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Introduction

Law and order : Indonesia announced on June 8 that it would likely to join the U.S.-led Proliferation Security Initiative (PSI) on weapons of mass destruction. Political support for the PSI in the Asia-Pacific region is relatively weak, due to the concern harbored by many Asian countries about the violation of national sovereignty and freedom of navigation.

On June 13, Japan has decided to donate three patrol boats to Indonesia over Japanese ODA for granted, as an exception to Japan's "Three Principles on Arms Exports."

Noel Choong, head of the Kuala Lumpur-based Piracy Reporting Center of the International Maritime Bureau (IMB) said on June 15 that London insurer Llyod's should drop the Malacca Straits from its list of war-risk zones because the strait was no longer a piracy hotspot due to strengthening of patrol activities by the three littoral states (Indonesia, Malaysia and Singapore).

Singapore's foreign affairs ministry announced on June 21 that now that the tenth country has deposited its instrument of Ratification, the ReCAAP would enter into force on September 4, 2006.

Military security : The International Institute for Strategic Studies (IISS) held the fifth Annual Asia Security Summit (the Shangri-La Dialogue) on June 3-4 in Singapore. In a speech during the summit, U.S. Secretary of Defense Donald Rumsfeld called on China for increasing its transparency, with frequently citing the word, "demystify."

Navies from 21 countries, including the U.S., Australia and Japan, participated in counter-terrorism exercises, the third Western Pacific Mine Counter Measure and Diving Exercise on the east coast of Malaysia, South China Sea on June 7.

The U.S. carried out its large-scale military exercise, "Valiant Shield" from June 19 to 23 in the Pacific. Chinese military observers were invited to observe the military exercises.

The U.S. Missile Defense Agency announced that a U.S. warship successfully shot down a test missile warhead off Hawaii on June 22 in a test of a sea-based missile defense system.

A major maritime exercise RIMPAC 2006, involving seven Pacific Rim nations and the United Kingdom was kicked off on June 26 off Hawaii. It will last until July 28.

Diplomacy and International Relations : The Shanghai Cooperation Organization (SCO), which is made up of China, Russia and the four Central Asian countries (Kazakhstan, Kyrgyz, Tajikistan and Uzbekistan), held its sixth annual summit on June 15 in Shanghai, marking the fifth anniversary of the establishment of the SCO. (See p.15 Chapter 2, Intelligence Assessment "Overview and Strategic Significance of the Sixth SCO Summit" for details)

Chinese Premier Wen Jiabao made seven-nation African tour from June 17 to 24. From the viewpoint of energy diplomacy, Chinese leaders' frequent visits to African nations are worth keeping an eye on.

Japan-U.S. summit meeting was held on June 29 in Washington. After the summit meeting,

“The Japan-U.S. Alliance of the New Century” was announced. (See p.21 Chapter 2, Intelligence Assessment, “The U.S.-Japan Summit Meeting: From the Viewpoint of Security Affairs” for the details of Japan-U.S. Summit Meeting)

Resources, Environment and Others : What especially caught attention in these areas was China’s vigorous activities to develop energy resources, including the signing agreements with Uzbekistan on jointly exploring for oil and gas. Furthermore, China agreed with Russia, Mongolia, and Kazakhstan to build power plants in these border countries. On top of that, China will complete construction of its first strategic oil reserve facility in August. China will step up its efforts to build strategic oil reserves in the future.

1. Intelligence Bulletin

1.1 Law and order

June 1 "The Nippon Foundation donates training vessel to Malaysia" (New Straits Times Online, June 2, 2006)

On June 1, 2006, a presentation ceremony for a training ship, donated by the Nippon Foundation to the Malaysian Maritime Enforcement Agency (MMEA) was held at Port Klang, Malaysia. "Nothing comes free in this world. Therefore Malaysia has always advocated sharing the responsibility of keeping the straits safe. But the primary responsibility still lies with the littoral states," Malaysian Deputy Prime Minister Datuk Seri Najib Razak said at the ceremony. "I am glad that Japan is the first country to lend a hand. I hope that this will be a signal to the international community for us to work together and share the burden." The training vessel, named "KM Marlin" is expected to go into service after this year for training mission for cadets.

June 3 "Indian Defense Minister is willing to assist the Malacca security" (IISS Shangri-La Dialogue HP, June 3, 2006)

The fifth Asia Security Summit, also known as the "Shangri-La Dialogue", organized by the London-based International Institute for Strategic Studies (IISS) was held in Singapore from June 3 to 4. At the summit, Indian Defense Minister Pranab Mukherjee expressed India's cooperation to the implementation of safety measures of the Malacca Straits. He noted as follows:

- (1) India welcomes the initiative led by the littoral three nations on monitoring shipping through "Compulsory Pilotage" project. As a major user country, India is ready to assist the project in an appropriate manner at the request of the littoral nations.
- (2) India has developed capabilities in many aspects of maritime security. India is taking measures to join the Container Security Initiative (CSI). The Indian Navy has taken various maritime security measures and capacity building measures such as anti-piracy efforts through joint exercises, especially with Indonesia.
- (3) At the ARF Workshop and at the ARF Senior Officers Meeting, there has been discussion about the setup of a Regional Marine Training Center. India believes that such a centre will serve as establishing common understanding and common procedures.

On the Other hand, in a speech titled "Deploying Forces for International Security," Japanese Defense Minister Fukushiro Nukaga highly valued the littoral three nations' cooperative activities for maritime security in the Malacca Straits. In addition to the cooperation led by the Japan Ministry of Foreign Affairs and the Japan Coast Guard, the Japan Defense Agency would also like to consider how best they can cooperate, he said.

(Speeches by Pranab Mukherjee and Fukushiro Nukaga:

<http://www.iiss.org/conferences/the-shangri-la-dialogue/2006-plenary-session-speeches>)

June 8 "RI to join U.S.-led security arrangement" (The Jakarta Post, June 9 and June 24, 2006)

Indonesian Defense Minister Juwono Sudarsono said on June 8 that the country would likely join the U.S.-led Proliferation Security Initiative (PSI) on weapons of mass destruction. He said that the issue was discussed on June 6 at a meeting with U.S. Defense Secretary Donald Rumsfeld during his visit to Jakarta. Sudarsono said "There is no option for us but to join the agreement. However, we will participate only in an ad hoc manner and Indonesia will only be involved in several aspects -- not all of the initiatives."

The Jakarta Post on June 24 runs an interesting commentary about the purpose of the U.S. seeking to expand the PSI membership in the Asia-Pacific region. Here's a rough summary of the commentary:

- (1) Political support for the PSI in the Asia-Pacific region is relatively weak, except for Singapore and Japan due to the concern harbored by many Asian countries about the violation of national sovereignty and freedom of navigation. Some also don't want to be tied to the U.S.
- (2) The main reason the US wants to expand the PSI in the Asia-Pacific region is the Malacca Straits. The biggest problems in the straits are the threat to maritime security posed by piracy and terrorism, and collaboration between them. Southeast Asian terror organizations use the sea for the transportation of weapons, moving of manpower and raising funds.
- (3) The U.S. also expects that the PSI will have an impact on the balance of power in the region so that it will contain China's influence in Southeast Asia. China's rapid economic growth and its increase in military power make the situation to challenge the U.S. leadership in the Asia-Pacific region. This potential competition will prompt the U.S. to take China containment strategy which includes controlling the sea lanes of communication and strategic maritime chokepoints.
- (4) Hence, the real reason the U.S. wants to strengthen its presence in the region, especially the Malacca Straits, is to limit Chinese access to oil, raw materials, technology and industrial equipment, and to contain China's influence in the region. It is the most likely strategy to the U.S. to use the threat of terrorism and piracy in order to strengthen the PSI.

June 13 "Japan breaks new taboo with arms export to Indonesia" (AFP, June 13, Jiji Press, June 15, and Kyodo News, June 15, 2006)

Japan has decided to donate three patrol boats to Indonesia over Japanese ODA for granted, as an exception to Japan's "Three Principles on Arms Exports." The boats are allowed to be used only for limited purpose including anti-terrorism and anti-piracy efforts, and they can't be transferred to a third country without Japan's consent. The agreement was scheduled to be signed on June 14, but the signing ceremony was postponed upon request of Indonesia. It is said that Indonesia refused to sign the documents because it could not accept conditions offered by Japan. But finally the two sides signed the documents on the following day without modification. The patrol boats are expected to be provided to the marine police, which was the cause of the Indonesia's discontent, according to Japanese diplomatic sources.

June 15 "The Malacca Strait should be removed from Lloyd's war-risk list, Head of Piracy Reporting Center said" (Bernama, June 15, 2006)

On June 15, Noel Choong, head of the Kuala Lumpur-based Piracy Reporting Center of the International Maritime Bureau (IMB) said on June 15 that London insurer Lloyd's should drop the Malacca Straits from its list of war-risk zones because the strait was no longer a piracy hotspot due to strengthening of patrol activities by the three littoral states (Indonesia, Malaysia and Singapore). "The numbers have dropped very sharply. There are no justification unless Lloyd's have some other information that we are not aware of," he said. On the other hand, Lloyd's has insisted that it should retain the Malacca Strait on its war and terrorism listing until it makes sure the current situation in the strait is not a temporal in statistics but a long-term trend. Unless the area is removed from the blacklist, container vessels should pay maximum US\$ 5,000 additional insurance premium to pass through the strait.

June 21 "Sri Lanka ratifies the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP)" (Colombo Page, June 21, and The Star Online, June 21, 2006)

Sri Lanka ratified the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) on June 21. Sri Lanka has deposited its instrument of ratification of the ReCAAP with the Depositary, Singapore Government on May 31. Singapore's foreign affairs ministry announced on June 21 that now that the tenth country has deposited its instrument of ratification, the ReCAAP would enter into force on September 4, 2006. The ministry emphasized the significance of the ReCAAP, saying it was "the first regional government-to-government agreement to combat piracy and armed robbery against ships in Asia." According to the ministry, to date, the pact has been ratified by Cambodia, Japan, Laos, Thailand, the Philippines, Myanmar, South Korea, Vietnam, India and Sri Lanka. Brunei is in the process of completing its procedure. Under the pact, each participating country will share information through a center which is expected to be based in Singapore. Singapore Government will host the first meeting of the government council toward the end of this year.

1.2 Military security

June 3-4 "Holding of the 5th Annual Asia Security Summit (the Shangri-La Dialogue)" (U.S. Department of Defense HP, June 3, 2006 and the International Institute for Strategic Studies, June 4, 2006)

The International Institute for Strategic Studies (IISS) held the fifth Annual Asia Security Summit (the Shangri-La Dialogue) on June 3-4 in Singapore. In a speech during the summit, U.S. Secretary of Defense Donald Rumsfeld stated that "the United States is, and always will be, a Pacific nation. We must, and we will, lean forward and stay fully engaged in this part of the

world." Rumsfeld has often pointed out China's lack of transparency with respect to its military investments. This time, he called on China for increase its transparency by repeatedly using the word "demystify," saying while China has rights to invest in whatever it wants to invest in, the other countries in the world also have rights to know China's intention. As for Chinese defense minister's absence from the summit, he said "I think that over time we'll find that they will participate here, to their benefit and to our benefit. That alone will contribute to demystifying some of the things that take place."

(Remarks by Donald Rumsfeld:

<http://www.defenselink.mil/cgi-bin/dlprint.cgi?http://www.defenselink.mil/speeches/2006/sp20060603-13180.html>)

June 5-6 "Rumsfeld makes a tour of Vietnam and Indonesia" (American Forces Press Service, June 5 and June 6, 2006)

U.S. Secretary of Defense Donald Rumsfeld made visits to Vietnam and Indonesia following his attendance at the fifth Annual Asia Security Summit (the Shangri-La Dialogue). In Vietnam, Rumsfeld held talks with Vietnamese Minister of National Defense Pham Van Tra about several issues including recovering remains of missing U.S. servicemen, conducting demining operations and doing research on health effects of the defoliant. Later in the day, Rumsfeld visited Detachment 2 of the Joint POW/MIA Accounting Command which consists of four U.S. military members and three civilian specialists. They work for recovering remains of 1,380 American servicemen.

On June 6, Rumsfeld visited Indonesia and met his Indonesian counterpart, Defense Minister Juwono Sudarsono. Full military relationship between the U.S. and Indonesia has been resumed since November 2005. In a press briefing after the meeting, Rumsfeld said that he believed close military relations are good for both countries in terms of ease of cooperation in a crisis. Sudarsono said "The U.S. Defense Department is ready to support programs to include the management of the Defense Ministry, so that they may provide a credible and comfortable defense of Indonesia based on the principles of mankind."

June 7 "21 nations participate in joint naval exercises in South China Sea" (The Associated Press, June 7, 2006)

According to Malaysia's Defense Ministry, counter-terrorism exercises were kicked off on June 7 on the east coast of Malaysia, South China Sea, involving Navies from 21 countries including the U.S., Australia and Japan. The third Western Pacific Mine Counter Measure and Diving Exercise focus on the threat of mines. Malaysia's armed forces Chief Admiral Mohamad Anwar said eighteen ships and 157 divers join the 12-day exercise to hunt, defuse and destroy mines in coastal waters of the South China Sea. He pointed out that sea mines, which can be easily exploded in an oil drum or more sophisticated devices are cheap but powerful weapons that could be used by terrorists to destroy vessels and disrupt trade.

June 9 "South Korea launches new submarine" (Defense News, June 9, 2006)

On June 9, South Korea's new submarine was launched in the southeastern port of Ulsan. It is the first of a series of nine indigenous 214-class submarines equipped with air-independence propulsion system and capable of staying underwater for maximum 50 days. The 1,800-ton submarine, armed with advanced weapons including anti-ship cruise missiles, can move at a top speed of 20 knots with a crew of 40.

June 19 "Navies of Singapore and Indonesia carry out bilateral exercise" (MINDEF Singapore, June 19, 2006)

Indonesian Navy (TNI-AL) and the Republic of Singapore Navy (RSN) held their joint mine-countermeasure exercise, "Exercise Joint Minex" from June 19 to 25 off Pulau Bintan in the Singapore Straits. The exercise is the ninth in bilateral series and involves two mine-countermeasure vessels from the RSN side, one mine hunter and one mine sweeper vessel from TNI-AL side.

June 19 "Two U.S.-Australian military bases to be built in Australia" (People's Daily Online, June 19, 2006)

The Australian Financial Review reported on June 19 that two U.S.-Australia military bases will be built in north-western Australia. One of the bases is planned for Bradshaw in the Northern Territory which will be equipped with a landing strip for giant C-17 military transport aircraft and accommodate for some 750 troops. Another base will be constructed at Yampi Sound, on the north-western Kimberley coast of Western Australia for joint U.S.-Australian training in amphibious landing skills. The construction plan of the two bases was announced previous year, but this is the first time that details of the bases are reported.

June 19 "U.S. conducts large-scale war games in the Pacific" (The Associated Press, June 23, 2006)

The U.S. carried out its large-scale military exercise, named "Valiant Shield" in the Pacific. Three aircraft carriers, 25 other ships, 280 warplanes and 22,000 troops participated in the five-day exercises. The officials said that the largest U.S. military exercises since the Vietnam War were not held in response to the North Korea or any other nation, but were held to demonstrate the U.S. capacity to respond to a crisis. Chinese military observers were invited to observe the military exercises. Delegation leader Rear Adm. Zhang Leiyu told the Xinhua News agency that (1) the visit gave them a better understanding of U.S. weapons, training, skills and exercise arrangements; and (2) it was the first time a Chinese delegation was officially invited to the U.S. exercises in the Pacific as an observer, which will be a positive step to bolster China-U.S. military ties. The inspection of the exercises by the Chinese delegation was materialized at the invitation of the top U.S. commander in the Pacific, Adm. William J. Fallon who expects China to reciprocate.

(Valiant Shield HP: <http://www.pacom.mil/exercises/vs2006/index.shtml>)

June 22 "Indonesia to beef up defense spending" (Bloomberg, June 22, 2006)

In an interview with Bloomberg, Indonesian Defense Minister Juwono Sudarsono said that his country is ready to respond to international concern about security in the Malacca Straits by increasing in its defense spending, including the acquisition of two submarines, an undefined number of fighter jets and frigates. He also said Indonesia will purchase new trucks, planes and logistical supplies that are appropriate to responding to tsunami or earthquake. The Minister noted the country's defense budget may increase from US\$ 2.6 billion to as much as US\$ 3 billion, thus the acquisition plan will have an adverse affect on Indonesian forces whose wages are already low.

June 22 "US warship successfully shoots down missile warhead in Pacific test" (AFP, June 22, 2006)

The U.S. Missile Defense Agency announced that a U.S. warship successfully shot down a test missile warhead off Hawaii on June 22 in a test of a sea-based missile defense system. The Maritime Self-Defense Force's Aegis-equipped destroyer Kirishima took part in a U.S. missile defense intercept test and performed surveillance and tracking of the target missile during the test. The mock warhead was launched from a three-stage medium-range ballistic missile and, after a few seconds, was successfully intercepted by a missile, SM-3 Block 1A fired from an Aegis cruiser USS Shiloh. The SM-3 Block 1A interceptor missile is expected to be deployed in the U.S. Navy and was used for the first time in an intercept test this time. This marked the seventh successful intercept using the sea-based missile defense system out of a total of eight.

June 22 "China holds largest ever search and rescue exercise" (People's Daily Online, June 22, 2006)

On June 22, Chinese Navy carried out its largest ever maritime search-and-rescue exercise, involving 400 troops, 28 fleets, two helicopters and an aircraft in the waters near Dalian Port. The exercise was conducted on the assumption that there is a collision between a ferry and a cargo boat, and the National Maritime Rescue Emergency Plan is enacted immediately. The exercise included the rescue of passengers and crew, fire-fighting and cleaning up an oil spill. The exercise is a comprehensive test of China's newly-created national maritime rescue emergency system established in 2005, with the participation of 24 departments, including the maritime department. According to statistics from China Maritime Search and Rescue Center, a total of 1,568 accidents were reported on China's sea waters in 2005. Over the year, 16,836 people were saved by the center, which accounts for 95.3 percent of the endangered people.

June 22 "Hodling of a hearing of the military power of the People's Republic of China" (People's Daily Online, June 22, 2006)

At a June 22 hearing of the House Armed Services Committee, Peter Rodman, Assistant

Secretary of Defense for International Security Affairs testified on "The Military Power of the People's Republic of China" as follows:

- (1) China is developing or deploying at least 10 varieties of ballistic missiles. New versions have greater range, mobility, accuracy and survivability. Its longer-range missiles have capability to reach virtually the entire U.S. continent. Today, China has almost 800 short-range ballistic missiles deployed on the coast facing Taiwan, with numbers increasing by about 100 missiles per year in recent years.
- (2) China has five modern submarine acquisition programs, including the SONG-class diesel electric submarine, which is in serial production. China has almost completed the development of new classes of nuclear attack and nuclear ballistic missile submarines. The U.S. discovered the new YUAN-class submarine in 2004, which is believed to be built locally. Moreover, China is now taking delivery of a second batch of KILO-class submarines from Russia.
- (3) At least two land-attack cruise missile programs are in development. China is also acquiring at least 12 different types of advanced anti-ship cruise missiles.
- (4) China is improving its capacity for expeditionary warfare by increasing its air and amphibious lift capability, improving its army aviation, and fielding new amphibious armor within its ground forces based on the coast facing Taiwan.
- (5) It seems that China has shown interest in developing a domestically-produced aircraft carrier and planning to organize a combat air wing for future operations based on the Russian Su-33/Flanker D.

(Testimony of Peter W. Rodman:

<http://armedservices.house.gov/schedules/6-22-06RodmanTestimony.pdf>)

June 26 "RIMPAC 2006 is kicked off" (RIMPAC 2006 HP)

A major maritime exercise RIMPAC 2006, involving seven Pacific Rim nations and the United Kingdom, was kicked off on June 26 off Hawaii. It will last until July 28. Eight nations, namely Australia, Canada, Chile, Peru, Japan, the Republic of Korea, the United Kingdom and the US are participating in the RIMPAC 2006. This year's RIMPAC exercise is the twentieth in a series of such war drills conducted periodically since 1971. The exercise masses an armada of over 40 ships, six submarines, 160 aircraft and almost 19,000 troops. The RIMPAC aims at enhancing the tactical proficiency of participation units in a wide array of joint operations at sea. Vice Admiral Barry Costello, Commander U.S. Third Fleet, is in charge of RIMPAC overall exercise coordination. Individual units are under command of their each national commanders throughout the exercise.

(RIMPAC 2006 HP: http://www.c3f.navy.mil/RIMPAC_2006/)

June 28 "Indian Navy's spies catch Chinese subs" (The Times of India, June 28, 2006)

Earlier this month, the Indian Navy's Fleet made up of four warships – destroyer INS Mysore, guided missile frigates INS Brahmaputra and INS Betwa and tanker INS Aditya – came across the three submarines which were being transported on board two carrier “mother” ships sailing toward the Suez Canal and Red Sea. "These three Kilo-class submarines, armed with the latest Klub-S cruise missiles, are the last batch of the eight contracted by China from Russia in a US\$2-billion deal in 2002," according to an official. The first five submarines were delivered by the end of 2005. The helicopters aboard the Indian warships shot their pictures with high clarity. The four fleet warships, which are on an overseas deployment mission as part of India's policy of maritime diplomacy, are scheduled to visit Alexandria (Egypt), Haifa (Israel), Athens (Greece), Izmir (Turkey) and Tripoli (Libya).

1.3 Diplomacy and International Relations

June 5 "Chinese vice president pledges to promote cooperation with the Philippines" (People's Daily Online, June 6, 2006)

On June 5, Chinese Vice President Zeng Qinghong had talks with Vice President of the Republic of the Philippines Noli de Castro during his visit to China. Zeng said China is ready to enhance friendly exchanges and cooperation with the Philippines, stating as: (1) China and the Philippines have maintained traditional friendship and have achieved major progress in developing their bilateral relations since the establishment of diplomatic ties 31 years ago; (2) China, the Philippines and Vietnam have worked for the joint exploitation of the South China Sea. The three countries have made contribution to turn the water into an area of friendship and cooperation; and (3) China hopes to deepen the strategic cooperation between the two countries. On the other hand, de Castro said the Philippines regards China as an important friend and neighbor, noting that: (1) The Philippines will increase the cooperation in various fields with China; and that (2) The Philippines will keep sticking to the one-China policy.

June 14 "Increasing of Australian presence in Asia" (Power and Interest News Report, June 14, 2006)

The U.S. think tank, Power and Interest News Report (PINR) issued an article titled "Asia's Dawning Multipolar System Increases Australia's Geopolitical Importance" on June 14, stating that Australia's geopolitical weight in global power relations is increasing. The article says there are two reasons for Australia's growing international importance. Firstly, the rise of China and India as big powers makes Australia's geopolitical presence more important in the U.S.-India-China triangle. The U.S. needs reliable allies amid the materializing of a new Asian multipolar system, with both China and India beefing up their navies. Secondly, Australia's role

in stabilizing the Southeast Asian countries facing a host of problems has become vital. Although Australia has recently upgraded its power and influence projection in the region, it is criticized by Indonesia and Malaysia as being neo-colonialism aimed at securing energy resources. To Australia, relationship with Indonesia is especially crucial.

(See the below URL to read the whole article:

http://www.pinr.com/report.php?ac=view_report&report_id=509&language_id=1)

June 15 " SCO summit to be open on June 15" (Official Website of SCO Summit, June 15, 2006)

The Shanghai Cooperation Organization (SCO), which is made up of China, Russia and the four Central Asian countries (Kazakhstan, Kyrgyz, Tajikistan and Uzbekistan), held its sixth annual summit on June 15 in Shanghai, marking the fifth anniversary of the establishment of the SCO. The sixth summit was attended by leaders of six member-country including Chinese President Hu Jintao and Russian President Vladimir Putin. Presidents from the observer countries, namely, Iran, Pakistan and Mongolia, and Minister of Petroleum and Natural Gas of the Republic of India also attended the meeting. Plus, Afghanistan President Hamid Karzai, Chairman of the Commonwealth of Independent States (CIS), and Deputy Secretary-General of the Association of Southeast Asian Nations (ASEAN) were invited as guests. After the summit, some documents such as the joint communiqué and the Declaration on the Fifth Anniversary of the Shanghai Cooperation Organisation were released. (See p.15 Chapter 2, Intelligence Assessment "Overview and Strategic Significance of the Sixth SCO Summit" for more details)

June 17 "2nd CICA summit to be held" (Xinhua, June 17, 2006)

The second summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA) was held in Almaty, Kazakhstan. Chinese President Hu Jintao delivered his speech at the summit, saying: (1) Asia, a continent with a great diversity, is experiencing an unprecedented momentum of growth and is now one of the most economically dynamic regions in the world; and (2) Solidarity and cooperation of the Asian countries and peoples are vital for the success of Asia. On the other hand, Russian President Vladimir Putin said leaders of CICA member countries met to discuss the maintenance of mutual trust, regional cooperation, regional security and stability, and the development of the regional economy. He said leaders of member countries agreed to fight against terrorism and separatism to realize the above-mentioned goal. Republic of Korea, which had been an observer, officially joined the CICA as a Member State on the occasion of attending the second summit.

(Note: the Conference on Interaction and Confidence-Building Measures in Asia (CICA) is an organization aimed at promoting mutual cooperation and uniting Asian nations for the sake of regional security and stability. The first summit of the CICA was held in Almaty in October, 2002. CICA Member States are: Afghanistan, Azerbaijan, China, Egypt, India, Israel, Iran, Kyrgyz,

Mongolia, Pakistan, Palestine, Russia, Tajikistan, Thailand, Turkey, Kazakhstan, and Uzbekistan as well as Republic of Korea. CICA Observers States are: Indonesia, Japan, Malaysia, Ukraine, the United States and Vietnam. International organizations such as the United Nations, the Organization for Security and Co-operation in Europe (OSCE) and League of Arab States have also been involved in an observer capacity.

June 19 "China, India to resume border trade" (BBC News, June 19, 2006)

China and India signed an agreement to officially reopen the Nathu La Himalayan pass, a historic trade route that had been closed for 44 years. The Himalayan pass, 4,000 meters above sea level, was once part of the ancient Silk Road and has been closed since the boundary dispute between the two countries in 1962.

June 24 "Chinese premier makes 'fruitful' African tour " (Xinhua, June 25, 2006)

Chinese Premier Wen Jiabao made seven-nation African tour from June 17 to 24. He paid a round of visits to Egypt, Ghana, the Republic of Congo, Angola, South Africa, Tanzania and Uganda. Foreign Minister Li Zhaoxing, who accompanied Wen, told reporters that their African tour was "fruitful" and has achieved the objective to increase mutual trust, broaden cooperation and promote joint development. During the visit, in addition to signing documents with Egypt and South Africa to promote strategic and cooperative relations between them, China issued joint communiques with the other five nations on further developing bilateral cooperation. China and seven African countries signed a total of 71 agreements with regard to politics, economy, trade, infrastructure, culture, education, and science and technology.

June 29 "Japan-U.S. hold summit meeting" (The Ministry of Foreign Affairs of Japan HP, June 30, 2006)

On June 29, Japanese Prime Minister Junichiro Koizumi met the U.S. President, George W. Bush during his visit to the U.S., which marked the thirteenth summit meeting between them. "The Japan-U.S. Alliance of the New Century" was announced by the two leaders. At the joint press conference, Koizumi emphasized the importance of the Japan-U.S. relations, saying that "there is no country in the world that has as important bilateral relations as Japan-U.S. bilateral relations."

(See p.21 Chapter 2, Intelligence Assessment, "The U.S.-Japan Summit Meeting: From the Viewpoint of Security Affairs" for the details of Japan-U.S. Summit Meeting)

(Japan-U.S. Summit Meeting The Japan-U.S. Alliance of the New Century:
<http://www.mofa.go.jp/region/n-america/us/summit0606.html>)

1.4 Resources, Environment and Others

June 8 "CNOOC, BG sign two production sharing contracts in offshore China" (China Knowledge, June 8, 2006)

China National Offshore Oil Corp. (CNOOC) and British-based international energy company, BG Group signed two production sharing contracts (PSC) for two deepwater oil blocks in the Western South China Sea. They also signed a Geophysical Survey Agreement (GSA) on another deepwater block in the Eastern South China Sea. These three blocks are on the list of the 12 blocks that CNOOC offered for joint exploration in 2002, covering a total area of approximately 25,800 square kilometers with water depth ranging from 180 to 2100 meters. This is the first time for CNOOC and BG Group to cooperate in offshore exploration in China. To date, CNOOC has signed four deepwater contracts with other foreign companies.

June 12 "Uzbekistan, China sign joint oil and gas exploration deal" (RIA Novosti, June 12, 2006)

Uzbekneftegaz, an Uzbek national holding company and CNODC, a Chinese oil and gas corporation have signed an agreement on jointly exploring for oil and gas in Uzbekistan. An Uzbekneftegaz official said CNODC will conduct exploring of five oil and gas fields, drilling 15 prospecting and 12 evaluation wells in Uzbekistan. The total amount of investment in the project is estimated at US\$208.5 million over five years.

June 16 "China's first strategic oil reserve is to complete in August" (China Daily, June 17, 2006)

Xu Dingming, director general of the energy bureau at the National Development and Reform Commission (NDRC) said China will complete construction of its first strategic oil reserve facility in Zhenhai, Zhejiang Province in August. He said that construction of three other plants have been also under development in Dalian of Liaoning Province, Huangdao of Shandong Province, and Daishan of Zhejiang Province. But he declined to comment on when the pumping of crude oil into the Zhenhai reserve would start and whether China would use imported or domestically produced oil. The Zhenhai facility has the capacity to hold 5.2 million cubic meters of crude oil. Building these oil reserves is part of China's efforts to strengthen energy security, but some experts are concerned that such move may trigger a surge of already-volatile oil price if China imports oil to fill its reserves.

June 19 "China to build power plants in Russia, Mongolia, Kazakhstan" (New Kerala.com, June 19, 2006)

China will import electric power from Russia, Mongolia, and Kazakhstan by building power plants in those border countries. China has already signed agreements with the three countries. The agreements, however, still require completion of some details such as the division of

electricity and the project can not be launched until it receives approval from the National Development and Reform Commission (NDRC). The first plant will begin operation in 2010.

2. Intelligence Assessment

2.1 Overview and Strategic Significance of the Sixth SCO Summit

The Shanghai Cooperation Organization (SCO), made up of China, Russia and four Central Asian countries (Kazakhstan, Kyrgyz, Tajikistan and Uzbekistan), held its sixth annual summit on June 15 in Shanghai, marking the fifth anniversary of the establishment of the SCO. Although the summit did not draw a lot of attention from the West, the SCO has gradually increased its presence in Eurasia since its inception. Also, with regard to relations with the United States, the SCO has become increasingly important especially for Russia and China. In addition to unveiling the summit through an outline from various media sources, this Chapter examines its strategic meaning.

1. Outline of the Summit

Leaders of six member-countries including Chinese President Hu Jintao and Russian President Vladimir Putin attended the sixth summit. Presidents of Iran, Pakistan and Mongolia, as well as Minister of Petroleum and Natural Gas of the Republic of India observed. Plus, Afghanistan President Hamid Karzai, Chairman of the Commonwealth of Independent States (CIS), and Deputy Secretary-General of the Association of Southeast Asian Nations (ASEAN) attended as invited guests.

The joint communiqué was released after the meeting. Each leader confirmed that combating the threats posed by terrorism, separatism and extremism as well as illegal drug trafficking remain the top priority of the SCO. They agreed that holding joint anti-terrorism exercises in the territories of the SCO member states with the participation of defense authorities would increase the efficiency of their joint anti-terrorism operations. The leaders also praised the performance achieved by the SCO Regional Antiterrorist Structure. (The member states of the SCO are expected to conduct joint anti-terrorism exercises within Russian territory in 2007)

The heads of state welcomed the signing of cooperation documents between the SCO and ASEAN, the CIS and the Eurasian Economic Community (EurAsEC). They also expressed their readiness to promote similar cooperation with other international organizations. According to the joint communiqué, the leaders signed the following documents.

- (1) Declaration on the Fifth Anniversary of the Shanghai Cooperation Organization Some highlights:
 - The SCO owes its smooth growth to its consistent adherence to the “Spirit of Shanghai” based on “mutual trust, mutual benefit, equality, consultations, respect

- for the diversity of cultures and aspiration towards common development”.
- The SCO is committed to enhancing strategic stability, strengthening the international regime of non proliferation of weapons of mass destruction and upholding order in international law, and will contribute its share to accomplishing these important missions.
 - Diversity of cultures and model of development must be respected and uphold. Differences in cultural traditions, political and social systems, values and model of development formed in the course of history should not be taken as pretexts to interfere in other countries’ internal affairs. Model of social development should not be “exported”.
 - In carrying out Security Council reform, the principles of equitable geographical distribution and seeking the broadest consensus should be observed. No time limit should be set for the reform, nor should a vote be forced on any proposal over which there are major differences. The SCO holds that the next Secretary-General of the United Nations should come from Asia.
 - The SCO will make a constructive contribution to the establishment of a new global security architecture of mutual trust, mutual benefit, equality and mutual respect. Such architecture is based on the widely recognized principles of international law. It discards “double standards” and seeks to settle disputes through negotiation on the basis of mutual understanding.
 - SCO member states will conduct, within the SCO framework, consultation on the conclusion of a multilateral legal document of long-term good-neighborly relations, friendship and cooperation.
 - In case of emergencies that threaten regional peace, stability and security, SCO member states will have immediate consultation on effectively responding to the emergency to fully protect the interests of both the SCO and its member states.
 - Study will be made on the possibility of establishing a regional conflict prevention mechanism within the SCO framework.
 - To comprehensively deepen cooperation in combating terrorism, separatism, extremism and drug trafficking is a priority area for the SCO.
 - The SCO welcomes participation by relevant partners in specific projects in priority areas like energy, transportation, information and communications and agriculture.
 - SCO member states need to institutionalize bilateral and multilateral cooperation in culture, arts, education, sports, tourism and media.
- (2) Statement of Heads of Member States of Shanghai Cooperation Organization On International Information Security
- (3) a series of resolutions concerning personnel arrangement and the structure of the Organization
- (4) a new version of the regulations of the SCO Secretariat

Furthermore, summit saw signed the following documents aiming at combating the “three evil forces” of terrorism, separatism and extremism:

- (1) a cooperation program of SCO members on combating terrorism, separatism, extremism from 2007 to 2009;
- (2) an agreement on the procedure of organizing and holding joint anti-terrorism actions in the territories of SCO member states; and
- (3) an agreement on identifying and severing infiltrating channels of people engaged in terrorism, separatism and extremism in the territories of SCO member states.

At the same time, the member states signed documents related to cooperation in the field of education, economic and trade, and finance: (1) an intergovernmental educational cooperation agreement of SCO member states; (2) a resolution of the SCO Business Council; and (3) an action plan of SCO Interbank Association member banks on supporting regional economic cooperation. (Joint Communiqué: http://www.sectsc.org/news_detail.asp?id=938&LanguageID=2)

2. Speculation on the SCO by Chinese and Russian leaders

At a joint news conference following the summit meeting, Chinese President Hu Jintao told reporters that the SCO has entered a new era of development. He highlighted as follows:

- (1) At the summit, the member states agreed to improve the SCO’s internal construction, conduct agreement, promote specific projects’ cooperation, and promote exchanges and cooperation with observers and international organizations. These moves would help the SCO produce more substantial results, further contribute to maintaining regional security and stability, and bring benefits to the people of the world.
- (2) China will work with all sides to promote cooperative relations with the SCO in order to turn the region harmonious featuring lasting peace and common prosperity, as well as to promote the development of the SCO.
- (3) The summit ended in complete success achieving its purpose of increasing mutual trust, promoting union and deepening cooperation.
- (4) The “Shanghai Spirit” embodies mutual trust and benefit, and respects cultural diversity and a desire for common development. The “Shanghai Spirit” is the common treasure of all countries concerned and the principle guiding the SCO’s further development. China will continuously pursue the “Shanghai Spirit” and make efforts for the SCO.

(Press Conference by Hu Jintao:

<http://en.chinabroadcast.cn/2946/2006/06/15/167@102844.htm>)

For his part, Russian President Vladimir Putin contributed an article to a Russian newspaper on the eve of the summit, saying the SCO has become an influential regional organization and an important factor for maintaining stability in Eurasia since its creation five years ago. Details of his article follow:

- (1) Today, the SCO has effective means to fight terrorism, separatism and religious extremism

and has achieved results in antiterrorism measures in the region. The next step is to increase cooperation to eradicate drug trafficking.

- (2) The top priority of the SCO is always the maintenance of regional stability. There is consensus among the member states about ensuring security across the entire Asia-Pacific region. For that purpose, the SCO will coordinate and strengthen its ties with observer countries and other regional organizations. The SCO is not a closed, exclusive club.
- (3) The scope of the SCO is not confined to political issues. Economic issues are also gaining importance. There is enormous potential for mutually beneficial cooperation.
- (4) The objective advocated in Shanghai five years ago has become a reality. The member states have laid solid bases for the SCO to enter a new stage.

(Putin's article: <http://en.chinabroadcast.cn/3126/2006/06/14/264@102151.htm>)

The two leaders' views suggest their high expectations of the SCO. In what they described as "new era of development" (Hu) and "new stage" (Putin), in which direction are both countries steering the SCO? In this regard, there are two possible directions. One is to develop the SCO as a defense security organization countering the U.S. The SCO is the only such defense security organization without the U.S. or its allies. Will the SCO become an "oriental NATO" vying with the U.S.? Despite its limited function, it is true that the SCO has the capability to maintain security due to its Charter defining joint actions to crack down on the menace of "the three evil forces" of terrorism, separatism and religious extremism as one of the organization's basic tasks; the increase of joint-exercises mainly led by China and Russia in the region recent years; and aspiration by China and Russia to create military bases in Central Asia. However, even though the SCO plans to strengthen its capability to combat its common threats of the "three evil forces", it is unlikely that the SCO will become an integrated security organization by concentrating that capability in the foreseeable future because both China and Russia said the SCO is not an eastern equivalent of NATO and Russia does not favor an expanding Chinese influence over Central Asia.

The other possible direction of development for the SCO is as an energy mechanism. The SCO is an organization including both energy suppliers and consumers. This matter will be described in detail later in this report.

3. Highlights of the Summit

- (1) Apparent Bulwark against the U.S.

The Declaration on the Fifth Anniversary of the SCO includes clauses respecting differences in civilizations, banning the export of social development and discarding "double standards". Although avoiding calling the U.S. by name, it is apparent that the SCO, made up mostly of authoritarian countries near dictatorship, had antipathy to the U.S. and intended to warn against the democratic nation that is trying to expand its sphere of influence in Central Asia by seeking democratization. In fact, the United States had been forced to withdraw the military presence in Uzbekistan following the demand by the SCO in the July 2005 summit. At the same time, as

included in the Declaration, “In case of emergencies that threaten regional peace, stability and security, SCO member states will have immediate consultation on effectively responding to the emergency to fully protect the interests of both SCO and its member states,” it seems to be the clear intention of the member states to counter the U.S. movement of democratization in observing that the change of governments in Georgia and Ukraine is evidence of such influence.

While China gives consideration to the U.S. by saying the SCO is not an exclusive club, Central Asia has become the new “Great Game” field played on by the U.S., China and Russia. In fact, a joint peacekeeping military exercise of eight countries, including the U.S and Mongolia, is scheduled for mid-August, but neither China nor Russia will participate. Observer countries India and Mongolia are seeking closer ties with the U.S., and possibly these countries take a cautious distant stance on the SCO. It is said that Afghanistan did not express any intention to join the SCO as an observer. (The Contact Group is an already functional body between the SCO and Afghanistan.)

The “Outlook Weekly”, a Chinese magazine run by Xinhua, seeks a cautious handling to steer anti-American movements, saying that today’s Chinese security environment is facing a new situation and that all four wars involving the U.S. after the Cold War occurred in contiguous points between Asia and Europe. Dr. Stephan Blank, a professor at the Strategic Studies Institute of the U.S. Army War College, says, “It is an established fact among the U.S. officials: the Shanghai Cooperation Organization (SCO) is China’s primary multilateral instrument to implement its summit of the SCO in Shanghai confirmed its anti-U.S. proclivities.”* Attention should be paid to how Chinese President Hu Jintao, who cooperates with the U.S. but at the same time, tries to use the SCO as a tool of containing the U.S., will exercise his leadership in the SCO.

(2) Attendance of the Iranian President and Close-up of Formal Entry Issue

What caught attention in the anti-U.S. character of the SCO was its response to the Iran issue. Apart from the subtle jockeying and conflicts between the West and Iran concerning uranium enrichment activities, the SCO has shown a strong interest in Iran and tried to approach Teheran. The fifth summit attracted world attention because of the participation of Iranian President Mahmoud Ahmadinejad as well as the discussion whether to give observer countries including Iran full membership in the SCO. As a bulwark against U.S. interference in the region, Ahmadinejad said at the summit, “We want this organization to develop into a powerful body influential in regional and international politics, economics and trade, serving to block threats and unlawful strong-arm interference from various countries.”

At a June 15 press briefing, U.S. State Department spokesman Sean McCormack supported the goals and the concept of the SCO and didn’t regard the SCO as an anti-U.S. organization. On

* Stephan Blank, “China and the Shanghai Cooperation Organization at Five,” China Brief, Vol.VI, Issue 13, June 21, 2006, The Jamestown Foundation. (http://www.jamestown.org/images/pdf/cb_006_013.pdf)

the other hand, he said that in practice a couple of things are counterproductive to the idea of fighting terrorism in the region. He criticized the SCO for having Iran as an observer. But as for the Iranian nuclear issue that had drawn attention, it appears the leaders of the member states made no remarks during the summit. Discussion about the observers' formal membership and the expansion of the observer countries has been postponed. As for that matter, during the meeting only the Russian President remarked that he did not hope the SCO would be a closed organization. It seems that Iran has a strong desire to strengthen ties with the regional organization under the leadership of both China and Russia as a bulwark against the West, but China and Russia have taken a cautious stance on the expansion of member states or observer countries due to certain considerations to the U.S. which is increasingly nervous about Iran's prospective accession to the SCO. To have observer countries India, Pakistan, Iran and Mongolia, accede to the SCO individually seems to be attended with difficulty given the mutual relations between these countries and the China-Russia pair. Particular attention should be paid to activities to expand SCO.

(3) Expansion of Cooperation on Energy, Economic and Trade and Financial Fronts

The SCO has worked mainly to resolve border issues and combat the threats posed by terrorism, separatism and extremism as well as illegal drug trafficking. Plus, expansion of cooperation in the fields of energy, economic and trade, finance and education was made explicit in the summit and the heads of state agreed to set up Central Asian economic zones such as the SCO Business Council and the Interbank Association.

Above all, what drew attention this time is cooperation in energy fields. There are some new movements to seek the mechanism of energy cooperation within the SCO framework, such as Russian President Vladimir Putin's proposal to set up an energy club within the SCO and Ahmadinejad's suggestion to convene an Energy Ministers Meeting in Iran to increase energy cooperation among the SCO member states.

While the SCO's oil resources do not exceed 20% of the world's total, the gas reserves of Russia, the Central Asian countries and Iran make up more than 50% of the world's proven reserves. In that sense, the possible appearance of OPEC in the SCO can't be denied. With speculations of both energy suppliers (e.g. Iran and Russia) and consumers (e.g. India and Pakistan) involved, the future development of cooperation is worth attention.

(4) The future SCO and the relation with Japan

Although it is yet unclear whether the SCO will move toward becoming a closed regional organization or an open organization, the SCO has expanded its areas of influence by granting observer status to Mongolia, Iran, Pakistan and India.

Since the independence of each Central Asian country in 1991, Japan has contributed aid

about 30 percent of the ODA designed to Central Asia and provided by OECD Development Assistance Committee's (DAC) major member countries. In 1997, then Japanese Prime Minister Ryutaro Hashimoto proposed "Silk Road diplomacy". Since then, Japan and each Central Asian country have promoted cooperation to deepen political dialogue, economic assistance and peace activities. On June 5, 2006, the Foreign Ministers of Japan, Kazakhstan, Uzbekistan, Kyrgyz, Tajikistan and Turkmenistan held the Second Foreign Ministers' Meeting within the framework of the "Central Asia plus Japan" Dialogue in Tokyo. Afghanistan also attended the meeting as an observer. The participants set forth the following three guidelines:

- (1) looking at the region from a broader perspective;
- (2) assisting intra-regional cooperation which is open and transparent; and
- (3) seeking partnerships on the basis of universal values.

(Japan's Foreign Policy Towards Central Asia:

http://www.eu.emb-japan.go.jp/ambassador_talk_june_2006.htm)

Putin told reporters after the close of the SCO summit that he was against the idea of setting up an organization overlapping the SCO in the Asia-Pacific region, although it is not clear if he intended to point out Japan's movements in that direction.

Unlike China and Russia, Japan doesn't have a geographic or direct connection with any of these Central Asian countries, but in the advent of new Great Game, Japan should call on them to make the SCO not a closed community organization but a reliable organization which is open to outsiders of the immediate region.

2.2 The U.S.-Japan Summit Meeting: From the Viewpoint of Security Affairs

On June 29, Prime Minister Junichiro Koizumi met President George W. Bush at the White House. It was their thirteenth and last meeting since PM Koizumi is leaving office in September. The two leaders announced "The Japan-U.S. Alliance of the New Century" and set forth global cooperation. At the joint press conference, PM Koizumi stressed the importance of Japan-U.S. relations, saying that "there is no country in the world that has as important bilateral relations as Japan-U.S. bilateral relations." Chief Cabinet Secretary Shinzo Abe appraised this joint statement as the "bottom line of Koizumi diplomacy" based on the five-year personal friendship cultivated between the two countries' leaders.

Both PM Koizumi and President Bush won power in 2001. They cooperated in the 2001 war against terrorism in Afghanistan, the 2003 war in Iraq, and the 2006 agreement on the realignment of U.S. forces in Japan. They have fostered friendly relations and solved security

challenges while fighting against terrorism. It can be said that this friendship of theirs led to the dynamic Japan-U.S. cooperation. Below is a general overview of the summit meeting from the view point of security affairs.

(The Joint Statement: <http://www.whitehouse.gov/news/releases/2006/06/20060629-2.html>)

1. Evaluation of the Bush-Koizumi Summit Meeting

(1) Overview

At the White House, President Bush welcomed PM Koizumi, saying, “He is a man of vision; he’s a man of integrity; and I’m proud to call him my friend.” In return, PM Koizumi stated, “[T]here has been no world leader, alongside President Bush, among the world leaders with whom I have felt so much heart-to-heart, felt so deep a friendship and trust and have cooperated with.” Then, the two leaders shook hands with each other.

The joint statement referred to Japan-U.S. cooperation on a global scale including diplomacy and economy. But, given the broadened Japan-U.S. cooperation in the war on terror and in reconstruction in Afghanistan and Iraq, security affairs captured the central part of the joint statement. Japan-U.S. security cooperation after the September 11 terrorist attacks has seen a traditional counter-“threats” security relationship mature into a new alliance based on common “values” and “interests.” Beyond the two leaders’ personal relations, Japan-U.S. relations have reached the stage of an alliance for the peace and stability of the world.

(2) Process of Deepening the Japan-U.S. Relations

It was Japan’s contribution to U.N. peacekeeping operations and the war on terror that has deepened the Japan-U.S. relations. After the Cold War, Japan enacted a law to cooperate with U.N. peacekeeping operations in June 1992 and has participated in U.N. peacekeeping operations such as those in the Golan Heights since the Ground Self-Defense Force (GSDF) participated in operations in Cambodia for the first time acting abroad. In addition, given the September 11 terrorist attacks, Japan enacted the special anti-terrorism law in October 2001. Japan has contributed to the counter-terrorism efforts by, for example, dispatching Maritime Self-Defense Force (MSDF) vessels to the Indian Ocean since November 2001 under the special law.

It is highly important that PM Koizumi supported the March 2003 U.S. invasion of Iraq, while in the United Nations, France, Germany and Russia opposed the proposed attack on Iraq by the coalition of the willing led by the United States and United Kingdom. Domestically, despite the sharp division of national opinions in Japan between the U.N.-centered diplomacy and the alliance with the United States, PM Koizumi announced, “The United States is the only country which would equate an attack on Japan with an attack on itself.” It makes perfect sense for PM Koizumi to support the U.S. counter terrorism efforts within the framework of its constitution when Japan is threatened by North Korean nuclear development and missiles to which it has no countermeasures alone. In June 2003, PM Koizumi delivered to President Bush his will to have

the Self-Defense Force (SDF) participate in the multinational forces in Iraq and enacted a special measures law for reconstruction assistance to Iraq in July. Accordingly, the GSDF was dispatched to Samawa in the southern part of Iraq and the Air Self-Defense Force (ASDF) was sent to Kuwait. Before his last summit meeting with President Bush, PM Koizumi decided to withdraw the GSDF from Iraq, but he also announced the expansion of ASDF's range of activities in Iraq and the continuation of Japan's support for U.S. troops in Iraq. The scope of SDF's activities has been thus broadened under PM Koizumi.

At the welcome ceremony, President Bush said, "Americans are proud to serve alongside such courageous allies," and praised SDF's contribution in Iraq and other places. During the summit meeting, PM Koizumi explained the activities of the three services of the SDF, and President Bush again highly praised their contribution. The joint announcement also stated, "The President praised Japan's humanitarian and reconstruction assistance in Afghanistan and Iraq as well as Japan's support provided to coalition forces operating in the Indian Ocean."

On another front, ballistic missile defense cooperation and Japanese emergency legislation have deepened bilateral security cooperation. After the Cold War, the scope of the Japan-U.S. security arrangement was expanded to situations in the areas surrounding Japan, which might jeopardize the safety of Japan. Given the May 1999 Law on a Situation in the Areas Surrounding Japan, Japan now can offer U.S. troops rear area support activities by the SDF such as transportation, supply, and minesweeping in addition to the use of bases, airports, and ports. After the September 11 terrorist attacks, Japan enacted emergency legislation in June 2003 and revised the National Defense Program Guidelines (NDPG) in December 2004. The NDPG regarded active participation in international security efforts as one of SDF's roles and stated that Japan would improve the international security environment to prevent threats from reaching Japanese soil.

With regard to missile defense, the December 2000 Mid-Term Defense Program set forth the introduction of ballistic missile defense system and the Japanese Cabinet formally approved in December 2003. The Japanese government exchanged letters with the United States government regarding bilateral missile defense cooperation in December 2004 and they agreed in June 2006 to expand the area of cooperation to joint development and joint production.

2. The Challenges to the Japan-U.S. Security Arrangement in the Post-Koizumi Era

(1) Japan-U.S. cooperation over the realignment of U.S. forces in Japan

The series of Japan-U.S. talks over the realignment of U.S. forces in Japan resulted in the May 2006 final agreement, "The United States-Japan Roadmap for Realignment Implementation." Its implementation would lead to strengthened ties between Japanese and U.S. troops and the qualitative improvement of the Japan-U.S. alliance, while maintaining the U.S. deterrence. The joint statement appreciated "the establishment of common strategic objectives of

February 2005 as well as the conclusion of watershed agreements to transform the alliance for the future.” The statement appraised the agreement as “historic steps forward that make the U.S. military presence more enduring and effective, and ensure the capabilities necessary for the alliance to cope with diverse challenges in the evolving security environments.” The statement also acknowledged that the full implementation of the realignment agreement is “necessary, not only for Japan and the United States, but also for peace and stability of the Asia-Pacific region.” As the May issue of this Report mentioned, the Japanese government is required to work out the details of the roles, missions, and capabilities of Japanese and U.S. troops in the 15 areas of cooperation. The government is also required to coordinate with host communities and to take measures to finance the realignment to implement the relocation of U.S. Marines from Okinawa to Guam, the construction of runways at the coast lines of Camp Schwab, the transfer of carrier air wing to Iwakuni Base, and so on.

(2) Hoping for constructive changes of China

Another important challenge to Japan and the United States is their China policy, which encourages China as a stakeholder. President Bush, as he did at the November 2005 Japan-U.S. summit in Kyoto, Japan, asked PM Koizumi about Japan-China relations. “The Japan-China relationship is expanding in economic, cultural and every other aspect,” PM Koizumi replied. “But I cannot understand why China has declined to hold summit meetings just because of a single issue, which is my visits to Yasukuni Shrine.” PM Koizumi has repeated his belief that a strong Japan-U.S. alliance is a prerequisite for Japan’s policies toward Korea, China and other Asian nations to succeed. Regarding this, the joint statement stated that “robust U.S.-Japan cooperation embraces the dynamism of China, and helps to maintain peace and tranquility in Northeast Asia,” and affirmed the significance of the Japan-U.S. alliance as the key to “shape and support [Asia’s historic] transformation.” While welcoming the economic development of China, the statement emphasized that the Japan-U.S. relations are based on “universal values [of democracy, freedom, human rights, market economy, and rule of law] and common interests,” which implies the difference between these countries and China. Then the statement called for “promoting individual freedoms” and “increasing transparency and confidence in the political, economic, and military fields” on China, which is expanding its military power, encouraging China to take responsible actions as a stakeholder in the region and the international society.

It is no exaggeration to say that the five-year Koizumi administration was preoccupied with cooperation with the United States in security and counter-terrorism and domestic “structural reforms.” Accordingly, on the diplomatic field, Japan’s relations with Asia, especially China and South Korea, remain strained. It will be a challenge to the post-Koizumi administration how to improve relations with China and South Korea (while allowing for reciprocity in these countries’ attitudes toward Japan).

(3) Future Japan-U.S. relations

Some observers say the current Japan-U.S. relations resulted from private relations between the president and the prime minister. In fact, the two leaders agreed in the joint statement that “the U.S.-Japan partnership stands as one of the most accomplished bilateral relationships in history” and acknowledged, “the broadened and enhanced cooperation achieved in the alliance under their joint stewardship.” Then, the statement concluded, “They shared the expectation that the U.S.-Japan friendship and global cooperation shall continue to grow stronger.” With regard to the future development of Japan-U.S. relations, Victor Cha, Director for Asian Affairs, U.S. National Security Council, stated on the White House’s website that the deepened Japan-U.S. alliance owed much to the friendship between the president and the prime minister, but its foundation would be maintained under the post-Koizumi and future leaders. In other words, the U.S. side expects that the post-Koizumi administration will continue to take a similarly cooperative attitude toward the United States.

In addition to the steady implementation of the realignment of U.S. forces in Japan, there are many security problems: the legislation of a perpetual law to endorse the expanded overseas activities of the SDF; the exercise of collective self-defense for missile defense and a more equal alliance; the realization of Japan’s permanent membership in the U.N. Security Council referred to in the joint statement; and the constitutional revision. The post-Koizumi administration has to face these difficult and challenging assignments some of which are related to national polity.

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Ocean Policy Research Foundation

3F, Kaiyo Senpaku Bldg., 15-16 Toranomom 1-Chome, Minato-ku, Tokyo 105-0001, Japan
TEL.81-3-3502-1828 FAX.81-3-3502-2033

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