Panel, which is newly instituted. After Xi's pronouncement, it was reported that the General Political Department ordered the army and army police to discuss combat readiness and combat effectiveness. *Xinhua* reported that the PLA GPD "required military officers to deal with modern military technologies and IT knowledge and to analyse what it takes to win a modern war".²

China's economic woes

Li Keqiang delivered the Work Report on March 5, 2014, in which he announced that China's economic growth target is kept at 7.5 per cent in 2014.³ Li said that China would attempt to boost domestic demand, urbanisation, innovation in industry, and other social welfare programmes.⁴ *Xinhua* reported that China would not follow the policy of stimulus packages for economic growth. China had announced a small stimulus package for investment in railways and low-cost housing to "boost investment and consumption".⁵ Li Keqiang stressed that China "will not resort to short-term stimulus package just because of temporary economic fluctuations and will pay more attention to sound development in the medium and long-run".⁶ Rubbishing Western reports of problems in the Chinese economy, *Xinhua* in its commentary defended the Chinese growth model pointing out that "it is normal for China's growth to slow because of the rippling effect of the global financial tsunami and domestic economic restructuring. But such a slowdown should not be cause for panic... slower growth that is less reliant on investment and debt is exactly what China needs to address risks in the housing sector and the like".⁷

The Kunming terrorist attack

Kunming in the Yunnan province of China witnessed a terrorist attack on March 1, 2014 when a group of eight people attacked Kunming railway station with knives. A total of 29 civilians and 4 terrorists were left dead and 143 people were injured. *Xinhua* identified the group as belonging to Xinjiang separatists. The Ministry of Public

¹ "Xi Leads China's Military Reform, Stresses Strong Army", *Xinhua*, March 15, 2014 at http://news.xinhuanet.com/english/china/2014-03/15/c_133188618.htm accessed on March 17, 2014

² "PLA Orders Discussion of Combat Readiness", *Xinhua*, March 18, 2014 at http://news.xinhuanet.com/english/china/2014-03/18/c_133195068.htm accessed on March 20, 2014

³ "Premier's Report Reveals China's New Economic Strategy", *Xinhua Insight*, March 7, 2014 at http://www.npc.gov.cn/englishnpc/Special_12_2/2014-03/07/content_1842044.htm accessed on March 10, 2014

⁴ "Full Text: Report on the Work of the Government", *Xinhua*, March 14, 2014 at http://news.xinhuanet.com/english/special/2014-03/14/c_133187027.htm accessed on March 20, 2014

⁵ Zheng Yangpeng, "Government Rolls Out Railways Stimulus Plan", *China Daily*, April 4, 2014 at http://usa.chinadaily.com.cn/epaper/2014-04/04/content_17408984.htm accessed on April 6, 2014

⁶ "China Confident To Keep Economy In Proper Range: Premier", *Xinhua*, April 10, 2014 at http://news.xinhuanet.com/english/china/2014-04/10/c_133251394.htm accessed on April 12, 2014

⁷ Chen Siwu, Commentary: "China's Economy, To Crash or Just Bashed?", *Xinhua*, February 27, 2014 at http://news.xinhuanet.com/english/china/2014-02/27/c_133148003.htm accessed on March 1, 2014

Security stated that Abdurehim Kurban led the gang, three of whom were captured.⁸ Meng Jiangzhu, the Secretary for Central Politics and Law Commission, led the investigation of the attack.⁹ Guo Shengkun, the Minister of Public Security was also present to supervise the investigation. Later the foreign ministry spokesperson, Hong Lei condemned the East Turkistan Islamic Movement (ETIM), which declared its support for the terrorist attack and pointed out that “it has fully exposed the terrorist nature of the ETIM”.¹⁰ A *People’s Daily* report condemned the Western press for its coverage of the attack stating that though “extensive evidence at the crime scene leaves no doubt that the Kunming Railway Station was nothing other than a violent terrorist crime... some western media organisations were unwilling to use the word terrorism in their coverage... faced with such tragedy and unambiguous facts, it is a hard-hearted and cynical media that would engage in such hypocrisy”.¹¹

The China-Pakistan economic corridor

Li Keqiang met Pakistan’s President Mamnoon Hussain in Beijing, where they agreed to accelerate the building of the economic corridor, apart from focusing on “energy cooperation, transportation, infrastructure, construction and industrial parks”. Hussain also signed an MOU for upgrading parts of the Karakoram Highway and an MOU for the National Joint Research Center for hydropower technology. Currently, China and Pakistan are involved in developing an economic corridor that includes a 2000 km road and a rail link that connects China’s Xinjiang to Pakistan’s Gwadar, through Pakistan Occupied Kashmir (POK).¹² Prime Minister Nawaz Sharif met Li Keqiang at the Boao Forum for Asia in Hainan province, where they reaffirmed their commitment to the economic corridor. Li stressed that “China is ready to work with Pakistan to complete a long-term plan by the end of this year to build a bilateral economic corridor”.¹³

Sunflower movement

The second half of March and early April witnessed an outburst of public protests in Taipei against the China-Taiwan Trade Pact in Services. Taiwan’s Strait Exchange Foundation (SEF) and China’s Association for Relations across the Taiwan Straits (ARATS) had signed this pact in June 2013. However, the pact was awaiting legislative ratification since then. This has reignited the old concerns relating to whether the fast-pace Cross-Strait economic integration is in Taiwan’s interest. Taiwan’s Legislative Yuan’s Plenary Session was slated to review the pact in mid-March 2014. The session saw acrimonious exchanges between the ruling KMT and the opposition DPP legislators over the issue. Cutting short the debate on the pact, the ruling KMT “sent the pact directly to the plenary session for its second reading”. This caused a huge uproar among the opposition parties and civil-society groups who came out to protest in large numbers. Students and youths were at the forefront of the demonstrations. A large number of activists, mainly students barged into legislative chamber of the Legislative Yuan building and physically occupied it. The occupation came to be known as the Sunflower Movement.

⁸ “Kunming Terrorist Attack Suspects Captured”, *Xinhua*, March 3, 2014 at http://news.xinhuanet.com/english/china/2014-03/03/c_133157281.htm accessed on March 10, 2014

⁹ “Police Recount Scene of Kunming Terrorist Attack”, *Xinhua*, March 5, 2014 at http://www.china.org.cn/china/2014-03/05/content_31681957.htm accessed on March 10, 2014

¹⁰ “China Denounces ETIM Support for Kunming Terror Attack”, *Xinhua*, March 19, 2014 at http://news.xinhuanet.com/english/china/2014-03/19/c_133198664.htm accessed on March 20, 2014

¹¹ “Western Media Coverage of Kunming’s Terror Attack Shows Sheer Mendacity and Heartlessness”, *People’s Daily*, March 4, 2014 at <http://english.peopledaily.com.cn/98649/8553601.html> accessed on March 20, 2014

¹² “China, Pakistan to Accelerate ‘Economic Corridor’ Construction”, *Xinhua*, February 21, 2014 at http://news.xinhuanet.com/english/china/2014-02/21/c_133131361.htm accessed on March 1, 2014

¹³ “China Seeks To Plan On Economic Corridor With Pakistan”, *Xinhua*, April 10, 2014 at http://news.xinhuanet.com/english/china/2014-04/10/c_133253222.htm accessed on April 20, 2014

The movement was seen as one of the most significant mass protests in Taiwan in the recent past and grabbed international media headlines. The occupying students received support from across the spectrum – the media, intellectuals, civil-society groups and the opposition parties. The student protestors continued to occupy the Legislative Yuan for 24 days. The period saw hectic political activity including, the issuing of statements and counter-statements, and government overtures. Finally, after the assurance by the Legislative Speaker Wang Jin-pyng that the government would make a law “to monitor cross-strait agreements before reviewing the cross-strait service trade agreement”, the occupation was ended and the movement was called off. The movement has been characterised as an event that ‘has enhanced democracy’ in Taiwan. The impact of the movement on the pace and direction of the Cross-Strait relations will be seen over time.¹⁴

President Xi Jinping’s Europe tour

President Xi Jinping went on a 10-day tour to Europe from March 22 to April 1, 2014. He clubbed his participation in the Third Nuclear Security Summit in The Hague with official visits to the Netherlands, France, Germany and Belgium. During this trip, he visited UNESCO Headquarters in Paris and European Commission Headquarters in Brussels. His extensive Europe tour is important as China considers the European Union as being a major power in the world. China is EU’s number two trading partner. They have robust educational, cultural, scientific and technological cooperation. President Xi during his trip underlined that China needs European assistance to carry out governance reforms. The salient emphasis of this tour was soft-power creation and China’s efforts towards the international standardisation of its currency RMB. An RMB clearing and settlement centre was proposed to set up in Frankfurt. After the conclusion of the tour, China issued its second policy paper relating to the EU entitled ‘Deepen the China-EU Comprehensive Strategic Partnership for Mutual Benefit and Win-win Cooperation’ -the first was issued in 2003. The documents along with the EU documents relating to China, make it amply clear that their relationship has an economic and functional orientation. The EU envisages that the EU-China relationship will contribute to China’s democratic transition; whereas China expects that a strengthened relationship will make the EU countries appreciate China’s point of view on human rights and democracy. The EU arms embargo imposed on China after the Tiananmen Square episode in 1989, remains an irritant for China. President Xi conveyed Chinese sentiments on this issue to his European counterparts. The embargo and the European concerns about human rights in China and the Tibetan issue, do not appear to have decisive influence on the relationship.¹⁵

China’s response to Crimea

China abstained from the UN General Assembly resolution adopted on March 27, 2014. The resolution appealed to the international community to not recognise the change of status of Crimea.¹⁶ The resolution was adopted

¹⁴ “Opposition, Groups Protest Trade Pact”, *Taipei Times*, March 19, 2014, at <http://www.taipeitimes.com/News/front/archives/2014/03/19/2003586009> accessed on April 20, 2014

“Trade Pact Siege: Legislative Yuan Occupation Timeline”, *Taipei Times*, April 11, 2014

<http://www.taipeitimes.com/News/taiwan/archives/2014/04/11/2003587787> accessed on April 20, 2014

“Siege Aftermath: Movement has Enhanced Democracy: Academics”, *Taipei Times*, April 13, 2014 at <http://www.taipeitimes.com/News/taiwan/archives/2014/04/13/2003587930> accessed on April 20, 2014

¹⁵ The detailed information about President Xi Jinping’s Europe visit is available on *China’s Foreign Ministry’s* official website under the topic “President Xi Jinping Attends the Third Nuclear Security Summit and Visits the Netherlands, France, Germany, Belgium, UNESCO Headquarters and EU Headquarters”, http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjzxcxdsjhaqhfbfwhlfgdgbshlhgjkezzzbomzb_666590/ accessed on April 20, 2014.

¹⁶ “UN General Assembly Adopts Resolution on Ukraine”, *China.Org.Cn*, March 28, 2014 at http://www.china.org.cn/world/2014-03/28/content_31927319.htm accessed on April 16, 2014

while Xi was in Europe. Earlier, China had abstained from the UNSC resolution on Crimea on March 15, 2014.¹⁷ The fact that China did not vote with Russia is noteworthy. On previous occasions, in recent years, China along with Russia had vetoed the UN resolutions relating to sanctions on Syria. The two countries abstained on the UN resolution about imposing No-Fly-Zone in Libya. But after the comradeship on view during the recent Libyan and the Syrian crises, China took a different path from Russia who it considers its most important strategic partner.¹⁸ On the Crimean/Ukrainian issue, China is in favour of an 'objective, fair and responsible' approach and the creation of an international coordination mechanism, involving all parties concerned, to examine the proposals for a political settlement.¹⁹

China's annual NPC Session

The National People's Congress (NPC) of the People's Republic of China was held from March 3-13, 2014. The Chinese People's Political Consultative Conference (CPPCC) also held its session during this period. The Chinese Premier Li Keqiang presented the government's work report that highlighted achievements of the last year and charted out the course for the ongoing year to the NPC. Li assured the Conference that the growth rate would continue at about 7.5 percent per annum while at the same time, inflation (CPI Index) would be kept below 4 percent. Efforts would also be made to control unemployment.²⁰ He also said that the central government was following the guidelines set in the mass-line, and avoiding formalism, hedonism, bureaucracy and extravagance. It was also able to reduce government spending by 35 percent as per the guidelines of the three-point decision of the State Council.²¹ At the closing session Li also announced that China would "declare war" on pollution and focus on implementation of energy intensity reduction targets for the year.²²

TRACKING THE KOREAN PENINSULA

South Korea, the US and Japan hold three-way talks at The Hague

South Korea, the US and Japan held trilateral talks at The Hague on March 26, on the sidelines of the Nuclear Security Summit.²³ This was a significant development as it marked the first talks between the South Korean President, Park-Geun-hye and the Japanese Prime Minister, Shinzo Abe since December last year when bilateral

¹⁷ "UN Security Council Action on Crimea Referendum Blocked", *UN News Centre*, March 15, 2014 at <http://www.un.org/apps/news/story.asp?NewsID=47362#.U2yh1HY5XAo> accessed on April 16, 2014

¹⁸ Daniel Wagner, "How China Benefits from the Ukraine Crisis", *Huffington Post*, April 1, 2014 at http://www.huffingtonpost.com/giorgio-cafiero/how-china-benefits-from-t_b_5067047.html accessed on 16 April 2014

"China Doesn't Back Russia's Invasion Of Crimea — And That's A Big Problem For Putin", *Business Insider*, March 27, 2014 at <http://www.businessinsider.com/lack-of-chinese-support-for-crimea-is-a-big-problem-for-putin-2014-3?IR=T> accessed on April 16, 2014

"Libya No-Fly Resolution Reveals Global Split in UN", *The Guardian*, March 18, 2011 at <http://www.theguardian.com/world/2011/mar/18/libya-no-fly-resolution-split> accessed on April 16, 2014

¹⁹ "Wang Yi: China Upholds Objective, Fair and Responsible Position on Ukrainian Issue", *FMPRC Website*, April 14, 2014 at http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/wshd_665389/t1147577.shtml accessed on April 16, 2014

²⁰ "Highlights: Premier Li's Govt Report", *Xinhua*, March 5, 2014 at http://news.xinhuanet.com/english/china/2014-03/06/c_133166158.htm accessed on March 13, 2014

²¹ "Full Text: Report on the Work of the Government", *Xinhua*, March 14, 2014 at http://news.xinhuanet.com/english/special/2014-03/14/c_133187027_2.htm accessed on April 4, 2014

²² Wang Qian, "China to declare war on pollution, cut energy use", *China Daily*, March 14, 2014 at http://www.chinadaily.com.cn/china/2014npcandcppcc/2014-03/14/content_17346330.htm accessed March 16, 2014

²³ "Korea, US, Japan agree to convene nuke envoys' talks", *The Korea Herald*, March 26, 2014 at <http://www.koreaherald.com/view.php?ud=20140326001483> accessed on March 27, 2014

relations turned sour. Anticipating that the talks would break the impasse between the two countries', Washington hoped that it would also demonstrate the Obama administration's pledge to maintain the security of North East Asia.²⁴ During the meeting, the three leaders decided to hold negotiations on the North Korean nuclear programme at the earliest, raising hopes relating to the recommencement of the Six Party Talks (SPT). They reiterated that the SPT should guarantee "substantive progress" for undoing North Korea's nuclear programme in a "complete, verifiable and irreversible" way. As part of the efforts to strengthen trilateral diplomatic and military partnership, Obama suggested a fresh round of vice-ministerial defence trilateral talks.²⁵ The Summit raised hopes of the prospect of a thaw in Seoul-Tokyo relations. However so far, there is not much optimism as both countries remain unwilling to address their bilateral disputes over territorial and historical issues.

Official level talks between Seoul and Tokyo fail to resolve bilateral disputes

South Korea and Japan held vice-ministerial level talks on March 12, to discuss the bilateral relation that is currently going through a rough phase. Vice Foreign Minister Cho-Tae yong and Akitaka Saiki held the first high-level talks since Japanese Prime Minister Shinzo Abe's much condemned visit in December 2013 to the controversial war shrine-Yasukuni. However, the talks failed to make any headway towards resolving their territorial and historical disputes and reviving bilateral relations. While Cho insisted that Japan should end its "revisionist behaviour under a correct perception of history and respond sincerely" to the issue of comfort women, Saiki did not say much on the issue.²⁶ Recently, Seoul-Tokyo relations have seen a further downturn following Japan's renewed territorial claims over Dokdo/Takeshima islands, currently administered by South Korea. South Korea has reacted fiercely to Japan's decision to celebrate the annual "Takeshima Day" on February 22 to bolster the latter's claim over those islands.²⁷ Meanwhile, the Abe administration's failure to make a proper response to its wartime atrocities, particularly the South Korean comfort women issue, has damaged the relations further.

South Korea and the US hold joint military exercise

The annual joint marine exercise between South Korea and the US called, Ssang Yong (Double Dragon), happened between March 27 and April 7 in the Korean Peninsula. The exercise was aimed at enhancing interoperability between the Navy and Marine Corps' of the two countries. Around 10,000 marines from both the countries and another 130 Australian army troops participated in the exercise. Twelve South Korean and US amphibious ships and few V-22 Osprey tilt-rotor aircrafts stationed in Okinawa (Japan) also took part.²⁸ A nuclear powered US submarine-the *USS Columbus*-along with the US 7th Fleet Command ship-the *USS Blue Ridge*-arrived at South Korean port Busan on March 3 to participate in the exercise.²⁹ North Korea protested fiercely to the exercise and fired off several Scud-type missiles and artillery shells into the ocean, just ahead of the scheduled exercise.³⁰ This

²⁴ "US says trilateral summit with S. Korea, Japan will show its security commitment to Asia", *The Korea Herald*, March 22, 2014 at <http://www.koreaherald.com/view.php?ud=20140322000044> accessed on March 27, 2014

²⁵ "Korea, US, Japan agree to convene nuke envoys' talks", *The Korea Herald*, March 26, 2014 at <http://www.koreaherald.com/view.php?ud=20140326001483> accessed on March 27, 2014

²⁶ "Seoul, Tokyo fail to make progress in strained relations", *The Korea Herald*, March 12, 2014 at <http://www.koreaherald.com/view.php?ud=20140312001598> accessed on March 15, 2014

²⁷ "Seoul asks Tokyo to cancel event for Dokdo", *The Korea Herald*, February 14, 2014 at <http://www.koreaherald.com/view.php?ud=20140214001111>. accessed on March 10, 2014

"Korea summons Japan envoy", *The Korea Herald*, March 23, 2014 at <http://www.koreaherald.com/view.php?ud=20140223000303> accessed on March 27, 2014

²⁸ "S. Korea, US set for largest ever joint Marine exercise involving V-22 Osprey", *The Korea Herald*, March 11, 2014 at <http://www.koreaherald.com/view.php?ud=20140311000464> accessed on March 20, 2014

²⁹ "US nuclear submarine arrives in S. Korea for joint drill", *The Korea Herald*, March 3, 2014 at <http://www.koreaherald.com/view.php?ud=20140303000881> accessed on March 10, 2014

not only made the security environment in the Korean Peninsula tenuous, but also raised serious questions over the possibility of the revival of the Six Party Talks to resolve North Korean nuclear issue.

North Korea launches missiles and rockets to protest against US-South Korea joint military exercise

Since late February, North Korea fired off a series of Scud ballistic missiles and artillery, using multiple rocket launchers to lodge its protest, against the joint military drills conducted by the US and South Korea on the Korean Peninsula. While the allies' two week long war game named 'Key Resolve' concluded in early March, their two month long field training 'Foal Eagle exercise' continued till April 18.³¹ On February 27, North Korea launched four ballistic missiles, and a week ahead of that, it fired four "KN-09" rockets into the East Sea. Then on March 3, it fired two short-range ballistic missiles.³² In the subsequent weeks, it continued to carry out similar launches. On March 22-23, Pyongyang fired 30 FROG ground-to-ground rockets and 16 short-range rockets from its eastern city of Wonsan.³³ North Korean leader Kim Jong-un reportedly flew to the test site one day before the rocket launch on March 22, indicating his possible direct involvement in it.³⁴ It should be noted that Pyongyang has denounced the joint drills between the US and South Korea, as a rehearsal for invasion. Both Seoul and Washington however maintained that the exercises were defensive in nature.³⁵

North Korea holds election for its legislature

On March 9, North Korea held elections for its parliament-the Supreme People's Assembly (SPA). This was the first election to the Assembly since Kim Jong-un assumed power following the demise of Kim Jong-il in December 2011. The result was predetermined as only one approved candidate contested from each of the 687 districts.³⁶ Like his father, Kim got elected from the Mount Paektu Constituency No. 111, the highest peak on the Korean Peninsula to which the Koreans traditionally attribute divine status.³⁷ It is important to note that most top North Korean officials are members of the SPA. The membership of the Assembly largely indicates his or her status, within the existing regime. Lately there has been growing speculation over the stability of Kim Jong-un regime. Kim has already brought about dramatic changes within North Korea's ruling elite-the most dramatic of these being the execution of his powerful uncle, and political mentor, Jang Song-thaek in December last year.³⁸ At that time, this was largely seen as part of Kim's grand design to strengthen his control over the country. As the recent

³⁰ "S. Korea, US set for largest ever joint Marine exercise involving V-22 Osprey", *The Korea Herald*, March 11, 2014 at <http://www.koreaherald.com/view.php?ud=20140311000464> accessed on March 17, 2014

³¹ "N.K launches rockets for second straight day", *The Korea Herald*, March 23, 2014 at <http://www.koreaherald.com/view.php?ud=20140323000215> accessed on March 27, 2014

³² "NK fires two ballistic missiles", *The Korea Herald*, March 3, 2014 at <http://www.koreaherald.com/view.php?ud=20140303001511> accessed on March 7, 2014

³³ "N.K launches rockets for second straight day", *The Korea Herald*, March 23, 2014 at <http://www.koreaherald.com/view.php?ud=20140323000215> accessed on March 27, 2014

³⁴ "N Korean leader flew to Wonsan before rocket launch", *The Korea Herald*, March 21, 2014 at <http://www.koreaherald.com/view.php?ud=20140321000444> accessed on March 27, 2014

³⁵ "N.K launches rockets for second straight day", *The Korea Herald*, March 23, 2014 at <http://www.koreaherald.com/view.php?ud=20140323000215> accessed on March 27, 2014

³⁶ "North Korea holds parliament 'election'", *The Korea Herald*, March 9, 2014 at <http://www.koreaherald.com/view.php?ud=20140309000016> accessed on March 10, 2014

³⁷ "N.K votes for rubber-stamp parliament", *The Korea Herald*, March 9, 2014 at <http://www.koreaherald.com/view.php?ud=20140309000320> accessed on March 10, 2014

³⁸ Ibid.

SPA election put Kim's trusted figures in the parliament, it seems to be yet another tool to legitimise the young leader's regime.

TRACKING JAPAN

Japan-Russia relation hit by Crimean crisis

The progress in the Japan-Russia bilateral relation since Prime Minister Shinzo Abe took office in December 2012, and especially during the February Sochi Olympic summit, was undone following the Crimean crisis. The Japanese foreign ministry issued a statement arguing that Japan does not accept the referendum in the Autonomous Republic of Crimea since it defies Ukraine's constitution and condemned Russia for violating the sovereignty and territorial integrity of Ukraine. Japan expressed concerns over the attempt to change the status quo by means of force, and subsequently suspended consultations for easing visa regulations vis-à-vis Russia. Additionally, Japan suspended initiating discussions relating to: a new investment agreement; an outer space cooperation agreement; and an agreement for prevention of dangerous military actions.³⁹ Before the unfolding of the Crimean crisis, Abe and President Putin were working towards creating an enabling environment for initiating negotiations involving the Northern Territories/Southern Kuril Islands. However, following the Crimean crisis, Japan has said that it may consider imposing additional economic sanctions against Russia, in cooperation with the G-7. Japan has reportedly pledged \$1.5 billion economic aid to Ukraine.⁴⁰ The Japanese foreign minister, Fumio Kishida has postponed his scheduled trip to Russia this spring, which was aimed to promote economic cooperation, prior to President Vladimir Putin visit to Japan in the fall. The ministry stated that the deferment was by the mutual consent of both governments and fresh dates would be coordinated. The postponement is, reportedly in view of the Ukrainian presidential election scheduled on May 25, and the US-Russia relations.⁴¹ In a related development, Prime Minister Abe drew a parallel between Russian actions in Crimea, and China's conduct in the East and South China Sea at the G7 meeting in The Hague. The Chinese foreign ministry registered its strong protest at this and accused the Japanese leadership of hypocrisy.⁴²

Japan strengthens surveillance in the southwest

Defence Minister Itsunori Onodera confirmed that Japan is deploying Ground Self Defence Forces (GSDF) and building radar station in Yonaguni Island, situated around 150 km from the contested Senkaku/Diaoyu Islands. This is expected to provide Japan with the increased capability to enhance surveillance close to the Chinese mainland and observe its military movements.⁴³ Onodera clarified that this is the first deployment since 1972, when the US returned Okinawa to Japan. The remote-island strategy, outlined in National Defence Programme Guidelines 2013, expressed concerns over the Chinese military buildup and its efforts to change the status quo by coercion, aims at intercepting and defeating any attack by securing "maritime supremacy and air superiority" by

³⁹ "Statement by the Minister for Foreign Affairs of Japan on the Measures against Russia over the Crimea referendum", *The Ministry of Foreign Affairs of Japan*, March 18, 2014 at http://www.mofa.go.jp/press/release/press4e_000239.html accessed on March 20, 2014

⁴⁰ "Japan's Russian dilemma", *The Japan Times*, April 4, 2014 at <http://www.japantimes.co.jp/opinion/2014/04/04/commentary/japans-russian-dilemma/#.U1Yy8aJRLSg> accessed on April 5, 2014

⁴¹ "Kishida to postpone visit to Russia over U.S. ties", *The Japan Times*, April 17, 2014 at <http://www.japantimes.co.jp/news/2014/04/17/national/kishida-to-postpone-visit-to-russia-over-u-s-ties/#.U1ZNcKJRLSg> accessed on April 20, 2014

⁴² "China angrily denounces Japan for Russia-Crimea analogy", *The Asahi Shimbun*, March 28, 2014 at <http://ajw.asahi.com/article/asia/china/AJ201403280080> accessed on March 29, 2014

⁴³ "Japan to arm remote western island, risking more China tension", *The Asahi Shimbun*, April 18, 2014 at http://ajw.asahi.com/article/behind_news/politics/AJ201404180083 accessed on April 20, 2014

way of rapid deployments supplementing the troops already in position. The Chinese foreign ministry reacted by stating that Japan should operate in a manner that is conducive to regional peace and stability.

Obama-Abe summit

Japan hosted President Barak Obama as a state guest from April 23-25. The joint statement underscored that the US has “deployed its most advanced military assets to Japan and provides all necessary capabilities to meet its commitments under the US-Japan Treaty of Mutual Cooperation and Security. These commitments extend to all the territories under the administration of Japan, including the Senkaku Islands”⁴⁴. It is important to note that there is no shift in US policy. While the US refrains from taking a position on the ultimate sovereignty of the islands, they accept that the islands are under the administration of Japan and fall within the scope of Article 5 of the security treaty obligations. Japan’s takeaway from this summit was that Abe for the first time managed to get a US president to clearly articulate the American position on disputed Senkakau/Diaoyu Islands. Obama’s utmost priority is securing market access and for the much debated Trans-Pacific Partnership (TPP) free trade negotiation to reach an agreement. However, things did not unfold to that effect, owing to difficult negotiations over tariff barriers. Since the highlight of the summit – the TPP free trade negotiation failed to make any considerable progress, the leadership focused on the security alliance, and regional peace and stability.

Japan-North Korea talks resumed

Japan and North Korea held formal talks on March 30-31, in the North Korean embassy in Beijing. The North Korean ambassador and Japanese foreign ministry officials focused on the abduction issue.⁴⁵ Japan reportedly requested North Korea to reinvestigate 12 abduction cases and another 470 missing individuals who are believed to be abduction victims. North Korea, on the other hand, conveyed its intention to reexamine the cases, provided, that some of the sanctions imposed by Japan on North Korea are lifted - including the ban on access for North Korean vessels to Japanese ports. Moreover, the Japanese and the North Korean working level officials had unofficial contact on April 5-6 in Shanghai.⁴⁶ The re-commencement of meetings was decided earlier during the unofficial discussions between envoys, on the sidelines of the Japanese and North Korean Red Cross societies meeting in Shenyang (China). Meetings were suspended in December 2012, when Japan reiterated its demand that North Korea should behave responsibly on the long-range missile launch, which has affected the initiatives for mending relations. Earlier North Korea acknowledged that it had abducted 13 Japanese national in the 1970s and 1980s, for giving Japanese language training to moles.

Japan’s new Basic Energy Plan

The Cabinet approved the new Basic Energy Plan (BEP) on April 11, which underscored that securing a stable energy supply is essential for national security. This is the first BEP following the nuclear accident at the Fukushima Daiichi nuclear power plant in 2011. The new BEP listed nuclear energy, as one of the important “base-load electricity sources”. It entirely reversed the “Innovative Strategy for Energy and Environment” drafted by the previous DPJ government, which supported a zero-nuclear policy by 2030s. The new BEP supports promotion

⁴⁴ “U.S.-Japan Joint Statement: The United States and Japan: Shaping the Future of the Asia-Pacific and Beyond”, *The White House*, April 25, 2014 at <http://www.whitehouse.gov/the-press-office/2014/04/25/us-japan-joint-statement-united-states-and-japan-shaping-future-asia-pac> accessed on April 25, 2014

⁴⁵ “N. Korea, Japan start first high-level talks in a year”, *The Korea Herald*, March 30, 2014 at <http://www.koreaherald.com/view.php?ud=20140330000363> accessed on March 30, 2014

⁴⁶ “Japan, N. Korea set for high-level talks”, *The Yomiuri Shimbun*, April 14, 2014 at <http://the-japan-news.com/news/article/0001209210> accessed on April 20, 2014

of reactivation of nuclear reactors, provided they pass the safety checks laid down by the Nuclear Regulation Authority (NRA). The NRA is running safety checks on 17 reactors at 10 nuclear power plants, including the Sendai nuclear reactors 1 and 2 (Kagoshima Prefecture). The BEP also states that Japan will uphold the Monju prototype fast-breeder reactor and support a nuclear fuel recycling programme.⁴⁷ Without charting a specific ratio of energy sources, comprising oil, gas, nuclear and renewable energy, the new BEP argues that the administration will lower the reliance on nuclear energy as much as possible, and promote renewable energy in the following three years. Prime Minister Abe prioritised economic revitalisation, since the off-line reactors have increased the fuel import bills by ¥3.6 trillion a year, thus posing macro-economic challenges.⁴⁸

⁴⁷ "Abe administration steers away from nuclear-free policy", *The Asahi Shimbun*, April 12, 2014 at <https://ajw.asahi.com/article/business/AJ201404120049> accessed on April 20, 2014

⁴⁸ "Cabinet OKs new energy policy, kills no-nuclear goal", *The Japan Times*, April 11, 2014 at <http://www.japantimes.co.jp/news/2014/04/11/national/cabinet-oks-new-energy-policy-kills-no-nuclear-goal/#.U2zMGnZRLSg> accessed on April 20, 2014

CHINA

- National Bureau of Statistics reported that the consumer price index in April increased by 1.8 percent year-on-year. The prices raised by 1.9 percent and 1.6 percent in cities and in rural areas respectively.⁴⁹
- Ministry of Commerce People's Republic of China reported that in March 2014, China's import and export equaled US\$ 332.51 billion, down 9.0% year-on-year. Export was US\$ 170.11 billion, down 6.6%, and import was US\$ 162.40 billion, down 11.3%. Trade surplus amounted to US\$ 7.71 billion.⁵⁰
- Ministry of Commerce People's Republic of China stated that in January-February 2014, while the Newly Approved Foreign-invested Enterprises amounted to 2764, down by 5.18% year-on-year, the actual use of foreign investment reached US\$ 19.31b, up by 10.44% year-on-year.⁵¹

SOUTH KOREA

- Ministry of Trade, Industry and Energy confirmed that in April 2014, Korea exported US\$ 50.3 billion, with year-on-year growth of 9.0% and imported US\$ 45.9 billion, with year-on-year growth of 5.0%. The registered trade surplus amounts to US\$ 4.5 billion.⁵²
- Economic Statistics Bureau stated that the consumer price index was 109.06 in April 2014, reflecting a 0.1 percent increase from the earlier month and 1.5 percent year-on-year.⁵³

JAPAN

- Ministry of Internal Affairs and Communications stated that the consumer price index in March 2014 was 101.0, up 0.3% from the preceding month and 1.6% year-on-year.⁵⁴
- The Statistics Bureau confirmed that the number of employed individuals in March 2014 amounted to 62.98 million, an increase of 520 thousand or 0.8 % from the preceding year. The number of unemployed persons was 2.46 million, a decrease of 340 thousand or 12.1 % from the earlier year. The seasonally adjusted unemployment rate stood at 3.6%.⁵⁵
- In fiscal 2013, the current account surplus registered a record low of ¥789.9 billion, tripping under ¥1 trillion for the first time since 1985.⁵⁶

⁴⁹ "Consumer Prices for April 2014", *National Bureau of Statistics of China*, May 12, 2014 at http://www.stats.gov.cn/english/PressRelease/201405/t20140512_551594.html accessed on May 14, 2014

⁵⁰ "Brief Statistics on China's Import & Export in March 2014", *Ministry of Commerce People's Republic of China* April 15, 2014 at <http://english.mofcom.gov.cn/article/statistic/BriefStatistics/201404/20140400554400.shtml> accessed on May 1, 2014

⁵¹ "Statistics of FDI in China in January-February 2014", *Ministry of Commerce People's Republic of China*, April 2, 2014 at <http://english.mofcom.gov.cn/article/statistic/foreigninvestment/201404/20140400556768.shtml> accessed on April 14, 2014

⁵² "Export & Import Trends for April 2014", *Export & Import Division, Ministry of Trade Industry and Energy*, May 1, 2014 at http://www.motie.go.kr/language/eng/news/news_view.jsp?seq=1243&srchType=1&srchWord=&tableNm=E_01_01&pageNo=1&ctx=# accessed on May 14, 2014

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ACTIVITIES OF THE CENTRE

- Brig. G. Jaishankar delivered a lecture on Chinese Coinage on March 26, 2014
- Dr. Lei Xie delivered a lecture on The Politics of Climate Activism in China on April 23, 2014

LIST OF CENTRE PUBLICATIONS

- **“Transforming India-Taiwan Relations: New Perspectives”, IDSA Monograph Series No. 35 2014**
Dr Prashant Kumar Singh
http://www.idsa.in/monograph/TransformingIndiaTaiwanRelations_pksingh
- **“India-China Strategic Economic Dialogue (SED): Progress and Prognosis”, IDSA Issue Brief, April 3, 2014**
Dr. Jagannath P. Panda
http://www.idsa.in/issuebrief/IndiaChinaStrategicEconomicDialogue_jppanda_030414
- **“Lessons from a tragedy: Case of MH 370”, IDSA Comment, May 5, 2014**
Naval Jagota
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- **“China's 2014 Defence Budget: An Assessment”, IDSA Comment, April 21, 2014**
M S Prathibha
http://www.idsa.in/idsacomments/Chinas2014DefenceBudget_msprathibha_210414
- **“Hong Kong Elections: Limits of One Country, Two Systems Model”, IDSA Comment, March 28, 2014**
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- **“India-China relations: Visa issue”, IDSA Comment, March 18, 2014**
Dr. Rup Narayan Das
http://www.idsa.in/idsacomments/IndiaChinarelationsVisaissue_rndas_180314
- **“India's China Policy: The National Consensus”, China-India Brief #24, Lee Kuan Yew School of Public Policy**
Dr. Rup Narayan Das
<http://lkyspp.nus.edu.sg/cag/publication/china-india-brief/china-india-brief-24>
- **“What Indian election holds for China?”, China Daily, April 10, 2014**
Dr. Rup Narayan Das
http://usa.chinadaily.com.cn/epaper/2014-04/10/content_17424773.htm

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