



Backgrounder

Executive Summary

No. 1487

October 4, 2001

PREPARING FOR THE APEC SUMMIT: MOBILIZING ASIAN ALLIES FOR WAR

JOHN J. TKACIK, DANA R. DILLON, BALBINA HWANG, AND SARA J. FITZGERALD

President Bush has two important goals at the October 18–20 Asia Pacific Economic Cooperation (APEC) leaders' summit in Shanghai. He must advance his trade agenda, but that mission is clearly overshadowed by the war against terrorism. Asia will be a major theater of operations. Although the summit will center on trade and economic priorities, President Bush's own focus must be on mobilizing Asian allies for victory over international terror.

The APEC summit gives the President a unique venue to confer directly with key Asia–Pacific partners on a wartime strategy for East Asia. He should spend his time with leaders who can assist the anti-terrorist effort. His meeting schedule should prioritize those APEC leaders who are important allies and friends in the war on terror—Australia, Japan, Korea, the Philippines, Singapore, and Malaysia—and allow time with China's leaders.

Critical Allies. On September 14, Australia invoked the ANZUS mutual defense treaty for the first time. Australian Prime Minister John Howard confirmed that “Overall command on this occasion be in American hands.” Intelligence cooperation is underway, Australia's navy will support the U.S. fleet, and even troop deployments are possible. President Bush owes this “Southern Pillar” of

U.S. defenses in the Pacific a one-on-one strategy meeting in Shanghai.

Japan has already pledged needed military, naval, and medical support, but its essential contribution will be in the reconstruction of war-torn Central Asian economies. Although Prime Minister Junichiro Koizumi was in Washington on September 25, another substantive Bush–Koizumi meeting at Shanghai is in order, if only to review the progress of the previous weeks.

South Korean President Kim Dae-jung has volunteered Korea's full involvement “as a close ally in the spirit of the Mutual Defense Treaty.” Since President Bush has cancelled his visit to Seoul, he must place a strategy session with President Kim at the top of his APEC meeting schedule.

Philippine President Gloria Macapagal-Arroyo is also on the “must-see” list. Not only is the Philippines a close ally, but Philippine intelligence services have worked closely with U.S. counterparts

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tracking the Osama bin Laden network since 1995. The Philippines also has taken steps to bring Malaysia and riot-wracked Indonesia quietly into the anti-terror battle.

Another “must-see” is Singapore Prime Minister Goh Chok Tong. Though small, Singapore has great influence among its Southeast Asian neighbors, is a major world financial center with strict government supervision of international financial movements, and is the only non-ally in Asia to spend its own funds to build a base for the primary use of the U.S. Navy.

The President must also meet with Malaysian Prime Minister Mahathir Mohamad. Malaysia is not yet part of the war on terrorism, but the Bush Administration should encourage Mahathir to join the Philippine initiative against terrorism. Malaysia for years has opposed political radicalism in the name of Islam, and its police and security forces cooperate with Washington and train with the American military.

Lesser Priorities. If time permits, the President may also spend time with leaders from Thailand and Taiwan. Little time need be spent with the unenthusiastic New Zealand, and Indonesia has its own terrorist crisis—one targeting Americans in particular—and is doing nothing about it. The other Asian APEC members are marginal to the war effort, at best.

President Bush’s formal address to APEC leaders should underscore the financial intelligence aspect of the strategy against terrorism. APEC would also be an appropriate venue to discuss bilateral free trade agreements with Australia and Singapore.

China (this year’s APEC host and a permanent member of the U.N. Security Council) demands “clear evidence” of bin Laden–Taliban guilt before American action and links “terrorism” with Taiwan “splittism.” The President should not haggle with the Chinese (certainly not over Taiwan) but should clearly state his case and move on. Beijing has at least offered financial intelligence and aid in “rescue efforts” (including, perhaps, letting damaged U.S. planes land at Chinese bases). However, it will be important that China not complicate matters in the U.N. or hamper Hong Kong in provid-

ing financial intelligence. President Bush must raise these issues with Chinese President Jiang Zemin.

Trade was to have been a focus of the President’s now-cancelled Beijing trip, but the approval of China’s World Trade Organization (WTO) membership makes this moot. A complicating factor is that China’s leaders are now preoccupied with the political succession of a “Fourth Generation” to the top leadership at the 16th Party Congress in October 2002. They are also frustrated by ballooning unpaid social welfare, pension, and unemployment obligations that may be greater than China’s GNP. President Bush may find the Chinese concerned more about domestic stability than about aiding a U.S. war effort.

What the President Should Do. To make the fullest use of the unique opportunities that the APEC summit presents at a critical time, President Bush should:

- **Focus** on countries that can help: Australia, Japan, Korea, the Philippines, Singapore, and Malaysia;
- **Not trade away** America’s prestige and international standing by making side deals with China over what the United States says about or sells to Taiwan;
- **Make clear** to the Southeast Asian states with moderate governments and large Islamic populations that they must help in the war on terrorism; and
- **Urge** APEC partners to enact legislation on money laundering to allow greater powers to investigate specific accounts with reasonable cause and to monitor closely informal money transfer networks to minimize the flow of funds into terrorist hands.

—*John J. Tkacik is Research Fellow for China, Taiwan, and Mongolia, Dana R. Dillon is Senior Policy Analyst for Southeast Asia, and Balbina Hwang is a Policy Analyst on Northeast Asia in the Asia Studies Center at The Heritage Foundation. Sara J. Fitzgerald is a Policy Analyst in the Center for International Trade and Economics at The Heritage Foundation.*



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PREPARING FOR THE APEC SUMMIT: MOBILIZING ASIAN ALLIES FOR WAR

JOHN J. TKACIK, DANA R. DILLON, BALBINA HWANG, AND SARA J. FITZGERALD¹

The Asia Pacific Economic Cooperation (APEC) leaders' summit in Shanghai, scheduled for October 18–20, was intended to focus on trade and economic priorities. But the United States is now at war, and Asia will be a major theater of operations. President Bush's focus at the APEC meeting must be on mobilizing America's East Asian allies and friends for an unconditional victory over the forces of terror. The 2001 summit will provide a unique opportunity for the President to confer directly with key Asia–Pacific partners in coordinating a wartime strategy for East Asia. While the leaders of Russia, Canada, Chile, Peru, and Mexico will also be present at the APEC meeting, this paper focuses on the Asia–Pacific countries.

The President should use his limited time in Shanghai wisely. He must not let the pomp and ceremony of the summit—or its ostensible economic focus—distract him from his purpose. He must spend time with leaders who can help the war against terrorism and avoid wasting time with those who cannot or will not assist the effort. Therefore, the President's meeting schedule should prioritize those APEC leaders who are important allies, friends, and potential friends in the war on

terror: Australia, Japan, Korea, the Philippines, Singapore, Thailand, and Malaysia.

AMERICA'S EAST ASIAN ALLIES: THE "MUST-SEES"

Beyond offering President Bush an opportunity to size up the Chinese leadership, his presence in Shanghai is fortuitous because it affords him the chance to strengthen ties with America's major allies in the Asia–Pacific region and to brief his alliance counterparts personally on the preparations for the war on terror. While the United States' formal defense treaties with its East Asian allies generally contemplate military operations within the region that have been duly reported to the United Nations, all of America's treaty allies—Japan, South Korea, Australia, and

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the Philippines—have already expressed total support for the U.S. war effort.

Australia: Shoulder-to-Shoulder in Every Conflict

Australia is America's most dependable ally in the region because Canberra identifies its most critical security interests in the Asia–Pacific region with Washington's and is committed to coordinating its military and naval strategies with its American counterpart. This clearly makes it America's most reliable ally in the region from an operational point of view.

Australian Prime Minister John Howard's visit to Washington in early September was not a particularly satisfactory experience because of his inability to make progress on a free trade agreement (FTA) with the United States. Howard was, nonetheless, sensitive to President Bush's own difficulties in gaining trade promotion authority (TPA) from Congress and went out of his way to reassure the U.S. media of Australia's continuing commitment to the U.S.–Australia alliance, declaring that "We do have a close alliance. I mean there's no country that we're closer to in a strategic and ideological sense."² Howard's words are a reminder of how crucial the American alliance with Australia will be to the impending campaign against terror in Asia.

President Bush should thank Australia for its clear and unequivocal support for the war on terrorism, coordinate military and economic strategies to combat terrorism, and provide tangible support for Australia's goal of concluding a free trade agreement with the United States.

Japan: Key to Stability in the Asia–Pacific Region

When President Bush meets Prime Minister Junichiro Koizumi at the APEC summit, he should reiterate the critical importance of Japan's role as America's pivotal ally in East Asia and acknowledge its full support in the U.S. campaign against terrorism. Prime Minister Koizumi should

Member Economies of the Asia Pacific Economic Cooperation (APEC) forum

Australia
 Brunei Darussalam
 Canada
 Chile
 People's Republic of China
 Hong Kong, China
 Indonesia
 Japan
 Republic of Korea
 Malaysia
 Mexico
 New Zealand
 Papua New Guinea
 Peru
 Republic of the Philippines
 Russia
 Singapore
 Taiwan (Chinese Taipei)
 Thailand
 United States of America
 Vietnam

be commended for his September 20 pledge that Japan would provide as much support as possible, including much-needed financial support for medical aid to Afghanistan, aid for refugees, and assistance in transporting supplies,³ as well as limited military assistance under the guidelines of its Peace Constitution.

On September 27, Koizumi called on the Diet to enact a seven-point plan to allow Japan's Self-Defense Forces to provide logistical support for U.S. action in Afghanistan. Under the Koizumi proposals, Japan's Maritime Self-Defense Force

2. John Howard, interview on *The NewsHour with Jim Lehrer*, September 10, 2001, transcript p. 7151.

3. Alexandra Harney, "Koizumi Vows to Support US Campaign," *Financial Times*, September 26, 2001, p. 7.

will dispatch a supply ship and three destroyers—including an Aegis ship with advanced radar and surveillance gear—to the Indian Ocean to support U.S. efforts, and the Japanese air force will send transport aircraft to Pakistan with supplies for refugees.⁴

This is a significant gesture on Japan's part, as it is a sharp departure from the traditional posture whereby Japan's pacifist constitution has been interpreted as requiring it to remain on the sidelines of international conflicts. This new stance, designed to reassure the United States that Japan intends to hold up its side of its "special relationship" with the U.S., is politically sensitive for Koizumi's government even though it has broad support among the Japanese electorate and polls show that 70 percent of the Japanese people favor the mobilization of the military to provide logistical support to U.S.-led forces against terrorism.⁵ The United States should recognize the politically sensitive nature of this commitment in Japan and understand that it may take some time to initiate limited military assistance.

Aside from military participation, President Bush should seek the assistance of Japan's network of businesses and commercial contacts in the Middle East to provide intelligence on terrorist organizations operating in the region. Japan also should be urged to address domestic financial regulations and loopholes that could allow terrorist organizations to utilize its financial system for their activities. One way to do this is for the Japanese central bank, ministry of finance, and law enforcement offices to establish a financial intelligence collection mechanism that can quickly identify suspect accounts, track previous money laundering and other transactions from those accounts, and freeze existing suspect assets.

Although a connection has not been made between North Korea and the September 11 attacks, North Korea remains a primary terrorist concern for the United States. Japan should be encouraged to pledge its full commitment to root-

ing out all links within its financial system that illegally support the North Korean regime. This includes investigating all financial institutions that handle money transactions with North Korea via the strong pro-Pyongyang criminal underworld in Japan.

South Korea: Garnering Support from an Important Ally

In the past year, Washington's ties with Seoul have been strained by misguided perceptions in the Blue House (and among the Korean public in general) that the new Bush Administration's North Korea policy had caused a rupture in the North-South dialogue. While recent moves in Washington to reach out to North Korea have assuaged some of these concerns, resentment in South Korea based on incorrect perceptions remains. When he meets South Korean President Kim Dae-jung at the APEC summit, President Bush should keep these negative perceptions in mind while recognizing the important role that South Korea can play in the U.S. campaign against terrorism.

The Republic of Korea (ROK) should be praised for its strong and unconditional support for the United States. On September 17, President Kim announced his government's full support for the United States in its war against terrorism and promised "all necessary cooperation and assistance as a close U.S. ally in the spirit of the ROK-U.S. Mutual Defense Treaty." He also declared that the ROK "will take part in the international coalition to support the U.S. actions against terrorism."

In addition, the ROK muted its reaction to Japan's announcement that it would deploy military equipment and self-defense forces to the Indian Ocean. In contrast, in 1991, Seoul had vociferously opposed Japan's providing military assistance for the Gulf War. Seoul's acceptance of Japan's contribution to the U.S. campaign against terrorism is an important statement of support from South Korea, one of America's most important allies in the region. The U.S. should recognize that for the ROK government, public support for

4. Doug Struck, "As Alliances Shift, Japan's Military Role Is Widening," *The Washington Post*, September 28, 2001.

5. "Seventy Percent of Japanese Support SDF Logistical Support for U.S.," Kyodo News Agency, September 24, 2001.

Japan was a political gamble because the general South Korean public is opposed to any Japanese military role in the region.

There are two further areas in which President Bush can urge President Kim Dae-jung to support the United States in its war against terrorism. First, he should encourage South Korea to assist in the intelligence-gathering efforts in the Middle East. South Korea, like Japan, has extensive commercial presence in these regions, and these relationships can be of vital importance in assisting U.S. intelligence efforts and in monitoring banking and other financial channels to terrorist cells.

Second, the President should encourage South Korea to take an unambiguous stance against terrorism vis-à-vis North Korea. While the U.S. State Department's 2000 annual report *The Pattern of Global Terrorism* did not explicitly mention links between North Korea and Osama bin Laden, it stated that the North has links with terror organizations and continues to harbor several hijackers of a Japanese Airlines flight en route to North Korea in the 1970s. The report also referred to evidence that the North has sold arms to terrorist organizations both directly and indirectly. Significantly, the State Department's 1999 report stated that North Korea had links with bin Laden, and North Korea remains, today, on the U.S. list of nations supporting terrorist activities.⁶ Finally, there are reports that North Koreans were seen training in terrorist camps in Afghanistan.⁷ Thus, South Korea should be ready to devote the full extent of its political, military, intelligence, and financial resources to halt all North Korean support for terrorism.⁸

The Philippines: Anti-Terrorism Expertise

High on President Bush's must-see list for Shanghai should be Philippine President Gloria Macapagal-Arroyo, who has offered the United States the "full and unqualified support" of the Philippine government, vowing that if the Philippines has "to pay a price for [its] conviction against terrorism, so be it."⁹ President Macapagal-Arroyo has backed up her strong rhetoric by quickly approving Washington's request to use Clark Air Base and Subic Naval Base—two former U.S. facilities—as refueling stations for military aircraft destined for South and Central Asia. In addition, she has offered to contribute logistical support in the form of medical personnel and engineering and construction battalions, should there be a need.

The Philippine president is also working to assemble a regional anti-terrorist coalition of the Philippines, Malaysia, and Indonesia—three Southeast Asian nations with a history of dealing with Muslim fundamentalist extremists—in an effort to enlist her two ASEAN¹⁰ neighbors in the global anti-terrorism campaign. Still in its planning stages, the new coalition will likely focus on intelligence sharing, improving maritime border security, and possibly joint military action against transnational extremist groups. Such a coalition has the potential to be a useful part of a global anti-terror strategy.

Despite popular support in the Philippines for international action to combat terrorism, President Macapagal-Arroyo invested a significant amount of political capital to rally support for the United States—especially the unconditional use of the Clark and Subic bases, which are still considered

6. U.S. Department of State, *The Pattern of Global Terrorism: 1999* and *The Pattern of Global Terrorism: 2000*.

7. "Afghan Camps Are Training Ground for Terrorists," *The Deseret News* (Salt Lake City, Utah), March 5, 2000.

8. While North Korea said the U.S. campaign against terrorism "might be the right option taken...to eliminate the root cause of this terrorism," Pyongyang is clearly terrified of being associated with Osama bin Laden. Pyongyang has substantial information on terrorist groups operating in Central Asia but thus far has indicated no willingness to share any of that information. See Jay Solomon, Charles Hutzler, and Jason Dean, "U.S. Drive Diminishes Tensions in North Asia," *The Asian Wall Street Journal*, September 27, 2001, p. 1.

9. Norman P. Aquino, "Malacañang Pledges Full Support," *Businessworld*, September 14, 2001, and "RP Willing to 'Pay a Price,'" *Businessworld*, September 18, 2001.

10. Association of Southeast Asian Nations (ASEAN) member countries include Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

APEC: AN IDEAL FORUM TO EXPLORE FREE TRADE AGREEMENTS

Sara J. Fitzgerald

The Asian Pacific Economic Cooperation (APEC) forum was established in 1989 as a body whose “concerns were simply to advance the process of Asia–Pacific economic cooperation and to promote a positive conclusion to the Uruguay Round.” Initially, APEC was comprised of 12 members. Today, there are 21 member economies representing 60 percent of the world’s GDP and 40 percent of the world’s population. APEC’s informal “forum” protocol offers an ideal venue for the region’s major economies to confer on key economic and financial matters without letting politics get too much in the way. At the 1989 APEC Ministerial meeting in Canberra, for example, China, Hong Kong, and Taiwan sat around the same table for the first time. According to Mike Moore, Director-General of the World Trade Organization (WTO), “One of APEC’s greatest contributions has been in establishing the climate for openness.”

At the 1994 annual meeting in Bogor, Indonesia, APEC formulated its current goal of “free and open trade and investment in the Asia–Pacific by 2010 for developed member economies and 2020 for developing ones.” The forum’s theme for the year 2001 is “Meeting New Challenges in the New Century: Achieving Common Prosperity through Participation and Cooperation.” The annual APEC forums are primarily Asia–Pacific regional pep-rallies for upcoming WTO rounds.

However, ever since the failure of the WTO’s Seattle Round, Asia–Pacific APEC members have started to negotiate bilateral trade agreements independently. Although some APEC leaders fear such pacts discourage free trade on a global level, Singapore Prime Minister Goh Chok Tong has asserted, “Those who can run faster should run faster. They should not be restrained by those who don’t want to run at all.” Accordingly, Singapore is pursuing separate bilateral trade agreements with several other APEC members. Although this has led other members to grumble about trade diversion, any relaxation of trade barriers is obviously better than none at all. In 2000, at APEC’s meeting in Brunei, there was a broad consensus to use free trade agreements (FTAs) as a way to achieve

APEC’s goals as long as FTAs are consistent with the WTO.

While APEC is committed to “free and open trade,” it has been difficult to forge a consensus. And unlike the rule-laden WTO, APEC operates on a voluntary basis. Thus, even once an agreement is reached, parties are not penalized for failing to implement the consensus policies upon which they have agreed. With the goal of 2020 for “free and open trade and investment” far in the future, many APEC members believe bilateral trade agreements are the best way to move global trade forward. Bilateral agreements work because they are binding. Singapore, for one, believes “The many FTAs being negotiated between APEC’s economies will reinforce one another. The net effect is the lowering of barriers to trade and investment.”

While the Clinton Administration did not aggressively pursue free trade, it is a new day in America. There are currently 130 trade and investment agreements in the world, and the United States is party to only two of them. President George W. Bush has the opportunity to provide the leadership that is desperately needed to promote free trade.

As he prepares to attend the October 18-20 Shanghai APEC summit, the President should be clear that APEC is simply a discussion forum promoting further trade liberalization and not a formal negotiating convention. APEC’s value lies in the fact that it is a forum that brings many diverse members to the table. Therefore, in addition to pressing the case for a common front against global terror, President Bush should view this gathering as a first opportunity to promote his free trade agenda and to seek new trade agreements for the United States with his counterparts in the Asia-Pacific region. Currently, the United States is negotiating FTAs with Singapore and Chile, and Australia would dearly like to be the next on Washington’s list. The Shanghai summit will provide an ideal forum for the President to explore additional FTAs with major U.S. trading partners.

symbols of American colonial rule. President Bush should take time in Shanghai to express appreciation to President Macapagal-Arroyo and the Filipino people for their contribution to the U.S.–Philippine alliance as well as their commitment to combat terrorism.

The support of the Philippine president is important. A terrorist organization in southern Mindanao, the Abu Sayyaf Group, was founded by one of bin Laden's lieutenants, Jamal Khalifa, and is led by Abdurajak Janjalani, a Filipino Muslim who fought with bin Laden in Afghanistan. The Abu Sayyaf provided support for Abdul Hakim Murad, who had planned to hijack a commercial airliner and crash it into CIA headquarters in 1995, and Ramzi Yousef, who orchestrated the 1993 World Trade Center bombing. Clearly, the Philippines has been an operational hub for bin Laden's al-Qaeda forces.

Given this situation, the United States should consider promoting increased cooperation with the Philippines in the form of intelligence sharing as well as joint exercises with police and military personnel. While President Macapagal-Arroyo and the Philippine government are ready and willing to battle terror alongside the United States, President Bush should be prepared to aid the Philippines, both to upgrade its outdated technology and to improve training to Philippine counterterrorism personnel.

Malaysia: A Potential Partner

President Bush should meet with Malaysian Prime Minister Mahathir Mohamad. Mahathir is the Muslim head of government of a moderate, rapidly developing country. Malaysia's past participation in a wide variety of Muslim causes provides Kuala Lumpur with outstanding Muslim state credentials, but its generally moderate stance—despite sometimes immoderate rhetoric—makes Malaysia an important partner in the war on terrorism, particularly in the campaigns against regional terrorist groups and their financial networks.

Malaysia's government has preached for years against political radicalism in the name of Islam, and its police and security forces actively cooperate with Washington and train with the American military. The government of Malaysia is not yet part of the war on terrorism, but the Bush Administration should encourage Prime Minister Mahathir to join the U.S. initiative against terrorism.

Singapore: A Strategic Asset

President Bush should not miss the opportunity to meet directly with Singapore's Prime Minister Goh Chok Tong. Singapore has firmly declared its unqualified support for America's war against terrorism. Prime Minister Goh has said, "We will have regional and domestic sensitivities to manage, but we must accept risks for the sake of a better world."¹¹ More than any other non-allied nation in the Asia–Pacific region, and even more than some allies, Singapore has provided significant defense cooperation and support for U.S. forces over the past decades.

The opening of Changi Naval Base in March 2001 was a pivotal moment in the U.S.–Singapore strategic relationship. Changi Base is the largest and most advanced naval base in Southeast Asia and was built at Singapore's own expense for the explicit purpose of "facilitat[ing] the deployment of the US 7th Fleet in Southeast Asian waters," because "At a time when the region is going through dramatic political change, the presence of these ships has a stabilizing effect...."¹² Defense analysts note that, even though Singapore has stated that "of course, other navies are welcome to use it on a commercial basis. It's not a foreign base..." no other country in the region operates aircraft carriers. Singapore's government does not dispute that the base is designed to enhance U.S. strategic interests and its capability to project naval power in the region.

Moreover, Singapore is positioned to provide direct military support. Unlike any other APEC country, it possesses considerable military power

11. Karen Wong and Lydia Lim, "Singapore Stands with US Against Terrorism", *The Straits Times*, September 24, 2001.

12. Trish Saywell, "Places Not Bases' Puts Singapore on the Line," *Far Eastern Economic Review*, May 17, 2001.

that would be very useful in attacking terrorist bases and infrastructure. These assets include advanced American F-16 fighters with air-to-air refueling capability, highly skilled army commandos, and a powerful navy. Nor is this military organization a paper tiger. Singapore's military is rated second to none in Asia and is perhaps among the top 10 in the world with regard to its quality of training and equipment. In the past, the government of Singapore demonstrated a reluctance to commit its forces to open warfare, but the campaign against international terrorism may be a challenge the people of Singapore are willing to accept.

Singapore is also the second largest financial hub in Asia. A major part of the U.S. war on terrorism will involve closing formal and informal financial links to terrorists. The cooperation of Singapore's banks and financial markets will be essential to that effort.

President Bush should meet with Prime Minister Goh Chok Tong and treat him as a full partner. Singapore should be brought into the planning and execution phases of the war on terrorism and asked to commit financial, intelligence, civil, and military forces where it can best serve the common cause.

OTHER IMPORTANT ACTORS IN SOUTHEAST ASIA

Thailand and Taiwan: Unconditional Friends

The government of Thailand has come out firmly in favor of America's anti-terrorist campaign and has unconditionally volunteered to participate in any international coalition to combat terrorism "as a long-time friend and ally" of the United States. Bangkok has given its firm support despite the fact that Thailand has little financial or military capability to contribute substantially to such a coalition. In recognition of Thailand's unselfish and responsible position, President Bush should meet with Prime Minister Thaksin Shinawatra in Shanghai, thank him for his support, and outline ways that Thailand can assist in the war that will not strain the economic recovery of this long-time ally.

Taiwan's President Chen Shui-bian also has offered his country's full support to the American war on terror and stands ready to assist the United States in any way. While Taiwan can be helpful in following international financial transactions, political realities limit the value of its military or political contribution to the anti-terror strategy in Asia. In meeting the Taiwan representative to APEC (President Clinton met with Taiwan's representative at previous APEC sessions), the President's focus should be on thanking Taiwan for its support and on reassuring Taiwan of the Administration's continued commitment both to helping Taiwan defend itself and to Taiwan's entry into the WTO under the terms of the Taiwan WTO Working Group consensus.

Indonesia: The Next Crisis in Asia

Indonesian President Megawati Sukarnoputri was in Washington September 19-21 and had an opportunity to make her case to President Bush in person. While she offered sympathy, she withheld full support for the war against terror. President Megawati is in a delicate situation. Shortly after she announced on September 20 that she would support the American campaign against global terrorism, several car bombs rocked a shopping mall in Jakarta's central district. Most observers suspect there is a link between the events.

Indonesia is the unfortunate host to a broad spectrum of terrorist organizations, some of which are quite large and influential. These groups can be divided roughly into two categories: separatists and political radicals. Separatist insurgencies have operated in Aceh and Irian Jaya since the incorporation of these two provinces into the republic. President Megawati is most concerned about these movements because they threaten the territorial integrity of Indonesia. Of late, the insurgents have become flagrantly indiscreet and increasingly international in their selection of targets. In Aceh, for example, the main insurgent group (GAM) has threatened American citizens and Exxon-Mobil installations in Sumatra and launched attacks against global shipping in the Straits of Malacca.

Another indication of the imminent danger in Indonesia is the American embassy's September 27 warning to all resident Americans to consider

“departure from the country.” U.S. Ambassador to Indonesia Robert Gelbard said the warning to Americans was due to “increasing deterioration in the security environment regarding Americans” and admitted that “We have been deeply disappointed by the failure of police to act. I’ve met the police a number of times but they have shown reluctance to act.” One Western diplomat told the press that “The [United States] is making a profound political statement that the Indonesians need to get their act together and not let murderers run loose on the streets.”¹³

The embassy recently identified 10 terrorist groups in the political radical-extremist category. These groups are responsible for the deaths of thousands of Indonesian Christians, and many are known to have contacts with Osama bin Laden’s al-Qaeda terrorist network. It is reported that they hunt through hotels and restaurants to find Americans to harass.¹⁴ These terrorists are apparently unrestrained by the government as they freely raise funds, recruit jihad fighters, hold press conferences, and openly maintain offices in many of Indonesia’s major cities. On September 25, Dien Syamsudden, secretary general of the Indonesian Council of Ulemas (Indonesia’s top Islamic authority), called for all Muslims to wage a jihad against the United States if Afghanistan is attacked.¹⁵ The Islamic Youth Movement threatened to kill Ambassador Gelbard if the United States attacks Afghanistan.

President Megawatti seems to have little ability to crack down on such political extremism; in fact, the only “terrorist” organization she condemned by name was the Aceh separatist group GAM. Nonetheless, she has garnered significant political and economic support from the American government and businesses that are sympathetic regarding the near-total collapse of Indonesia’s economy and its disintegrating civil cohesion.

The Bush Administration understandably supports the Indonesian president’s attempt to rebuild her country’s economy and to preserve its territorial integrity, but it clearly does not serve the interests of the United States when Indonesia spends American aid money on a corrupt military fighting chronic insurgencies that have dragged on for 40 years. Rather, the Bush Administration’s support should be provided in a way that encourages civilian control of the military and induces Jakarta’s security forces to restrict the activities of all terrorist organizations operating in Indonesia.

CHINA: FRIEND, FOE, OR JUST IN THE WAY?

China is this year’s APEC host and one of the five permanent members of the United Nations Security Council and perforce must be factored into the President’s strategy for winning the war on terror. Sadly, however, early comments from Beijing indicate that it could easily fall into the

13. Derwin Pereira, “US Ambassador Slams Jakarta Police,” *The Straits Times*, September 28, 2001.

14. The U.S. embassy in Jakarta has reported that the Indonesian Islamic Council (DDII) representing 10 radical Islamic groups held a press conference at the al-Furqan Mosque in Jakarta threatening a jihad if America struck Afghanistan. The 10 DDII organizations include the Front Pembela Islam (FPI—Islamic Defenders’ Front); Laskar Jihad (LJ—Jihad Columns); Anti-Zionist Movement; Indonesian Mujahidin Front; Ababil Brigade Jakarta; Movement for Female Muslims; Indonesia HAMMAS; National Student Association; and Committee for Indonesian Islamic Solidarity. Muhammad Kalono, a spokesman for the Islamic paramilitary groups, warned on September 19 that “if America drops even one bullet in Afghanistan, God willing, we will wipe out all U.S. facilities and interests here.” On September 25, several hundred demonstrators in Bogor stopped and attacked cars believed to be driven by Americans or Westerners. On September 23 and 24, groups in the central Java city of Solo opposed to U.S. policy undertook “sweeps” to identify American citizens and forcibly remove them from the country. The same groups also attempted to intercept Americans at the international airport in Solo. Other “sweeps” have been conducted in Bandung and Lampung. There have been other threats against American citizens and daily protests at U.S. diplomatic facilities in Indonesia. In the past 18 months, the al-Qaeda-connected Abu Sayyaf Group (ASG) and Moro Islamic Liberation Front (MILF) in the Philippines have launched hit-and-run attacks into Malaysian and Indonesian waters to kidnap foreigners for ransom. See “Department Of State Travel Warning: Indonesia,” September 27, 2001, at <http://www.usembassyjakarta.org/news/announcement.html>.

15. Angus Grigg, “Indonesia’s Muslims Warn Against Strikes,” *Financial Times*, September 26, 2001, p. 7.

“get-in-the-way” category. China has hedged its support by cautioning that American military action should “respect the United Nations’ charter and norms of international law”;¹⁶ has incongruously linked “terrorism” with Taiwan “splittism”;¹⁷ and has called for “reliable evidence” before sanctioning military strikes against Afghanistan.¹⁸

China may be a beneficiary of the international war on terror, but it also hedges its support for the effort. However, it should be kept in mind that China has little to contribute so little needs to be demanded of it—little, that is, except perhaps to take Beijing up on its offer to assist in “in the financial area” and in “rescue efforts”¹⁹ (presumably including permission for damaged U.S. aircraft to land at Chinese airports).

It will also be important to ensure that China does not complicate matters in the United Nations²⁰ and does not stand in the way of Hong Kong, which will be a crucial provider of financial, aviation, and shipping intelligence. President

Bush, then, should deal forthrightly with Chinese President Jiang Zemin.

Naturally, the United States would welcome China’s assistance in “the financial area” and in “rescue efforts.” While China’s state-owned financial institutions may not be prime conduits for terrorist money, Beijing governs Hong Kong’s foreign affairs, and a nod from Beijing will be necessary before Hong Kong’s government and banks can cooperate fully and transparently with U.S. counterparts. This will be a useful—though not crucial—Chinese contribution to the war effort. In addition, Chinese air force bases at Kashi and Hotan have the longest runways in Central Asia—though U.S. aircraft damaged in runs over Afghanistan would still have to traverse hundreds of miles over 20,000-foot mountain ranges to get to them.

A U.S.–China “expert group” met in Washington on September 25 for “wide-ranging talks” on cooperation in the global anti-terror effort. While the State Department characterized those talks as “serious and productive” because they “success-

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16. Steven Mufson, “China Tells U.S. It Will Share Information,” *The Washington Post*, September 22, 2001, p. A30. See also Chinese Foreign Ministry spokesman’s comments at Zhu Bangzao, “2001 Nian 9 Yue 25 ri Waijiaobu Fayaren Zhu Bangzao Zai Jizhe Zhaodaihui shang Da Jizhe Wen” [September 25, 2001, Foreign Ministry Spokesman Zhu Bangzao Responses to Reporters’ Questions at Press Conference], *Chinese Foreign Ministry Web Page*, at <http://www.fmprc.gov.cn>.
17. John Pomfret, “China Offers Help—With Conditions,” *The Washington Post*, September 18, 2001, p. A8. Pomfret quotes Zhu as saying that “The United States has asked China to provide assistance in the fight against terrorism. China, by the same token, has reasons to ask the United States to give its support and understanding in the fight against terrorism and separatists. We should not have double standards.” Zhu went on to say the United States and China had “common interests” in fighting Taiwan independence activists who, he said, present the main threat to stability across the Taiwan Strait. However, when pressed on whether U.S. opposition to Taiwan independence would be a condition for China’s support of anti-terrorism efforts, Zhu insisted it “is a different issue, we are not making bargains here.” Chinese Foreign minister Tang Jiaxuan also denied that China was making such a link (see text of Tang interview with Mufson of September 22, 2001, at *Washington Post* Web site, www.washingtonpost.com), and Zhu “rebuked reports in the *Washington Post*” that asserted he had made such a link (see Zheng Min, “APEC Meeting to Promote Regional Economy,” *China Daily*, September 21, 2001, p. A1). However, in an apparent contradiction of Foreign Minister Tang’s comments, China’s top spokesman on Taiwan issues, Zhang Mingqing, told a press conference on September 26 that the linkage of Chinese support for the U.S. anti-terror campaign and continued U.S. arms sales to Taiwan “should still be examined.” See “Beijing Stance on Arms Sales, US Support Unclear,” *Agence France-Presse*, cited at *Taipei Times* Web page at <http://www.taipeitimes.com/news/2001/09/27>.
18. Zheng Min, “APEC Meeting to Promote Regional Economy,” *China Daily*, September 21, 2001, p. A1.
19. See text of September 22, 2001, Tang interview with Mufson at *Washington Post* Web site, <http://www.washingtonpost.com>.
20. Carola Hoyos, “US Presses UN to Threaten Sanctions,” *Financial Times*, September 26, 2001, p. 5. There are clear indications that the Administration is divided on the need for a United Nations Security Council resolution calling for sanctions on countries that do not cooperate in isolating and prosecuting terrorists on their territory. The report says that “US diplomats” are pressing for a resolution while the National Security Council and the Pentagon are insistent that the U.S. not seek additional U.N. authorization.

fully identified areas of common interest,” there was little indication that the group managed to agree on anything other than the general statement that a fight against terrorism is a good thing.²¹

Lobbying Against U.S. Action

China is not an enthusiastic partner in the war on terror. From the beginning, China has been lobbying U.N. Security Council members to put the brakes on American action. Chinese President Jiang Zemin told British Prime Minister Tony Blair in a telephone conversation on September 18 that U.N. approval and “irrefutable evidence” were needed for China to back armed retaliation for the attacks on the United States. In a similar call to French President Jacques Chirac before Chirac’s trip to Washington, Jiang cautioned that “under current circumstances, keeping sober-minded is especially needed, and prudence should be exercised in handling relevant issues.” His message to Russian President Vladimir Putin was the same.²²

After the September 11 tragedies, the Chinese media betrayed a certain *schadenfreude* with such headlines as “U.S. collapses” and “Stars and Stripes Comes Down.” The official Communist Party newspaper Web-posted an article declaring that the United States brought the tragedy on itself because of its hegemony. Chinese journalists visiting the United States at the time of the terror attacks were reportedly expelled from the country after allegedly cheering the news—a charge that a State Department spokesman pointedly refrained from denying. China was also the only member of the U.N. Security Council not to lower its flag to half-mast following the attacks.²³ There also are disturbing private reports that, in some of China’s

universities, students cheered the collapse of the World Trade Center.

Clearly, the Chinese media—which reflect the country’s leadership—are not sympathetic to the American cause against international terror. This is not to say that the Chinese leadership may not be more fearful of souring U.S. public opinion against them than they are of the specter of growing U.S. influence in Central Asia. The record of China’s reaction to U.S. moves in the 1990–1991 Gulf War indicates that China is far more worried about antagonizing the American public by appearing to obstruct a war against terror (or, in 1991, a war against aggression) than it would be about supporting United States military action in China’s back yard. History suggests that China will not get out in front of the U.N. Security Council to urge that the American forces against terrorism be reined in and that, unless it gains support from Russia, it will most likely abstain from becoming a further obstruction to this effort within the U.N.

China does not want to cause a reaction from the American public because the United States is by far its largest market, purchasing over \$100 billion in Chinese goods in 2000 and accounting for over 20 percent of all China’s exports. Furthermore, Washington’s relationship with Taipei has improved vastly under the new Bush Administration, a fact that mitigates against further Beijing antagonism of the United States. In addition, Beijing’s ham-handed expansionism in the South China Sea has alarmed its Southeast Asian neighbors; its insistence on sending spy ships into Japanese waters has made Tokyo suspicious; and its intransigence toward Taipei has stalled *rapprochement* across the Taiwan Strait—all of which should

21. State Department Noon Briefing Transcript for September 26, 2001.

22. Jeremy Page, “China Sets Terms for Backing U.S. War on Terror,” Reuters, filed from Beijing, September 18, 2001.

23. Nicholas Groffman, “Letter: View from China,” *The Independent* (London), September 22, 2001. See also Hsu Tung-ming, “US–China Relations Strained by Attacks,” *Taipei Times*, at <http://www.taipeitimes.com/news/2001/09/22/story/0000104030>. The incidents were also reported by Agence France-Presse on September 15. When asked about the expulsion of Chinese journalists by the State Department, spokesman Richard Boucher said, “We curtailed the visit on September 14 because, under the circumstances, it was decided not to continue the tour.” When asked whether the journalists had “laughed or cheered or applauded,” Boucher said, “I know there have been rumors and things like that talked about. I just don’t know.” Another reporter pressed: “But they were asked to leave?” Boucher repeated that “The visit was curtailed. That’s the way I put it.” See the transcript for State Department Noon Briefing for September 18, 2001, at <http://www.state.gov/r/pa/prs/dpb/2001/index.html>.

nudge Beijing in the direction of trying to at least appear helpful this time.

Given this situation, Beijing is not looking for trouble. When President Bush meets President Jiang in Shanghai, Jiang will likely be inclined to be cooperative. On the other hand, he will probably press for concessions—especially regarding Taiwan. Indeed, Beijing’s declaration of the purported “non-linkage” of Chinese support for the anti-terror campaign and U.S. support for Taiwan is designed to pressure Washington to reiterate the infamous “Three Noes” proclaimed by President Clinton in his July 1998 visit to China.²⁴ Clearly, President Bush should not repeat this concession.

Credibility Crucial, No Haggling Needed

To be counted a success, President Bush must leave his APEC meeting with President Jiang with Washington’s credibility intact—credibility with China, with U.S. allies, and with the American people. President Bush does not need to negotiate with his Chinese counterparts. He needs only to state his case and move on. The Chinese will try to temporize about their contribution against terrorism, but in the end, they will be as cooperative as necessary without a retreat by the United States on the issue of Taiwan. In fact, the less haggling over Taiwan at the Bush–Jiang level, the quicker the leaders can move on to matters that should truly demand their attention.

Unfortunately, even given the severely foreshortened agenda of the upcoming Bush visit to China, the bureaucracies on both sides are likely to focus on achievable agreements that will prove to be mere window dressing rather than have the two leaders address their real differences in any substantive way. One such bilateral agreement that has been in the works for a long time is the Military Maritime Commission Agreement (MMCA), a formal dialogue between China and the United States

on military matters that has been frozen since the EP–3 collision near Hainan on April 1. Talks were to be held on military maritime security in Guam from September 13–14. The MMCA will take on new urgency only if the Chinese are serious about opening their airfields to U.S. warplanes damaged in combat over Afghan targets. Otherwise, it will amount to no more than a symbolic exercise that need not take up President Bush’s time in Shanghai.

Several additional feel-good pacts also had been scheduled for the President’s visit to Beijing—some sort of agreement on Chinese missile and nuclear proliferation, a dialogue on human rights, and an agreement regarding the detention of U.S. citizens under suspicious circumstances. As worthy as these may be, however, they should not clutter the President’s schedule in Shanghai. Much more remains to be done on these issues at staff levels, and it would be unwise to schedule a future U.S. presidential visit to China until Washington is certain ahead of time that they can be addressed effectively by the two heads of state.

Economic Frictions

Another focus of the President’s now-cancelled visit to Beijing was to have been U.S.–China economic and trade issues. Fortunately, the approval of the China Working Party paper for China’s World Trade Organization (WTO) membership makes most of this moot, and any loose ends can be tied up by Ambassador Robert Zoellick at the WTO Ministerial meeting in Doha, Qatar, in November.

One major complicating factor in the President’s interactions with Jiang Zemin in Shanghai is that Chinese leaders are preoccupied with political succession. The focus of the Communist Party’s attention this summer was to map out the ascension of a “Fourth Generation” of relatively younger politi-

24. President Clinton, answering a question at a roundtable discussion in the Shanghai Library on June 30, 1998, stated that the United States did not support “independence for Taiwan, or two Chinas, or one Taiwan, one China.” He also said that Taiwan should not be a member of any organization for which statehood is a requirement. This formulation became known as the “Three Noes.” While the White House insisted that the “Three Noes” did not mark a change in U.S. policy, it was the first time a U.S. President had uttered them and was generally viewed as marking U.S. support for Beijing’s insistence that Taiwan was part of the People’s Republic of China—a public position that had been studiously avoided by previous Administrations from Nixon through Bush I.

cal leaders to the top positions in the party, the government, and the military in a generational change that will be ratified at the 16th Party Congress in October 2002. President Bush should be prepared to find his interlocutors in Shanghai worried more about leadership factionalism and domestic stability than about humoring Washington in its war effort.

Surely, hard-liners in Beijing will be less inclined to be helpful in Central Asian military or intelligence cooperation, while moderates—like Jiang himself—will not want to stir up even more problems with Washington. On the domestic stability front, Beijing's biggest challenge will be to limit the short-term political impact of China's ever-heavier burden of annual social welfare, pension, and health care obligations, which already approaches the value of its entire gross domestic product.

Nevertheless, the President must persuade President Jiang that only by a strict adherence to its WTO commitments can China reap the benefits of membership in the organization. The United States will not be sympathetic if, rather than helping to end U.S. trade disputes with China, China's entry into the WTO spawns even more disputes as Chinese firms, government agencies, and localities ignore even the clearest of the central government's promises to open up China's markets.

APEC'S ECONOMIC FOCUS

At the APEC summit, President Bush will be expected to address East Asian economic issues (see text box). Under the circumstances, it would be acceptable for him to concentrate on his priority war aims, including strategies to block the international assets of terrorist networks. The President's September 24 executive order freezing the accounts of 27 individuals and organizations suspected of supporting the global terror network was the first step in fulfilling the promise he made before the joint session of Congress that he would "starve terrorists of funding."²⁵ The United States will need international cooperation if it truly wants to identify and freeze the financial assets that serve

as the lifeblood for a network that operates in more than 50 countries.

President Bush's executive order covers banks and financial institutions based in the United States. If this strategy is to be truly effective, however, international banks and foreign governments will have to cooperate. This will require legislation to enact or revise money-laundering laws to allow states greater powers to investigate specific accounts where there is reasonable cause.

Moreover, governments will have to dedicate resources to monitoring informal money transfer networks in order to minimize the flow of money into terrorist networks. The Group of 7 (G-7) nations—U.S., Japan, Germany, Britain, France, Italy, and Canada—have agreed to a coordinate efforts to freeze the assets of organizations and individuals that support terrorism. President Bush should take the opportunity to request that the APEC member countries join this effort.

In Shanghai, the President should:

- **Focus** on the countries that can provide the most help in the war effort and have exhibited the willingness to do so;
- **Schedule** quality time for in-depth meetings with the leaders of Australia, Japan, Korea, the Philippines, Malaysia, and Singapore;
- **Show** support for other friends in the Asia-Pacific region, including Thailand, Taiwan, and New Zealand, if time permits;
- **Not trade away** America's prestige and international standing by making side deals with China over what it says about, or sells to, Taiwan;
- **Make clear** to the Southeast Asian states with moderate governments and large Islamic populations that the United States needs their help in the war on terrorism and ask that they step up to the plate;
- **Not waste** time on countries that are unwilling to take a clear position in opposition to international terrorism;

25. President George W. Bush, "Address to a Joint Session of Congress and the American People," September 20, 2001, at <http://www.whitehouse.gov/news/releases/2001/09/20010920-8.html>.

- **Urge** APEC partners to enact legislation on money laundering to allow greater powers to investigate specific accounts with reasonable cause and call on them to monitor closely informal money-transfer networks used by terrorist groups; and
- **Promote** his free trade agenda and explore new free trade agreements with allies in the Asia–Pacific region, particularly Singapore and Australia.

CONCLUSION

As so many heads of state and government in the Asia–Pacific region come together for the APEC summit this month, President Bush has a unique opportunity to shore up support among

Asian allies for the war on terrorism. In the past, the APEC summits have been social events with some platitudinous discussion of “free and open trade and investment in the Asia–Pacific.” But this meeting takes place under much different conditions. The President must use his two days in Shanghai to forge the strongest coalition possible among America’s friends in Asia.

—John J. Tkacik is Research Fellow for China, Taiwan, and Mongolia, Dana R. Dillon is Senior Policy Analyst for Southeast Asia, and Balbina Hwang is a Policy Analyst on Northeast Asia in the Asia Studies Center at The Heritage Foundation. Sara J. Fitzgerald is a Policy Analyst in the Center for International Trade and Economics at The Heritage Foundation.