

Overview

East Asia in 2010

1. Rising Tensions in the Korean Peninsula

Two sets of military actions by the Democratic People's Republic of Korea (DPRK or North Korea) heightened North-South tension in the Korean Peninsula in 2010. On March 26, 2010, *Cheonan*, a patrol vessel belonging to the navy of the Republic of Korea (ROK or South Korea), sank in the Yellow Sea. The South Korean government claimed in an official report of its investigation that the vessel was sunk by a torpedo fired by a North Korean submarine. Then on November 23, North Korea twice shelled South Korea's Yeonpyeong Island, which lies just off the DPRK's coast in the Yellow Sea, causing casualties among South Korean marine forces and civilians. Meanwhile, another significant development in North Korea had to do with the upcoming succession to Kim Jong Il as general secretary of the Workers' Party of Korea. Acting in his capacity as supreme commander of the Korean People's Army, Kim Jong Il, who is also chairman of the National Defense Committee, promoted his son Kim Jong Un to the rank of general on September 27. At a meeting of Workers' Party representatives the following day, Gen. Kim Jong Un was elected vice chairman of the Central Military Commission as an apparent move to groom him to succeed Kim Jong Il. Since the sinking of the *Cheonan* and the shelling of Yeonpyeong Island occurred during preparations for this transfer of power, it would be reasonable to assume that the need to legitimize this transfer to the senior echelons of the military and to the people was one of the factors underlying these military actions. Although the Kim Jong Il regime aims to turn North Korea into a "strong and prosperous nation" by 2012 as part of efforts to improve the economy, poor harvests caused by cold weather, shortages of electric power and materials, and the failure of currency reforms make the achievement of that goal increasingly unlikely. With little hope of bolstering its legitimacy through economic development, the Kim Jong Il regime is increasingly relying on the military's firm support for the regime.

The effect of these military actions by North Korea has been to foster a more hard-line stance towards Pyongyang in South Korea. Following the sinking of the *Cheonan*, South Korea agreed with the United States in June to postpone the transfer of wartime operational control (OPCON) from the ROK-US Combined Forces Commander to South Korea, which had been scheduled for April 2012, until December 2015. In another move aimed at sending a strong message to North Korea regarding its military actions, the United States and South Korea held joint naval exercises on the Japan Sea in July and again on the Yellow Sea,

where the above incidents occurred, in August. The fact that North Korea used a submarine to attack the *Cheonan* suggests that North Korea favors asymmetric naval power to offset its inferiority in surface vessels. Responding to the apparent strength of North Korea's asymmetric military power, the South Korean military has been shifting its defense planning focus from managing an all-out war with the North to responding to localized military actions. On June 21, 2010, Minister of National Defense Kim Tae-young declared at a meeting of the National Assembly's Defense Committee that while the main objective of any military buildup was still to prepare for full-scale war with North Korea, South Korea would now give priority to dealing with incursions and localized provocations by North Korea. This revision of priorities is likely to bring about two sets of changes. The first is enlargement of the role of sea-air power in dealing with North Korea. In the joint US-ROK exercises held in August 2010, the antisubmarine capabilities of the KDX-I (3,200 tons) and KDX-II (4,500 tons) destroyers played a central role for South Korea. In his November 29 comments on the shelling of Yeonpyeong Island, Defense Minister Kim Tae-young revealed plans to strengthen South Korea's ability to retaliate using air and naval forces in the area surrounding five islands near the Northern Limit Line, including Yeonpyeong Island. Second, the importance of joint operations is increasing. On June 14, 2010, President Lee Myung-bak called for the army, navy, air force, and marines to be integrated organically and efficiently. This would accelerate the transformation toward joint operation of the South Korean forces. Taking up this challenge, on November 5, 2010, the Joint Chiefs of Staff began studying ways to integrate operations more tightly and announced plans to start the actual process of revising military orders and reorganizing from 2012.

2. China's Intense Brown-water Activity

China has recently been taking a more assertive stance in the East China Sea, and the People's Liberation Army Navy (PLAN) has conducted a variety of training exercises in the East China Sea and the western Pacific Ocean. In April 2010, a flotilla of ten ships from the PLAN's East Sea Fleet, including two destroyers, three frigates, and two submarines, transited the Miyako Strait between Okinawa's main island and Miyako Island on its way into the Pacific Ocean, where it conducted a variety of training exercises. On two occasions during these exercises, on April 8 and April 21, the PLAN sent shipboard helicopters exceedingly close

to Japan Maritime Self-Defense Force vessels monitoring the operation.

China's stepped-up surveillance activity in the South China Sea is causing friction to arise with nations in Southeast Asia. In 2010, the Chinese fishery administration's surveillance ship *Yuzheng 311* and some other Chinese ships caused friction with Malaysia, Indonesia and Vietnam during their strengthening patrolling there. For example, in June, when an Indonesian patrol boat seized a Chinese fishing vessel operating in Indonesian waters, the *Yuzheng 311* aimed its gun at the patrol boat and took other threatening actions that forced the release of the fishing vessel. China is also taking steps to expand the presence of its navy in the region by carrying out large-scale training exercises. In March, six ships belonging to its North Sea Fleet sailed to the South China Sea for three weeks of open ocean maneuvers. On July 26, the PLAN, led by its South China Sea Fleet, conducted a large live-ammunition training exercise over a three-week period in the South China Sea, bringing together warships, submarines, and combat aircraft. The exercise, which simulated actual battle conditions, including electronic warfare, tested the fleet's ability to conduct medium- to long-range precision missile strikes, air control operations by naval aviators, and anti-missile air defense operations by surface ships. During the exercise, the navy used 16 different missiles in a total of 71 launches.

The United States has taken steps to check these moves by China. In July 2010, Secretary of State Hillary Clinton, who was in Hanoi to participate in the ASEAN Regional Forum (ARF), indicated that the United States was prepared to become more involved in maintaining the stability of the South China Sea. In addition, through various joint exercises, the US military is strengthening its relations with the countries of Southeast Asia and increasing its presence in that ocean.

3. The Obama Administration's Continuing Emphasis on Asia in its Foreign Policy

The US administration under President Barack Obama is continuing to place strong emphasis on East Asia in its foreign policy. Branding the United States as a member of the Asia-Pacific community, the Obama administration is striving to increase the US presence in the region by expanding and deepening engagement of the region's nations and multilateral frameworks. The economic importance of East Asia to the United States is still growing, as the region is home to some of the biggest trading partners for the United States. At the same time, the region is an

ever more strategically significant part of US security policy because of the diverse security challenges it poses—nuclear proliferation, increased activity by Islamic extremists in Southeast Asia, unresolved territorial disputes, and heightened tensions over energy and natural resources. The biggest challenge in US policy on East Asia, however, may well be the question of how to engage China, a dynamically growing country that is rapidly expanding its economic and military influence.

During its second year in office, the Obama administration aimed its East Asian policy mainly at supporting the economic growth of nations in the region, constructing a stable security regime, and spreading democracy and protection of human rights. In order to achieve these goals, the United States is seeking to expand its cooperative relationships with regional countries at different levels—meaning active efforts to build up not only traditional bilateral ties, but also multilateral partnerships, including regional frameworks. Specifically, the United States is reinforcing its existing alliances and partnerships with Japan, South Korea, Australia, Thailand, and the Philippines, while also endeavoring to open up new avenues of cooperation with other countries including China, India, Indonesia, Vietnam, and Singapore. Moreover, the United States has defined ASEAN, the ARF, the East Asia Summit (EAS), and the Asia-Pacific Economic Cooperation (APEC) as East Asia's key regional frameworks, and is pursuing deeper engagement with them. Through these efforts, the Obama administration is aiming to enhance its capability to deal effectively with not only the traditional challenge of preventing conflict, but also new security challenges that transcend national borders.

4. The Growing Economic Power of the Emerging Nations and the International Order

The growth of the world's economy has been slowing down since 2008 as a result of the unfolding global financial crisis. Although signs of a recovery began to emerge in the second half of 2009 thanks to vigorous fiscal and monetary measures taken by all countries as a response to the crisis, the pace of recovery in the advanced economies has been lackluster. The growth of the global economy is thus being driven mainly by the booming economies of the emerging countries. Growth rates in 2009 and 2010 were particularly high in Asian emerging economies such as China and India, which showed little sign of being affected by

the financial crisis. These countries account for a growing proportion of total world economic output, and the ongoing economic power shift from the advanced economies to the emerging economies seems likely to lead to a changeover in the international regime. It is in this context that the role of the Group of 20 (G-20) framework is becoming more important as a major forum for the discussion of global economic issues. It has been generally recognized that the economic and financial problems posed by the global financial crisis cannot be adequately handled solely by the existing international financial regime, centered on the International Monetary Fund (IMF) and the World Bank. For this reason, against the background of discussions among members of the US and EU governments regarding the need for a new international summit-level forum to debate and implement measures to address the global financial crisis, an idea of G-20 summit was proposed. The G-20 is attended not only by representatives of the industrialized nations, who share fundamental values and principles, but also by representatives of emerging nations, whose economic systems and ideologies are very different. The venue therefore is characterized by multilateral debate on financial and economic issues, and the United States has come to place greater emphasis on building an international consensus on such issues.

Since the start of the global financial crisis, not only have the economies of the industrialized nations been posting sluggish growth, but the world economy has also faced serious issues such as global imbalances and continued low interest rates. There are considerable differences of opinion on these issues between the United States and China, which is one of the emerging nations. The United States regards the persistent trade deficit with China as a problem requiring a solution, and has called on China to increase the flexibility of the renminbi's exchange rate. China, for its part, blames the US government's maintenance of a low interest rate policy and the further easing of monetary policy for causing excess liquidity on international financial markets. The Chinese government claims that US policy threatens to cause runaway asset price inflation among the emerging nations. Prior to the G-20 Seoul Summit in November 2010, it had been widely expected that discussions on such issues as current account imbalances, the renminbi's exchange rate, and credit relaxation policies followed by the industrialized nations would dominate the agenda of the meeting. In the event, a consensus was reached on the need to realize: (1) concrete actions by both countries with trade deficits and those with trade surpluses; (2) the strengthening of the mutual evaluation

process; and (3) the creation of guidelines for evaluating measures to rectify external imbalances. However, the summit reached no agreement on specific measures to address exchange rate policies. Economic policies at the national level can only be effective in the context of international coordination in today's globalized and mutually interdependent economic environment, and thus considerable hopes rest on the role of G-20.

The global spread of the financial crisis that began in the United States had a considerable impact on the presence of the United States in the world economy. In the face of the growing economic power of emerging nations such as China and India, the United States and other industrialized countries have been searching for ways to promote collaboration with those nations and at the same time, trying to retain their role and weight in the international economic governance. The United States is following a medium- to long-term policy of restoring fiscal discipline so as to maintain the international community's trust in the dollar and US Treasury bonds, whereas in the short term, it is increasing public spending to stimulate economic growth and create new jobs. In these ways, Washington is seeking to restore the nation's strength and reestablish its leading role in the global economy. On that basis, the United States is also trying to reestablish its international status by reconstructing its military within limits imposed by the need to avoid additional financial burdens. This endeavor aims to reinforce the US international commitments by increasing their aid budget, while reducing military expenditure by withdrawing US armed forces from Iraq and Afghanistan. Whether these aims are effectively realized or not will be a significant factor affecting East Asia and the international order on a global scale.