

# OPRF MARINT Monthly Report

## December 2006



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This monthly report is edited/ summarized by publisher and staff writers based on published news resources.

Each resource is referenced with bracket below each title and is displayed as link USL on the last page of this report.

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## Introduction

**Law and order :** The Homeland Security announced on December 7 it would scan all containers bound for the United States in six overseas ports to prevent terrorist bombs and radiological materials from entering American waters. The examinations begin early next year at all six ports.

Indonesia and Malaysia agreed at the meeting of two defense ministers to set up a joint police committee to deal with transnational crimes. Indonesian Defense Minister Sudarsono said, “We have agreed that police should be given the main authority to deal with border-crossing issues, including terrorism, rather than the military.

India will soon introduce accurate tsunami warning system that will issue alerts about the killer tidal waves within ten minutes of a massive earthquake hitting the sea bottom.

**Military security:** India’s Navy Chief Admiral Mehta has warned that Sino-Indian rivalry is spilling over the sea, saying India must take steps to counter the Chinese threat from the sea.

According to the South Korean Joint Chief of Staff, the Navy’s plan to deploy 3,000-ton next-generation submarines in about six years has been postponed. Instead, the three six more 1,800-ton Type 214 submarines will be deployed between 2012 to 2020, in addition to the three already planned by 2010.

Chinese president and Commander-in-chief Hu Jintao urged the building of a powerful navy that is prepared “at any time” for military struggle on December 29. The outline on the Chinese Defense White Paper published on December 29 is available in the commentary in this report.

Releasing the biennial Defense White Paper on December 29, South Korean Ministry of Defense said, North Korean military power “continues to pose serious threat to security of the country.”

**Diplomacy and International Relations:** Recognizing China’s growing role in global economic, security and other area, Foreign ministers of the European Union issued a declaration on December 11 raising relations with Beijing to a ‘strategic partner.’ However, regarding the arms embargo to China, the statement only expressed in a brief sentence ‘its willingness to carry forward work toward lifting the embargo’, which also signaled there would be no early lifting of a ban of arms sales.

Indian Prime Minister Manmohan Singh paid an official visit to Japan from December 13 to 16 since he last visited Japan five years ago. On 15, Singh met with his Japanese counterpart, Sinzo Abe, and two leaders signed a Joint Statement toward Japan-India Strategic and Global Partnership based on common values of democracy and rule of laws, and common interests. (As for details, refer to the Assessment in the report.)

U. S. President Bush signed U. S.-India Peaceful Atomic Energy Cooperation Act on December 18.

**Shipping, Resources, Environment and Others:** Indian and Singaporean companies and Myanmar government signed a contract of exploring oil and natural gas in offshore area of Myanmar's western Rakhine state.

Port of Singapore Authority International (PSAI) has been selected as the operator of Gwadar port in the southwestern Pakistan province.

China started oil shipping via the Mekong River. Two ships each carrying 150 tons of refined oil have arrived in southwest China's Yunan Province from neighboring Thailand via the Mekong River. It marked the trial launch of China's oil shipping program with its Southeast Asian partners.

# 1. Intelligence Bulletin

## 1.1 Law and order

### **December 1 "Hun Sen assures no more flow of arms to Sri Lanka" (Asiantribune.com, December 2006)**

Cambodian Prime Minister Hun Sen has promised Sri Lankan counterpart Ratnasiri Wikremanayaka who visited Phnom Penh to cut off the flow of weapons from his country to Sri Lanka's Tamil Tiger rebels. Prime Minister Hun Sen admitted for the first time in 2005 that arms were smuggled out of the country to guerrillas in Sri Lanka, the Philippines, and Myanmar. Hun Sen has also promised to Ratnasiri Wikremanayaka to exchange intelligence with Colombo to help curb the flow of smuggled arms into Sri Lanka.

### **December 1 "ASEAN Shipowners applaud regional anti-piracy efforts" (The Business Times, Singapore, December 1, 2006)**

The Federation of ASEAN Shipowners Associations (FASA) held the Annual Meeting and the 13th Interim Meeting in Bangkok at the end of November 2006. The FASA applauded the increased efforts by the three littoral states of Malaysia, Indonesia and Singapore which saw the number of piracy and armed robbery incidents drop substantially in the first nine months this year. But the FASA warned ships' masters to continue anti-piracy watches when their ships are transiting pirate-prone areas, particularly at night.

It also welcomed the launch of the Information Sharing Center (ISC), part of the Regional Cooperation Agreement on Combating Piracy (ReCAAP). The FASA urged the ISC to make the information on pirates' attacks in the region available and to broadcast updated information to ship in the region and/or post it in the public domain of the ReCAAP website.

The FASA also applauded the International Maritime Organization's (IMO) call for a voluntary mechanism for funding navigational safety in the Malacca Straits but said they do not support any form of levy on ships.

### **December 5 "Indonesia, Australia sign Security Agreement on security" (Antra News, December 5, 2006)**

Australian Foreign Minister Alexander Downer and Indonesian Foreign Minister Hassan Wirajuda have signed the Lombok bilateral security agreement. The agreement reinforces that the two countries will have mutual respect for each other's sovereignty and territory, will not interfere in each other's domestic affairs, and will not support separatist movements. Both sides expressed hope that the Lombok Agreement, while not a defense treaty, will lead the way toward further cooperation on security, intelligence, and law enforcement issues.

**December 5 "U. S. Coast Guard drills with Palau" (Pacific Daily News, December 6, 2006)**

The U. S. Coast Guard Sector Guam has commenced the week-long drill, dubbed Sea Guardian with the Federated States of Micronesia and Palau. Involving both at-sea and shore-based operations, the exercises are an opportunity for Coast Guard Sector Guam to collaborate with the nations that share their borders at sea.

**December 6 "US helps build Indonesian marine force training center"(Antara News, December 6, 2006)**

On December 6, the United States and Indonesia marked the opening of a new training center at the Indonesian Marine Police Training Facility in Tanjung Priok, North Jakarta. The US-funded training center is designed to assist Indonesia in training its marine police to promote maritime security and thwart transnational crime, the US Embassy in Jakarta said in a press release. The construction of the training center which began in April 2006 and was completed six months later cost approximately US\$700,000.

**December 7 "U.S. to check for radiation in 6 overseas ports" (The Associated Press, December 8, 2006)**

The Homeland Security Department said on December 7 it would scan all containers bound for the United States at six overseas ports to prevent terrorist nuclear bombs and radiological material from entering American waters. They said it would scan all containers bound for the United in the ports of Qasim, Pakistan, Puerto Cortes, Honduras; and Southampton, England. Radiological scanning will also be done at Port Salalah in Oman, the Port of Singapore, and the Gamman Terminal at Port Busan in Korea, though not every container will be screened, officials said. Officials said the examinations would begin early next year at all six ports.

When fully operational, the program will screen about 8 percent of the 11 million cargo containers that reach U.S. shores each year. The Homeland Security and Energy departments will split the nearly \$60 million cost of the detection equipment, ranging from large portals to handheld scanners.

The screening will be done by local port officials, but data from the sensors will be given instantly to U.S. Customs and Border Protection officers working in the overseas ports.

**December 15 "Malaysia, Indonesia agree to set up joint police committee" (Joyo Indonesia News Service, December 15, 2006)**

On December 15, Malaysian Defense Minister Najib Rajak, who was visiting Indonesia, pointed out at the news conference after the meeting with his Indonesian counterpart, Juwono Sudarsono, that there had been a sharp decrease in pirate attacks since the initiation of joint patrol by four Southeast Asian nations guarding the Malacca Strait -- Malaysia, Indonesia, Thailand and Singapore. "We will not change our current approach, namely coordinated patrols, because this is the right approach," he said. Two Defense Ministers agreed at the meeting to set

up a joint police committee to deal with transnational crimes. He said, "We have agreed that police should be given the main authority to deal with border-crossing issues, including terrorism, rather than the military."

### **December 27 "India to have top class Tsunami Warning System" (Berman, December 27, 2006)**

India will soon introduce tsunami warning system which will issue alerts about the killer tidal waves within 10 minutes of a massive earthquake hitting the sea bottom and "more accurate" warnings will follow soon after. Minister for Earth Sciences Kapil Sibal claimed the Early Warning System for Tsunami and Storm Surges, being developed by his ministry, will issue "more accurate" warnings than the existing systems around the world. Noting that the existing tsunami warning system issued as many as 60 per cent false warnings, Sibal said the Indian system would issue a warning after analyzing data from the bottom pressure recorders -- ten such devices are being installed in the Bay of Bengal region and two in the Arabian Sea. According to Sibal, seventeen automatic tide gauges have already been installed in the Bay of Bengal and Indian Ocean that would enable monitoring of tidal activity all the time, and thirty-three more such gauges are planned to be installed along the Indian coastline.

## **1.2 Military security**

### **December 1 "Singaporean, Malaysian navies conduct joint exercise" (The Jakarta Post, December 1, 2006)**

The navies of Singapore and Malaysia are conducting a joint two-week exercise in the Malacca Strait until December 9. The exercise is being hosted by the Singapore navy, and covers conventional naval warfare and a maritime security drill.

### **December 4 "Indian Navy Chief warns Sino-Indian rivalry over the Indian Ocean" (moneycontrol.com, December 5, 2006)**

On December 4, Navy Day, India's Navy Chief Admiral Sureesh Mehta has warned that Sino-Indian rivalry is spilling over to the seas. He says India must take steps to counter the Chinese threat from the sea. The Asian rivalry to dominate the Indian Ocean Region is now out into the open. And India has made its unease over increasing Chinese presence clear.

The India Navy also insists that Chinese companies be kept out of port modernization projects. The Admiral's concern is that most Indian warships can operate only in shallow waters whereas naval superiority will be determined on the high seas.

**December 5 "Indonesian navy to reorganize the fleet" (Antara News, December 5, 2006)**

On December 5, at the 61st anniversary ceremony of the birth of Indonesian Navy, Indonesian Navy Chief of Staff Admiral Slamet Soebijanto said the Navy was expected to go ahead with its plan to split the Indonesian fleet into three marine territorial commands according to the priority scales in its strategic plan until 2024. The country is currently divided into the western and eastern fleet commands. According to the plan, the western Indonesian fleet command will be headquartered in Tanjung Pinang (Riau Islands), the central Indonesian fleet command in Makassar (South Sulawesi) and the eastern Indonesian fleet command in Sorong (Papua).

**December 6 "South Korea postpones 3,000-ton submarine buildup" (The Korea Times, December 6, 2006)**

According to the South Korean Joint Chiefs of Staff (JCS), the Navy's plan to deploy 3,000-ton next-generation submarines in about six years has been postponed. Under a 15-year arms buildup program unveiled in 2005, the Navy had planned to build at least three 3,000-ton submarines in a shipbuilding program codenamed "KSS-III." Instead of the 3,000-ton KSS-III submarines, six more 1,800-ton Type 214 submarines will be developed between 2012 and 2020 in addition to the three already planned by 2010. The three 214-Type submarines are currently under development at Hyundai Heavy Industries shipyards in cooperation with Germany. Currently, the Navy has nine German-made 1,300-ton Type 209 submarines, while North Korea has a fleet of 70 submarines, including 22 1,700-ton Romeo class subs.

**December 7 "Indonesia to purchase arms from Russia" (The Straits Times, Singapore, December 7, 2006)**

On December 7, Indonesian President Susilo Bambang Yudhoyono who was visiting Moscow, signed cooperative agreements on space technology, nuclear energy, tourism and military purchases after meeting his Russian counterpart Vladimir Putin. The military deals are regarded to be worth more than US\$1 billion. According to Indonesian officials, Jakarta plans to buy six Sukhoi fighter jets to add to its existing fleet of four, to form a squadron of Sukhois by 2008. It will also purchase 10 carrier helicopters and five combat choppers, two submarines, 20 amphibious tanks and anti-aircraft missiles through the loan scheme.

**December 11 "Indian navy to build 7 stealth frigates" (INDIADEFENCE, December 11, 2006)**

The Indian navy plans to acquire up to seven stealth frigates from either European or Russian shipyards. The navy is also said to be looking for joint development and technology transfer. The Request for Information (RFI), the first formal step in the process of military acquisition, has been issued to about a dozen European and Russian shipyards. According to a proposal, the first ship would be built in the foreign shipyard, while the rest six would be built at Mazagon Docks Limited in Mumbai or at Garden Reach Shipyard in Kolkata. The project, called P-17A, is



envisaged as the next generation ships of the ongoing Project 17 Shivalik class multi-role stealth frigates. The first Shivalik class ship is expected to be commissioned in early 2007. Project 17 envisages a total of 12 ships, including the seven ships for which the RFI has now been issued.

### **December 27 "China's Hu calls for powerful navy" (Reuters, December 28, 2006)**

At a meeting of delegates to a Communist Party meeting of the navy on December 27, Chinese president and commander-in-chief Hu Jintao urged the building of a powerful navy that is prepared "at any time" for military struggle, state media reported. Calling that China was a major maritime country, Hu said, "We should strive to build a powerful navy that adapts to the needs of our military's historical mission in this new century and at this new stage. We should make sound preparations for military struggles to ensure that the forces can effectively carry out missions at any time."

### **December 28 "Vietnam, China launch joint navy patrol" (Viet Nam News Agency, December 28, 2006)**

Vietnamese and Chinese navies carried out their second joint patrol in the Tonkin Gulf on December 28 in implementation of an agreement between the navies of the two countries. Two Vietnamese and two Chinese patrol boats took part in the joint patrol in the common fishing area defined by the Vietnam-China Agreement for Fisheries Cooperation. The first joint navy patrol was held in April 2006.

### **December 29 "South Korea issues 2006 Defense White Paper" (Yonhap News, December 29, 2006)**

The South Korean Ministry of Defense released its biennial Defense White Paper on December 29. According to the Yonhap News (Web, English edition), the outline of its description on North Korea is as follows:

1. As for the military power of North Korea, "North Korea's conventional military strength, nuclear test, WMD and deployment of its armaments along the front line are serious threats to our security," the report said.
2. The white paper said the North was estimated to have obtained some 30 kilograms of plutonium, enough to make up to five atomic bombs, in the last three years. "North Korea is estimated to have obtained an additional 30 kilograms of plutonium if it reprocessed spent fuel rods in 2003 and 2005 as it had claimed," the paper said.
3. Despite years of economic hardship, the communist state also continued to increase its conventional arms this year, according to the white paper. The paper said the North acquired some 200 artillery cannons which can directly strike Seoul when deployed at the inter-Korean border. A total of five North Korean fighter jets have crashed since 2004, a faint evidence of the North's troubles from its aging arms, but the paper said the communist state's air capability continued to pose grave concerns for the South. Some 40 percent of the North's 820 fighter jets were deployed just north of the inter-Korean border, according to the paper, placing the South Korean capital



within only minutes' reach.

(An English version of the Defense White Paper is to be issued in March 2007.)

## Commentary

### Overview on China's Defense White Paper in 2006

On December 29, the Information Office of the State Council of the People's Republic China issued a white paper under the title of "China's National Defense in 2006." The last paper was published in 2004.

The white paper in 2006\* is composed of 10 chapters as follows:

1. The Security Environment, 2. The national Defense Policy, 3. China's Leadership and Administration System for National Defense, 4. The People's Liberation Army, 5. People's Armed Police Force, 6. National Defense Mobilization and Reserve Force, 7. Border and coastal Defense, 8. Science, Technology and Industry for National Defense, 9. Defense Expenditure, 10. International Security Cooperation.

The white paper is attached with appendices of: a. The Leading System of the Chinese People's Liberation Army, b. Major International Exchanges of the Chinese Military 2005-2006, c. Participation in Security Consultation (2005-2006), d. Joint Exercises with Foreign Armed Forces (2005-2006), e. Participation in UN Peacekeeping Operations (Up to Nov. 30, 2006), f. Major Military Regulations Promulgated 2005-2007.

The peculiarities of the white paper (WP) in 2006 edition are as follows:

#### **1. Perception of the security environment in the Asia-Pacific Region**

As for the overall security environment in the Asia-Pacific Region, WP regards it to remain stable. On the other hand, WP admits "There are growing complexities in the Asia-Pacific security environment. There is a new adjustment going on in the strategic alignment and relations among major countries in the region, and new changes have occurred in the hotspots in the region. WP also points out as follows:

- a. The United States is accelerating its realignment of military deployment to enhance its military capability in the Asia-Pacific region.
- b. The United States and Japan are strengthening their military alliance in pursuit of operational integration.
- c. Japan seeks to revise its constitution and exercise collective self-defense. Its military posture is becoming more external-oriented.
- d. The Peoples of Republic of Korea (DPRK) has launched missile tests and conducted a nuclear test. Thus, the situation on the Korean Peninsula and in Northeast Asia has become more complex and challenging.
- e. Territorial disputes, conflicting claims over maritime rights and interests, and ethnic and religious discords undermine trust and cooperation among states. The threat of terrorism, separatism and extremism remains serious. In addition, some countries face growing internal

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\* Web, English Version:  
<http://www.fas.org/nuke/guide/china/doctrine/wp2006.html#0#0>

problems caused by social and economic transition.

Regarding the Taiwan issue, WP indicates that the struggle to oppose and contain the separatist forces for “Taiwan independence” and their activities remains a hard one. By pursuing a radical policy for “Taiwan independence,” the Taiwan authorities aim at creating “de jure Taiwan independence” through “constitutional reform,” thus still posing a grave threat to China's sovereignty and territorial integrity, as well as to peace and stability across the Taiwan Straits and in the Asia-Pacific region as a whole.

Moreover, WP criticizes that the United States has reiterated many times it will adhere to the “one China” policy and honor the three joint communiqués between China and the United States. But, it continues to sell advanced weapons to Taiwan, and has strengthened its military ties with Taiwan. A small number of countries have stirred up a racket about a “China threat,” and intensified their preventive strategy against China and strove to hold its progress in check. Complex and sensitive historical and current issues in China's surrounding areas still affect its security environment.

## **2. Trends of Chinese Military Power**

- a. The WP emphasizes that China pursues a national defense policy which is purely defensive in nature. China's national defense provides the guarantee for maintaining China's security and unity, and realizing the goal of building a moderately prosperous society in an all-round way. The WP is defending itself lest Beijing should be called a threat-monger by saying in its preface that China's national defense and military modernization, conducted on the basis of steady economic development, is the requirement of keeping up with new trends in the global revolution and development in military affairs, and of maintaining China's national security and development. China will not engage in any arms race or pose a military threat to any other country.
- b. According to the WP, China had completed reducing the Peoples Liberation Army (PLA) by 200,000 troops by the end of 2005. The PLA currently has 2.3 million troops. The Army was reduced by 139,000 troops, while the Navy, Air Force, and Strategic Force were strengthened. Armed Police Force has 660,000 personnel. As a result, the PLA has made new progress towards the goal of being proper in size, optimal in structure, streamlined in organization, swift and flexible in command, and powerful in fighting capacity.
- c. According to the WP, current status of the Armed Forces is as follows:
  - (1) The Army is speeding up the upgrading its active main battle equipment and information capability to build a new type of ground combat force that is lean, combined, agile and multi-functional.
  - (2) The Navy is working to build itself into a modern maritime force of operation consisting of combined arms with both nuclear and conventional means of operations. The Navy is endeavoring to build mobile maritime troops capable of conducting operations under conditions of information war, and strengthen its overall capabilities of operations in coastal waters, joint operations and integrated maritime support.
  - (3) The Air Force is working to build an air fighting force armed with high information technology

with both offensive and defensive capabilities. It is reducing the number of combat aircraft, giving priority to the development of new fighters as well as air and missile defense weapons.

- (4) The Second Artillery Force is striving to build a streamlined and effective strategic force with both nuclear and conventional capabilities. It is quickening its steps to raise the level of information capability of its weaponry and equipment systems, build an agile and efficient operational command and control system, and increase its capabilities of land-based strategic nuclear counterstrikes and precision strikes with conventional missiles.

d. Although there is a wide gap between the figures of China's official report and those of the U. S. estimate on the defense expenditure, the WP reports as follows:

- (1) China's defense expenditure mainly comprises expenses for personnel, training and maintenance, and equipment. The equipment expenses mainly cover research on, experimentation with, and procurement, maintenance, transportation and storage of weaponry and equipment.
- (2) Since the early 1990s, to safeguard its sovereignty, security and unity, and to keep pace with the global revolution in military affairs, China has gradually increased its defense expenditure on the basis of its economic development. From 1990 to 2005, the average annual increase in defense expenditure was 15.36 percent. As the average annual increase of the consumer price index during the same period was 5.22 percent, the actual average increase in defense expenditure was 9.64 percent. China's defense expenditure in 2004 and 2005 was Yuan Renminbi(RMB) 220.001 billion and RMB 247.496 billion, respectively, with growth rates of 15.31 percent and 12.50 percent. In the past two years, the share of China's annual defense expenditure in its GDP has decreased, being 1.38 percent in 2004, and 1.35 percent in 2005. Its defense budget for 2006 is RMB 283.829 billion.
- (3) According to the WP, the increased part of China's defense expenditure is primarily used for the following purposes:
- (a) Increasing salaries and allowances of military personnel and improving their living conditions.
  - (b) Increasing investment in weaponry and equipment and infrastructure.
  - (c) Supporting the training of military personnel.
  - (d) Compensating for price rise.
  - (e) Increasing expenses for international cooperation in non-traditional security fields.

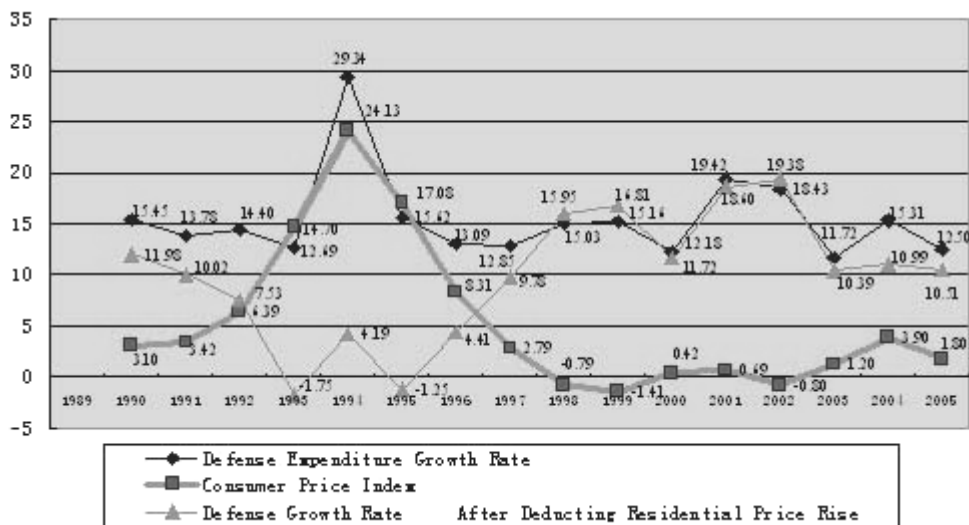


Chart1. Comparison Between the Growth Rate of China's Defense Expenditure and the National Residential Consumer Price Index (1989-2005)

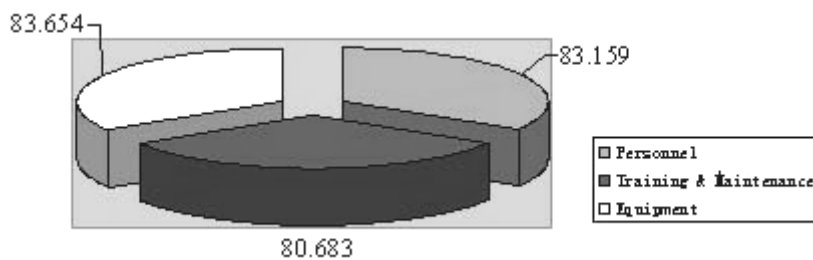


Chart2. Composition of China's Defense Expenditure in 2005 (unit: RMB billion)

Source: China's national Defense in 2006

<http://www.fas.org/nuke/guide/china/doctrine/wp2006.html#0#0>

### **1.3 Diplomacy and International Relations**

#### **December 3 "South Korean President Roh visits Indonesia" (The Korea Herald, December 4, 2006)**

On December 3, South Korean President Roh visited Jakarta, and had talks with his Indonesian counterpart, Susilo Bambang Yudhoyono. The two leaders signed a joint declaration inaugurating a "strategic partnership" between the two in the areas of energy, trade, and tourism. South Korea also committed to investing in a nuclear power project in Indonesia.

#### **December 6 "South Korea reconfirms Seoul's commitment to PSI" (Yonhap News, December 6, 2006)**

On December 6, South Korean President Roh Moo-hyun reconfirmed his government's commitment to the Proliferation Security Initiative (PSI), a U.S.-led multilateral efforts to deter nuclear proliferation. During his recent visit to Australia, Ro told reporters after his summit with Australian Prime Minister John Howard, "In principle, South Korea supports the PSI. We just want to avoid direct clashes with North Korea and will fully cooperate in the PSI in other categories"

Roh made the remark after being questioned by an Australian reporter if South Korea's "refusal" to actively participate in the PSI would pose an obstacle to regional security." Roh said, "It is not appropriate to say that South Korea refused to join the PSI. We think it wise to stay clear of any armed clash with North Korea. We made an appropriate decision for the purpose of peace." Howard also said there is no problem in the approaches by Australia and South Korea to the North Korean problems, despite some differences over the PSI issue. (Remarks: South Korean government decided not to participate in the PSI to deter the proliferation of the weapons of mass-destruction from North Korea. (See, OPRF MARINT Monthly Report November 2006)

#### **December 11 "EU elevates China to 'Strategic Partner' " (Xinhua, December 12, 2006)**

Foreign ministers of the European Union issued a declaration on December 11 raising relations with Beijing to a 'strategic partnership' that recognizes China's growing role in global economic, security and other areas. Regarding the lifting of a ban of arms sales imposed after China's 1989 crackdown on pro-democracy protests in Beijing's Tiananmen Square, Monday's statement touched on the arms embargo only in a brief sentence in which the EU expressed 'its willingness to carry forward work towards lifting the arms embargo'. EU officials said there was still no unanimity on ending the ban. France has long favored lifting the ban, and it agrees with Beijing that the ban is outdated and hinders Europe's ambition to build closer ties. But there is still considerable opposition in Europe, given China's human-rights record and tension between China and Taiwan. Britain, Netherlands, Denmark, and Sweden are strongly against the lifting.

**December 13 "Uzbekistan returns to CASTO" (Web India 123, December 13, 2006)**

Uzbek President Islam Karimov signed a bill restoring his country's membership in the Collective Security Treaty Organization (CSTO) marking the country's return to Russia's sphere of military influence. Uzbekistan originally signed onto the Treaty in 1992 and then suspended its membership in 1998 over concerns of Russian domination, opting instead for closer defense relations with Washington. However, US criticism of the country's handling of the 2004 Andijan uprising soured relations with the US and since that time, Uzbekistan, has steadily improved defense ties with Moscow.

The CSTO members, including Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Armenia, use the organization as a platform for fighting drug trafficking, terrorism, and organized crime, and have pledged to provide immediate military assistance to each other in the event of an attack. The group has a Collective Rapid Reaction Force (CRRF) deployed in Central Asia, and is continuing to build up its military forces.

**December 15 "Abe, Singh sign Joint Statement" (Ministry of Foreign Affairs HP, December 15, 2006)**

Indian Prime Minister Manmohan Singh paid an official visit to Japan from 13 to 16 December at the invitation of Japanese counterpart, Sinzo Abe. Singh last visited Tokyo five years ago. On December 15, two leaders signed a joint statement of implementing strategic and global partnership based on a common commitment to democracy, open society, human rights, rule of law, and free economy. (For details, refer to Analysis.)

**December 18 "Bush signs U.S.-India Peaceful Atomic Energy Cooperation Act" (The White House HP, December 28, 2006)**

On December 18, U.S. President George Bush signed a bill of the Henry Hyde United State-India Peaceful Atomic Energy Cooperation Act. President pointed out that the bill is going to help them achieve four key goals as follows:

1. The bill will help us strengthen cooperation between India and United States on one of the most important challenges in the 21st century, and that is energy.
2. The bill will help promote economic growth by paving the way for investment in India's civilian nuclear industry.
3. The bill will help make it possible for India to reduce emissions and improve its environment.
4. The bill will help keep America safe by paving the way for India to join the global effort to stop the spread of nuclear weapons.



## **1.4 Shipping, Resources, Environment and Others**

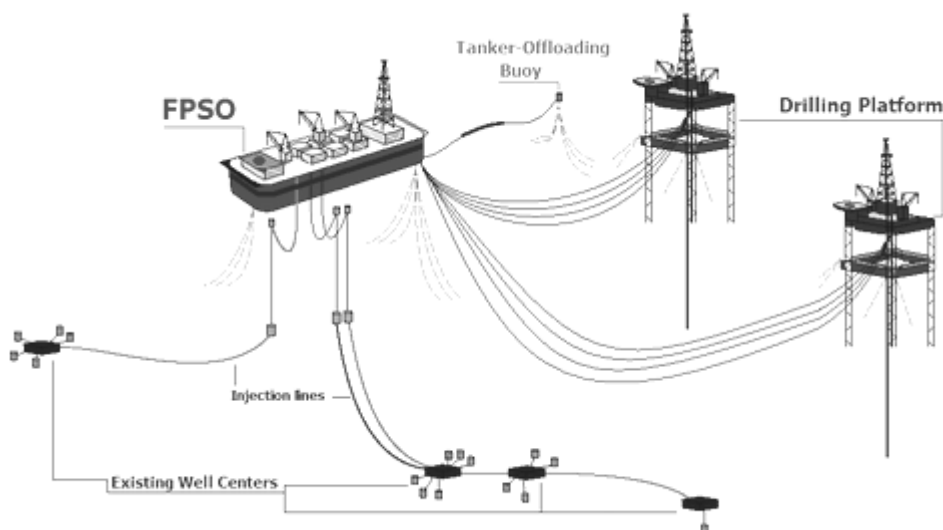
### **December 3 "China implements new regulations on nuclear exports" (Times of India, December 3, 2006)**

China has recently implemented new regulations on nuclear exports in order to reduce the likelihood of nuclear proliferation and nuclear terrorist attacks. The new guidelines require that countries importing nuclear materials from China seek consent from Beijing before using Chinese equipment to exceed the 20% uranium enrichment level. The move lends some explanation to why Hu Jintao did not sign a widely anticipated deal on nuclear technology support with Pakistan during his recent visit. The Chinese government also signed a nuclear power cooperation agreement with France this week, and has announced plans to develop as many as six 1,000-megawatt nuclear reactors in the eastern part of Fujian province.

### **December 8 "China launches huge oil tanker production vessel" (Xinhua, December 8, 2006)**

On December 8, a huge, 300,000-ton oil tanker was launched from the shipyard in Shanghai. The vessel is 323 meters long and 63 meters wide, and measures 71 meters from its keel to the top of its smoke stack. It can store 2 million barrels of crude oil. The ship, which can load or off-load 190,000 barrels of crude oil a day, is called a floating production storage off-loading (FPSO) vessel. The vessel costs 240 million U.S. dollars, close to the cost of an Airbus A380, the world's largest commercial airliner. The FPSO will be put into use in the second-phase project of the Penglai 19-3 Oilfield in China's Bohai Bay, which is jointly funded and run by the China National Offshore Oil Corporation (CNOOC) and ConocoPhillips China Inc.

Note: FPSO vessel (also called a "unit" and a "system") is a type of floating tank system used by the offshore oil and gas industry and designed to take all of the oil or gas produced from a nearby platform (s), process it, and store it until the oil or gas can be offloaded onto waiting tankers, or sent through a pipeline.



Source : Wikipedia, the free encyclopedia

[http://en.wikipedia.org/wiki/Floating\\_Production\\_Storage\\_and\\_Offloading](http://en.wikipedia.org/wiki/Floating_Production_Storage_and_Offloading)

### **December 8 "India-Singapore Group to explore for oil & gas offshore Myanmar" (Xinhua, December 8, 2006)**

Indian and Singaporean companies will explore oil and natural gas in offshore area of Myanmar's western Rakhine state, the official newspaper New Light of Myanmar reported December 8. According to a production sharing contract signed in the new capital of Nay Pyi Taw on December 6 between Gas Authority of India Ltd (GAIL), Silver Wave Energy of Singapore and state-run Myanmar Oil and Gas Enterprise (MOGE), the consortium will conduct oil and gas exploration and production at Block A-7 in the Rakhine offshore area. At Block A-1 (Shwe field and the Shwephyu field) and Block A-3 (Mya field) in the same offshore area, the exploration has already been initiated by another consortium of oil companies led by South Korea's Daewoo International Corporation. Myanmar is planning to sell gas produced from the three gas fields to neighboring countries such as India and China through pipelines.

Recent years have seen foreign oil companies increase engagement in oil and gas exploration in Myanmar. Foreign oil companies engaged in the oil and gas sector mainly include those from Australia, Britain, Canada, China, Indonesia, India, South Korea, Malaysia, Russia and Thailand.

### **December 12 "Singaporean firm selected to operate Gwadar port" (Asia Times Online, December 12, 2006)**

Port of Singapore Authority International (PSAI) has been selected as the operator of Gwadar port in the southwestern Pakistan. The selection was made at a board meeting of the Gwadar Port Implementation Authority (GPIA) on December 8, and unanimous consent was given for the selection of PSAI.

PSAI is a global leader in the ports and terminals business. It operates 20 port projects in 11 countries, namely Singapore, Belgium, Brunei, China, India, Italy, Japan, the Netherlands, Portugal, South Korea and Thailand. In 2005, it handled 41.18 million 20-foot-equivalent units (TEUs) of containers at all its ports around the world, including 22.28 million TEUs in Singapore.

The first multi-purpose terminal at Gwadar has been completed, with a quay length of 600 meters and a depth of 14.5 meters, with a sizable backup area. Cranes, other terminal equipment and tugs have been acquired. Gwadar port can play a major role in serving as a corridor for energy, cargo and services among Central Asia, the Persian Gulf and other surrounding regions. According to some experts, Gwadar port is one of the suitable options for eastbound oil trade for South Asian, Southeast Asian and Asia Pacific markets, as it would be impracticable from 2020 onward to ship an increasing quantity of oil through the present route of the Strait of Hormuz. The proposed outlet at the Gwadar deep sea port could take a part of the 10-million-barrel daily increase in the eastbound oil from the Persian Gulf countries by 2020. The Gwadar port can handle very large crude containers of up to 500,000 tons dead weight. The government has already finalized plans for the second phase of the port. The second phase, which will have nine more berths, an approach channel and storage terminals, is also being financed by China. It will have three container terminals with a quay length of 2 kilometers, a bulk-cargo terminal, a grain terminal and an oil terminal.

(Comments: The article on the strategic values of Gwadar port as the first pearl of “the string of pearls strategy” deployed by China is available in the OPRF MARINT Monthly March 2006.)

### **December 16 "Five-country Energy Ministers Meeting opens in Beijing" (People's Daily, December 19, 2006)**

On December 6, a regional energy ministers meeting attended by delegates from India, South Korea, Japan, and the US which account for nearly 45.2 percent of world oil consumption was held in Beijing. Minister of the National Development and Reform Commission (NDRC) Ma Kai told at the opening session, "This meeting aims at safeguarding the stable and sustainable development of the global energy industry and building a new concept of energy security featuring mutual benefit and diversified development."

### **December 17 "Beijing, Washington sign Reactors Pact" (AP, December 18, 2006)**

Winning competitions with the French and Russian rivals, the United States has signed an agreement with China that paves the way for Westinghouse Electric Co. to build four civilian nuclear reactors in China, a multibillion dollar coup for U.S. business. A memorandum of understanding supporting the transfer of nuclear technology to China was signed on Saturday by China's Minister for the National Development and Reform Commission Ma Kai and U.S. Energy Secretary Samuel Bodman. Bodman said at the ceremony, "This is an exciting day for the U.S. nuclear industry. It is an example that we can advance not only our trade relations but also our common goal of energy security. " According to Ma, this agreement pushes up the nuclear technology to a new level, and it will certainly play a very important role in enhancing the

cooperative partnership between China and the U.S..

**December 29 "China starts oil shipping via Mekong River" (Xinhua, December 29, 2006)**

Two ships each carrying 150 tons of refined oil have arrived in southwest China's Yunnan Province from neighboring Thailand via the Mekong River, marking the trial launch of China's oil shipping program with its Southeast Asian partners. The Mekong River rises on the Qinghai-Tibet Plateau and flows through China, Myanmar, Laos, Thailand, Cambodia and Vietnam to the South China Sea. It is called Lancang River in China.

In March 2006, China signed a landmark agreement with Laos, Myanmar and Thailand on refined oil shipping on the waterway. But the agreement allowed a monthly shipping quota of only 1,200 tons of oil out of safety concerns. The three Southeast Asian nations, however, later agreed to raise the quota after China had set up an emergency response team to ensure the oil shipping safety on the river. As a result, China would ship around 70,000 tons of refined oil each year from Thailand alone via the Mekong River. Experts estimated that a total of 200,000 tons of refined oil would be shipped to Yunnan via the waterway when the quota was scrapped, adding that the transportation cost per ton was 25.6 U.S. dollars less than that by land. Experts from China, Laos, Myanmar and Thailand were checking ports and oil shipping facilities along the river, studying the feasibility of shipping larger amounts of refined oil. They expect the program will help boost transport cooperation on the Mekong, which opened to commercial navigation 16 years ago. The river has become a tourist route and major transport channel between China and members of the ASEAN. In the past five years, the river has carried up to two million tons of goods, representing trade worth more than 10 billion 1.28 billion U.S. dollars.

## 2. Intelligence Assessment

### Strategic Global Partnership between Japan and India: Significance and Orientation

From 13 to 16 December, the Prime Minister of India, Manmohan Singh, paid an official visit to Japan at the invitation of the Prime Minister of Japan, Mr. Shinzo Abe. Mr. Singh last visited Japan five years ago.

On 15 December the top meeting between Japanese and Indian Prime Ministers was held, and they agreed to pursue strategic and global partnership based upon common values and interests including democracy and rule of law. Both leaders signed a declaration placing the promotion of Japan-India relations in broad areas as a central issue.

Prime Minister Singh addressed the Japanese Diet, where he expressed his determination to strengthen Japan-India relations and roads to that goal. India is an important partner for regional cooperation, even though his visit was, as a whole, reported as low-key by the Japanese media. On the occasion of Mr. Singh's visit to Japan, the significance and prospect of strategic global partnership between Japan and India, focusing our attention on strategic areas of defense and security, are worthy of our consideration.

#### A. Top-level Conference and Outline of Joint Statements

At the summit, the two leaders confirmed bilateral relations comprising the highest probability that the relationship between Japan and India is based on the common values of democracy, freedom, human rights, and rule of law as well as broad common interests.

In addition, they agreed to promote the relations between the two nations to "global partnership", and toward that goal, they signed a statement expressing concrete actions in the broad areas covering national defense and security, economic coordination, regional and international cooperation, and closer people-to-people exchanges.

According to the joint statement, both leaders agreed to take actions in the field of defense and security, as follows:

1. The two leaders welcome the Joint Statement issued following talks between the Minister of State for Defense of Japan and the Defense Minister of India in May, 2006, and confirm the commitment to enhance defense cooperation. They urge concerned agencies to develop an annual calendar of cooperation and exchanges relating to defense and security and to progressively enhance cooperative activities, including high-level exchanges and consultation between services. The countries will undertake a goodwill exercise between the Japan Maritime Self Defense Force and the Indian Navy in 2007.
2. Recognizing that Japan and India have large Exclusive Economic Zones and maritime interests, the two leaders confirm their intention to work closely to enhance cooperation in capacity building, technical assistance and information sharing between their respective agencies

and undertake anti-piracy measures. They share the view that Japan and India must cooperate closely to ensure the safety and security of international maritime traffic that are vital for their economic well-being as well as that of the region.

3. The two leaders endorse regular exchanges between the two Coast Guards through meetings of heads of the Coast Guards, mutual visits of Coast Guard ships and the holding of combined exercises. In this context, the signing of a Memorandum of Cooperation between the Coast Guards was welcome. They also welcome the coming into force of the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) and reaffirm their intention to enhance cooperation with respect to anti-piracy countermeasures under its framework.

The two leaders discuss recent events on the Korean Peninsula and share concerns on the nuclear test conducted by DPRK, which has greatly complicated the security situation in the region and highlighted the true extent of clandestine proliferation. The two leaders stress the importance of fully implementing the UN Security Council resolution 1718 and confirm that they will promote practical cooperation towards this end.

According to the press conference, regarding the civil nuclear cooperation, Prime Minister Singh asks Japanese understanding and cooperation for the U.S.-India Agreement (signed by U.S. President Bush on 18 December 2000) . For this request, Japanese Prime Minister Abe carries over his judgment on an agreement to this matter, expressing that Japan's position is under study and will be decided after examination of investigative results and discussions by the Nuclear Suppliers Group (NSG) which stipulates nuclear-related export control.

According to the Joint Statement, the two sides will continue to discuss the international civil nuclear cooperation framework with respect to India.

## **B. Importance of Cooperation with India**

In recent years, India has been enhancing its presence in Southeast Asia. Looking from the economic areas, China is expected to become the second economic power next to the United States in 2020, and India will stand abreast with the Western powers. Moreover, India is regarded to become the third economic power in the world in the middle of this century. It means that huge markets of the population of some two billions will be emerging in Asia.

In view of foreign relations, India is actively tackling the challenge to strengthen the important strategic partnership with the United States and expanding cooperative relations with its traditional friend, Russia, in the areas of energy and the military. On the other hand, India is enhancing economic relations and aiming to strengthen the strategic partnership with China, with whom it exchanged fire on the borders in 1962.

India also embarked on promoting relations with East Asian countries under its "Look East Policy" and is steadily increasing initiatives in the international arena by participating in the East Asian Summit (EAS).

India and Japan share universal values comprising freedom and democracy, rule of law, respect of human rights and market economy. India could be an important partner for Japan, like

the United States and China, when we build up international orders for peace, stability and prosperity in Asia. At the same time, development of the India-Japan relations is important in light of possibility to derive a positive influence on the Japan-China relations. Therefore, promotion of strategic partnership of Japan and India will be an essential factor for making up an Asian international order.

For Japan, which relies on the Middle East for much of its natural resources, there are many areas of potential cooperation with India. Having long coastlines along the Japanese sea-lanes, India is important for Japan strategically and geopolitically. India cooperates with us in many areas covering maritime security, war against terrorism, proliferation of weapons of mass destruction, energy, environmental measures, maritime control of search-and-rescue, and tsunami countermeasures.

Until today, the relationship between Japan and India has not been developed enough to the level based upon such strategic viewpoints, and it has been delayed, compared with those between Japan and China. Recognizing the strategic importance of India, Japan should further promote the relationship in the strategic areas covering not only economy but also diplomacy and security.

### **C. Specific Cooperation with India and its Orientation**

1. In the address to the Japanese Diet on 14 December, Prime Minister Singh said that we are two major Asian countries who share the universally respected values of freedom, democracy, respect for fundamental rights and commitment to the rule of law. He emphasized that partnership between Japan and India has the potential to create an “arc of advantage and prosperity” across Asia, laying the foundation for creation of an Asian Economic Community.

At the press conference, Japanese Prime Minister Abe said they had agreed that in the Asia-Pacific regions it is beneficial to hold dialogue not only between Japan and India but also between the countries which share the common view of democracy. From this view, if India were to join in the strategic dialog of three countries of Japan, the United States and Australia, building a new framework of dialog of four countries, it would have a great significance on not only contributing to the stability of Asia but containing the creation of regional orders under the initiatives of China.

2. Cooperation between Japan and India in the areas of maritime security, counter-terrorism and piracy is extremely important. The world maritime cargo transport totals approximately seven billion tons a year. Among this, fourteen percent is done in Asia, contributing to the regional trade and economic developments.

In order to keep maritime transport safe and stable, it is necessary to eliminate the threats of ocean crimes including piracy and sea terrorism at the chokepoints in the sea routes of the Strait of Hormuz, southern parts of the Indian Ocean, Andaman Sea, Malacca Strait, and major ports susceptible as a hub center. It is also essential to form the framework of international cooperation which is composed of bilateral or multilateral international cooperation and Proliferation Security Initiative (PSI) in elaborate manners.

The joint statement urges an expansion of cooperation between the Japan Maritime Self

Defense Force and Indian Navy in addition to cooperation of the two Coast Guards. The orientation of future development is noted. Indian participation in PSI is desired. For the maritime security in areas centering on the Indian Ocean, the United States is an important country for cooperation covering intelligence activities.

As we have frequently introduced in the Monthly reports, India is strengthening naval power and maritime capabilities, with the aim of becoming a maritime nation. However, India is still distinctly behind in maintaining infrastructure in the areas of marine transportation, shipbuilding and ports.

It is hoped that Japan would slacken judicial restrictions in order to build the infrastructure of marine transportation and shipbuilding and ports so that India can promote cooperation by utilizing Japan's Official Development Aid (ODA) as its largest recipient.

3. India is the fourth largest energy consuming country after the United States, China and Russia, and it relies on import of 70 percent of oil consumed. Together with China, India is regarded as becoming the largest energy-importing country in the future. In this respect, cooperation on nuclear energy between the two countries will become an important issue.

As India conducted nuclear tests in 1974 and 1998, in Japan people have strong resistance against the Indian nuclear tests from their sentiment as inhabitants of the only country hit by nuclear bombs. At the recent top-level meeting, Prime Minister Abe said that Japan is studying the Japanese position.

Despite her non-member status in the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), India has promised contributions to non-proliferation policies, including separation of civil and nuclear facilities, application of International Atomic Energy Agency (IAEA) safeguards to civil facilities by 2014, signature to the IAEA Additional Protocol, and participation efforts into Fissile Material Cut-off, and observance of export control. As for the Comprehensive Nuclear-Test-ban Treaty (CTBT), India pledges to continue nuclear test moratorium and will not hinder the treaty's being put into effect. Regarding the criticism that the U.S and India agreement on utilizing civil nuclear power will weaken the NPT regime, Prime Minister Singh has expressed his idea that the open and democratic country which performs international responsibilities and those countries that carry on covert nuclear developments and bring about proliferation should not be discussed on the same line. He has tacitly mentioned that a clear distinction should be made between India and Pakistan, North Korea, and Iran.

As a member of NPT, Japan has sufficient knowledge and experience as well as technology over nuclear safety control and nuclear energy's peaceful use under the strict measures guaranteed by the IAEA. Japan should correct the posture of denying discussions and cooperation on nuclear matters by insisting to no purpose on the principles of the NPT for the reason that Tokyo will not recognize India's non-participation in the NPT and nuclear possession. Japan can involve India in international NPT regime of the Weapons of Mass-destruction by positively providing expertise on procedures of guarantee by IAEA.

In addition, it is desirable that Japan should cooperate in construction of India's nuclear power plants for peaceful use and their control with technology which has been cultivated by her nuclear



industry. Apart from the United States, so far Britain, France, and Russia have shown interest in cooperation. Cooperation in this area will contribute to international price stability of oil, natural gas, coal and other energy sources as well as to the effectiveness of energy and environmental matters. It also contributes to better solutions regarding electricity whose consumption will grow due to India's domestic industrial development.

4. For the organizational reform centering on the Security Council in the United Nations, cooperation between Japan and India is important as the candidates for permanent membership. In the Joint Statement both nations confirmed, "We are determined to strengthen cooperation and coordination toward realization of the comprehensive reform of the United Nations (UN), including the expansion of the UN Security Council in both permanent and non-permanent categories to reflect contemporary realities of the world." From now on, it is hoped that both nations will study the procedure on the Security Council reform and the "enemy clauses" in articles 53 and 107.

#### **D. Tasks in Future**

1. If India-Pakistan conflict breaks out again and continues to last long over Kashmir—the hot spot in South Asia—the development of India and South Asian region would be anticipated to stagnate dramatically.

Pakistan, another party of the conflict, has many domestic hardships, and remains an indefinite factor. The stability of Pakistan and establishment of good Indian-Pakistani relations are the key for the future stability and cooperation in the South Asian region. In this area, involvement and cooperation of out-of-area powers—the United States, Russia, China and Japan—are particularly important.

2. At the summit conference of the South Asian Association (SAAC) in November 2005 Japan, together with China, were approved to attend the committee as observers. According to the Joint statement, Japan is expected to participate as an observer in the summit meeting to be held in India in 2007. The SAARC is made up of seven South Asian countries: India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and Maldives. The progress of regional cooperation has not been proceeding smoothly partly due to India-Pakistan confrontations. Besides, currently, the SAARC accounts for less than five percent of global trade, which is small when compared with 22 percent share by ASEAN.

For the out-of-area big powers, involvement in this organization will be a stepping stone to expand their influences in all of South Asia beyond traditional South Asian policy centering on India and Pakistan.

Japan can contribute to peace and stability in South Asian region as the country providing the largest amount of aid. In the future, the SARC and SCO have the potential to turn into a new power game of all great powers in Asia. Although the participation of out-of-area big powers benefits the economic development of regional countries, it will bring new conflicting relations of Great Powers into South Asia. Japan should carefully monitor the various policies for the expanding influence of China in this region, and it will be necessary to build up strategic South



Asian policy through Indian and Japanese cooperation.

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