

# Backgrounder

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## The APEC Forum: Time to Make a Difference

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President George W. Bush will join other world leaders at the 11th Asia Pacific Economic Cooperation (APEC) Leaders' Summit in Bangkok, Thailand, on October 20–21. The meeting of the heads of 21 economies bordering both sides of the Pacific Ocean<sup>1</sup> provides a unique opportunity for President Bush to advance American economic and security interests in Asia.

Major items on the President's agenda should be:

- **Encouraging** faster trade liberalization among APEC economies,
- **Promoting** economic reform in Japan and South Korea,
- **Preventing** a nuclear North Korea,
- **Strengthening** regional law enforcement,
- **Blocking** terrorist financing,
- **Persuading** China to meet its World Trade Organization (WTO) obligations and loosen capital controls,
- **Encouraging** APEC members to participate in the counterterrorism initiatives, and

1. APEC members are referred to as "economies" rather than countries because APEC includes Taiwan and Hong Kong. The remaining 19 economies are the United States, Canada, Mexico, Chile, Peru, Japan, South Korea, China, Indonesia, Brunei, Malaysia, Singapore, Thailand, the Philippines, Vietnam, Australia, New Zealand, Papua New Guinea, and Russia.

- President Bush should promote his Enterprise for ASEAN Initiative, announce negotiations toward a free trade agreement with Thailand, and encourage other countries to negotiate bilateral FTAs.
- Japan's return to strong economic growth is critical, as is South Korea's need to continue deregulation, economic and labor reforms, and addressing weak credit markets, and China must abide by its WTO obligations and ease its restraints on outward capital movements.
- President Bush should coordinate the unequivocal position that a nuclear North Korea will not be tolerated and try to persuade North Korea to abandon its nuclear programs.
- Because Asia is a major battleground in the war on terrorism, President Bush should push for full compliance with the Counter-Terrorism Action Plan.
- The President should address the imprisonment of Burmese opposition leader and Nobel laureate Aung San Suu Kyi.

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- **Gaining** support for American sanctions on Burma.

## Free Trade Initiatives

The APEC member states constitute a significant economic force, accounting for 47 percent of global trade and a combined gross domestic product (GDP) of \$19 trillion (60 percent of global GDP).<sup>2</sup> President Bush should travel to APEC with two free trade goals in mind: promoting his Enterprise for ASEAN Initiative (EAI) and announcing negotiations toward a free trade agreement (FTA) with Thailand.

The President should also encourage other countries to advance liberalization by negotiating more bilateral FTAs. FTAs can accelerate growth and thereby reduce poverty throughout the region.

The EAI is intended to create a network of bilateral FTAs.<sup>3</sup> The EAI will advance pledges made at previous APEC meetings “to continue to reduce barriers to trade and investment to enable goods, services and capital to flow freely among our economies.”<sup>4</sup>

The prerequisites for negotiating an FTA with the United States are membership in the World Trade Organization (WTO) and a Trade and Investment Framework Agreement (TIFA) with the United States. TIFAs establish a foundation for future FTA negotiations.

The United States has just concluded an FTA with Singapore, its first FTA with an Asian country. This is a constructive development, but it should also be the first of many U.S.–Asia trade deals. President Bush should capitalize on the opportunity presented by the APEC meeting to advance trade both by negotiating an FTA with Thailand and by promoting the EAI. Both of these measures will not only advance trade liberalization, but also encourage other APEC members to do the same.

Given that the United States and Thailand have signed a TIFA and Thailand is a member of the WTO, this is the perfect time for the Bush Administration to promote further trade liberalization by negotiating an FTA with Thailand.

Thailand’s numerous trade barriers present an urgent justification for an FTA. Thailand’s tariff structure is high and complicated with 46 different tariff rates.<sup>5</sup> Thailand also had a software piracy rate of 77 percent in 2002.<sup>6</sup> While legislation has been passed to deal with this problem, there are many obstacles to effective enforcement.

American exporters, ranging from the auto industry to local farmers, would benefit from greater access to the Thai market. An FTA with Thailand would also advance the goals of the EAI and APEC.

## Japan and South Korea

As the world’s second largest economy and Asia’s anchor economy, Japan’s return to strong economic growth is critical for the region and the world. Because of Japan’s lackluster economic performance in the past decade, one of the most imperative topics at the APEC summit must be restarting that country’s growth engine.

Although the Japanese economy grew at an annual rate of 3.9 percent in the second quarter of 2003, it still faces fundamental problems, such as bloated bureaucracy, runaway debt, and an unstable financial system. The most recent positive surge in the economy may have boosted Prime Minister Junichiro Koizumi’s political support and contributed to his victory in the governing Liberal Democratic Party’s leadership elections. But bending to demands from the public and those in his own party will undermine Koizumi’s reformist policies. Thus, President Bush should urge Prime Minister Koizumi to continue to focus on ending deflation, resolving non-performing loans in the nation’s banking system, and implementing structural reforms.

2. See the APEC Web site at [www.apecsec.org.sg](http://www.apecsec.org.sg) and World Bank, *World Development Indicators Online*, 2003, at [www.worldbank.org/data/wdi2003/index.htm](http://www.worldbank.org/data/wdi2003/index.htm).

3. The White House, Office of the Press Secretary, “Fact Sheet: Enterprise for ASEAN Initiative,” October 26, 2002.

4. *Ibid.*

5. [www.ustr.gov/reports/nte/2003/thailand.pdf](http://www.ustr.gov/reports/nte/2003/thailand.pdf)

6. See Business Software Alliance, *Piracy Study: Trends in Software Piracy, 1994–2002*, 2003, at [global.bsa.org/globalstudy/2003\\_GSPS.pdf](http://global.bsa.org/globalstudy/2003_GSPS.pdf).

South Korea, with the world's 12th largest economy, is also critical to the vitality of Asia. South Korea should be encouraged to continue deregulation, economic and labor reforms, and addressing weak credit markets. In the past year, Washington's ties with Seoul have focused less on sustaining healthy economic relations than on policy disagreements over North Korea. Attention to such divisive areas has only exacerbated misguided perceptions in South Korea regarding U.S. intentions on the Korean peninsula, fueling a rise in anti-American sentiment in South Korea and frustration in the United States.

In fact, South Korea remains one of the United States' most important allies, and the values and goals shared by the two countries far outweigh their points of disagreement. President Bush, therefore, should emphasize their shared commitment to peace, stability, and economic prosperity in the region.

### People's Republic of China

**WTO Commitments.** Although China has been a member of the World Trade Organization for over 18 months, it still retains significant trade barriers in violation of its WTO accession commitments.<sup>7</sup> U.S. manufacturers complain of substantial trade barriers to U.S. agricultural exports, rampant piracy of intellectual property, forced transfer of technology from firms launching joint ventures in China, and capital markets that are largely insulated from free-market pressures.

Although the Administration is aware of these issues and promises to address them, these problems have persisted since China entered the WTO. Unless Washington is prepared to hold China accountable for its violations, there is little prospect that APEC members would risk confronting China themselves. Washington's stance on China's protectionism must include developing an APEC consensus that obliges China to meet its WTO obligations and open its markets.

**Capital Controls.** Another key WTO commitment was to allow foreign banks to conduct foreign currency business with Chinese firms and private individuals immediately upon China's accession to the WTO. Within two years of accession, foreign banks were supposed to be able to conduct domestic currency (yuan) transactions with Chinese firms. Within five years, foreign banks were to be able to conduct full domestic currency business in China with both firms and private individuals.<sup>8</sup>

With nearly two years elapsed, China has yet to permit any foreign bank to compete in China's financial services market. The only two foreign banks licensed in China are doing local currency business consistent with China's geographic phase-ins (i.e., still in select cities) and remain restricted in the types of products that they are allowed to offer.

The Chinese have managed to keep out all other firms with working capital requirements and other prudential rules that are so far in excess of international standards that few foreign banks—and no Chinese banks—can meet them. Moreover, the banks that have applied to broaden their market presence have had to wait while their applications languish in China's central bank.<sup>9</sup> Foreign insurance service providers are similarly hamstrung by China's impossible regulatory structure—again, in violation of China's WTO commitments.

The obvious reason that China has dug in its heels against opening its financial markets is that China's banking system is so overloaded with bad debt that state banks cannot compete with privately run foreign banks. China's four largest banks are technically insolvent, with around half of their loan portfolios categorized as nonperforming. The only thing keeping China's banks afloat is their monopoly with China's individual savers, who are among the world's most conservative (40 percent saving rate). Nonetheless, China must not be permitted to persist in flouting its WTO obligations.<sup>10</sup>

7. For the full text, see World Trade Organization, *Report of the Working Party on the Accession of China*, Ministerial Conference, 4th Session, November 9–13, 2001, at [www.wto.org/english/thewto\\_e/acc\\_e/wp\\_acc\\_chinaadd1\\_e.doc](http://www.wto.org/english/thewto_e/acc_e/wp_acc_chinaadd1_e.doc).

8. See *Report to Congress on China's WTO Compliance*, 2002, issued by the Office of the U.S. Trade Representative, December 11, 2002, at [www.ustr.gov/regions/china-hk-mongolia-taiwan/2002-12-11-China\\_WTO\\_compliance\\_report.PDF](http://www.ustr.gov/regions/china-hk-mongolia-taiwan/2002-12-11-China_WTO_compliance_report.PDF).

9. *Ibid.*, p. 41. This information remains current as of September 2003, according to an e-mail from the USTR's China office.

APEC's smaller, less developed members are worried because over the past five years, vast amounts of inbound foreign direct investment (FDI) have gone to China. China is sucking up virtually all the investment from other APEC partners, including Mexico, and has become the globe's manufacturing powerhouse, leaving the rest of APEC in a manufacturing recession.<sup>11</sup> In response, even manufacturers and organized labor in developed APEC partners like the United States, Japan, and Taiwan are clamoring for ways to reduce China's global trade competitiveness; but they have focused obsessively on China's currency, which has been pegged to the U.S. dollar for nearly a decade at a fairly stable rate of 8.28 yuan to the dollar. In fact, this apparent problem is one more outgrowth of China's insistence on restricting the outflow of capital.

**The Exchange Rate.** An "undervalued" yuan, however, is a misguided concern. Destabilizing China's currency would not reduce APEC's problems.<sup>12</sup> China's overall trade surplus is less than 6 percent of its total trade (\$30 billion out of \$600 billion). FDI inflows total \$40 billion–\$50 billion a year, while outflows are restricted.

China's ballooning foreign exchange reserves (nearly \$350 billion) clearly have little to do with the trade value of the currency.<sup>13</sup> Encouraging China to revalue its currency upward would not solve that problem, and one estimate indicates that it would, at most, result in less than \$10 billion in additional U.S. exports to China—and then only after a "period of time"—while a free-floating Chinese currency could very easily result in a depreciating yuan.

In theory, China's restraints on outward capital movements will be relieved as China opens up its financial services markets under the terms of its WTO accession. APEC partners must insist that China abide by its WTO obligations and ease these capital controls.

### North Korea

North Korea's pursuit of nuclear weapons programs is destabilizing to the Asia–Pacific region. Five of the six parties involved in resolving the North Korean nuclear issue will be present in Bangkok. President Bush should use this opportunity to coordinate the unequivocal position that a nuclear North Korea will not be tolerated and advance his agenda to persuade North Korea to abandon its nuclear programs.

President Bush should also ask all 20 APEC economies to participate in halting North Korea's illegal activities, which include drug trafficking, arms smuggling, and currency counterfeiting. This can be achieved through active cooperation and sharing of information on North Korea.

### Fighting the War on Terrorism

Asia has become a major battleground in the war on terrorism. The Bali bombing in October 2002 killed 202 people, the worst terrorist attack since September 11, 2001. Jemaah Islamiyah (JI) is an al-Qaeda-linked group believed to be responsible for the Bali bombing, the Marriott hotel bombing in Jakarta, and a number of attacks across Asia. Despite some prominent captures, such as terrorist mastermind Hambali, JI is still active. Because of its size (an estimated 1,000 members) and success, JI is

10. For an expanded discussion, see "Banking on Growth," *The Economist*, January 16, 2003.

11. Juan Forero, "As China Gallops, Mexico Sees Factory Jobs Slip Away," *The New York Times*, September 3, 2003.

12. For one thing, if China floated its currency, the value of the yuan could easily depreciate, not appreciate. See Dr. Nicholas Lardy, testimony at hearing before Committee on Foreign Relations, U.S. Senate, September 11, 2003, from "U.S. Senator Richard G. Lugar (R-IN) Holds Hearing on Relations with China," a verbatim transcript prepared by the Federal Document Clearing House. There are several other factors that constrain U.S. competitiveness with China, the most important being endemic, high costs of labor and the inability of U.S. firms to move investment capital from overseas back to the United States. See, for example, Sholnn Freeman, "U.S. Auto Makers' Troubles Deepen," *The Wall Street Journal*, June 19, 2003, at [online.wsj.com/article/0,,SB105595427978244400,00.html](http://online.wsj.com/article/0,,SB105595427978244400,00.html).

13. See "Snow's Currency Job," *The Wall Street Journal*, September 23, 2003, p. A20, at [online.wsj.com/article/0,,SB106427854556020500,00.html](http://online.wsj.com/article/0,,SB106427854556020500,00.html). For an academic study of the exchange rate issue, see Marc A. Miles, "The IMF's Destructive Focus on Devaluation," unpublished paper prepared for Cato Institute conference on "Multilateral Aid: Fostering Independence or Addiction," Washington, D.C., May 8, 1991.

considered the most dangerous terrorist group in the world after al-Qaeda.<sup>14</sup>

At the October 2002 Leaders' Summit in Los Cabos, Mexico, leaders agreed to form the APEC Counter-Terrorism Task Force to implement the Counter-Terrorism Action Plan (CTAP). The CTAP template includes a number of specific objectives, such as implementing common standards for electronic customs reporting and blocking terrorist financing. However, law enforcement development is conspicuously absent from CTAP.

Regional police apprehended most of the more than 140 JI terrorists captured in Southeast Asia. Only in the Philippines, where the terrorists have insurgent armies, has the military played the major role in combating terrorism. Nevertheless, one Philippine official said that the police still capture 80 percent of the terrorists in the Philippines.

**Law Enforcement Development and Cooperation.** Despite these promising successes, weak law enforcement has been the source of some of Southeast Asia's most spectacular embarrassments. In July 14, 2003, while Prime Minister John Howard of Australia was visiting Manila to discuss counter-terrorism with President Gloria Arroyo, Farthur Rahman al-Ghozi, a prominent JI member linked to a series of bombings since December 2000, walked away from his high-security Philippine prison cell along with two cellmates. Despite an intense manhunt, al-Ghozi is still at large.

Also in July, Australian and Indonesian police raided JI safe houses in the Indonesian cities of Jakarta and Semarang, arresting nine JI members and recovering a considerable amount of explosives. Unknown to their Australian counterparts, the Indonesian police also recovered documents outlining future plots, including assassinating politicians and bombing the Marriott Hotel area. A month later, the Marriott Hotel in Jakarta was bombed, killing 11 people, but neither the Aus-

tralian government nor the American government knew of the captured documents until the Indonesian police revealed their existence in press interviews following the bombing.

In another incident in August 2003, JI leader Abu Bakar Bashir was convicted for his role in the Bali bombing. Despite the barbarity of his crimes, Bashir received a lenient four-year sentence. Although Indonesia's judiciary is frequently criticized for corruption, in this case the light sentence is attributable to an ineffective prosecution, not judicial malfeasance.<sup>15</sup>

To correct these problems and fight terrorism more efficiently, APEC members should add law enforcement development to APEC's CTAP. Law enforcement development should cover more than equipping and training police. It should include creating indigenous police intelligence units, sharing intelligence across national boundaries, reforming and training the judiciary, and establishing secure prisons.

**Blocking Terrorist Financing.** At the Los Cabos summit, APEC leaders agreed to halt terrorist access to the world's financial system and use the money trails to locate and apprehend terrorists. They also agreed to support the Eight Special Recommendations on terrorist financing formulated by the Financial Action Task Force (FATF).<sup>16</sup> The Philippines and Indonesia have implemented only half-hearted measures to block terrorist financing, and the FATF lists Indonesia and the Philippines as non-cooperative countries.

Both Indonesia and the Philippines passed anti-money-laundering legislation in 2003. The FATF will review implementation of their laws in a process that may take a year or more. Smothering terrorist financing in Indonesia and the Philippines will be good for the war on terrorism, and President Bush should emphasize its implementation.

14. Council on Foreign Relations, "Jemaah Islamiyah," in *Terrorism: Questions and Answers* (New York: Council on Foreign Relations, 2003), at [www.terrorismanswers.org/groups/jemaah.html](http://www.terrorismanswers.org/groups/jemaah.html).

15. Murphy Dan, "Militant Cleric Sentenced in Indonesia" *Christian Science Monitor*, September 3, 2003, p. 7.

16. The FATF is an international watchdog organization that tracks money laundering and terrorist financing. The Eight Special Recommendations are (1) ratification and implementation of U.N. instruments; (2) criminalizing the financing of terrorism and associated money laundering; (3) freezing and confiscating terrorist assets; (4) reporting suspicious transactions related to terrorism; (5) international cooperation; (6) alternative remittance; (7) wire transfers; and (8) nonprofit organizations.

**Transportation Security.** To diminish the threat of transnational terrorism, the President should encourage APEC members to join U.S. efforts to limit terrorist access to global transportation and travel networks. In October 2002, APEC members agreed to the Secure Trade in the APEC Region (STAR) initiative to combat terrorism.<sup>17</sup> Many of the goals of their program can be achieved by participation in two U.S. programs that include efforts to improve the security of shipping containers and proposals for additional visa controls.

**Container Security.** The President must impress upon APEC leaders the importance of establishing a common security framework for protecting maritime commerce—the cornerstone of global trade. Shipping containers move about 90 percent of the world's freight traffic. This trade is particularly crucial to the United States and Asia. In 2002, U.S. import–export trade exceeded \$1.83 trillion, with approximately \$728.4 billion traveling by sea, principally in seaborne containers.

Seven of the top 10 nations shipping containers to and from the United States are APEC members.<sup>18</sup> In fact, APEC nations have 21 of the world's top 30 container seaports. While seaborne containers are the lifeblood of East–West trade, their vast numbers and abundant cargo space also make them ideal instruments for mounting terrorist attacks and transporting illicit monetary instruments (e.g., money, gold, and diamonds), weapons, and even terrorists.<sup>19</sup>

Inspecting the millions of containers that transit the Pacific Ocean every day would be a virtually

impossible task. The United States has developed a strategy that focuses inspections on “high-risk” cargo from less reputable shippers or persons with suspected terrorist links. The objective of the U.S. approach is to investigate containers at the port of origin, interdicting threats long before they reach their intended destination and removing dangers not only to the intended target, but also to intervening ports of call.

There are four key components to the U.S. approach, and the President should try to persuade APEC's other member countries to become full partners in each of these initiatives. The U.S. Department of Homeland Security's Bureau of Customs and Border Protection directs the Container Security Initiative (CSI). Under CSI, the Bureau sends officials to seaports outside the United States where they work with host nation counterparts to target and inspect high-risk containerized shipping at the port of origin. CSI initially focused on developing partnerships with the 20 major ports that ship goods to the United States, but plans include expanding operations to other ports.<sup>20</sup>

A second component of the security program is the Customs–Trade Partnership Against Terrorism (C–TPAT). C–TPAT requires businesses to conduct self-assessments and certify the security of their supply chain. In turn, if they meet appropriate security standards, they can be designated “low-risk” shippers and, as a result, expect fewer cargo inspections and reduced border-wait times. C–TPAT is an important counterpart to CSI, allowing inspectors to focus more effort on high-risk cargo and spend less

17. The White House, Office of the Press Secretary, “Fact Sheet: Secure Trade in the APEC Region (‘STAR’),” October 26, 2002, at [www.whitehouse.gov/news/releases/2002/10/print/20021026-8.html](http://www.whitehouse.gov/news/releases/2002/10/print/20021026-8.html). Key features of the STAR initiative include a container security regime; strengthened cooperation between governments and the private sector to secure the supply chain for goods; development of ship and port security plans by July 2004; baggage screening in international airports by 2005; the implementation of advance passenger information systems to facilitate the movement of people and also increase security at the border; and the use of biometric techniques for passenger entry and exit procedures.

18. The seven top APEC economies participating in containerized shipping with the United States are China, Hong Kong, Japan, Taiwan, South Korea, Thailand, and Indonesia. See U.S. Department of Transportation, *U.S. International Ocean-borne Containerized Maritime Activity: 1990–2002*, at [www.bts.gov/products/transportation\\_indicators/august\\_2002/Special/excel/Waterborne\\_Foreign\\_Trade\\_Containerized\\_Cargo.xls](http://www.bts.gov/products/transportation_indicators/august_2002/Special/excel/Waterborne_Foreign_Trade_Containerized_Cargo.xls).

19. Hans Binnendijk, Leigh C. Caraher, Timothy Coffey, and H. Scott Wynfield, “The Virtual Border: Countering Seaborne Container Terrorism,” *Defense Horizons*, No. 16 (August 2002), p. 3, at [www.ndu.edu/inss/DefHor/DH16/DH16.pdf](http://www.ndu.edu/inss/DefHor/DH16/DH16.pdf).

20. Inspections have begun in Singapore; Hong Kong; Busan, South Korea; and Yokohama, Japan, and will soon begin in Colombo, Sri Lanka; Port Keland and Tanjong Pelepas, Malaysia; Shenzhen and Shanghai, China; and Tokyo, Nagoya, Kobe, and Osaka, Japan.

time on routine commercial traffic. So far, over 1,700 companies—including importers, carriers, customs brokers, and forwarders—have enrolled in C-TPAT.<sup>21</sup> Beginning in 2003, the Customs and Border Protection Bureau plans to begin expanding C-TPAT to include foreign manufacturers and shippers.

The other two key components of the container security program include developing and fielding appropriate technologies that quickly and unobtrusively inspect cargo and advanced information systems as part of the Automated Commercial Environment.<sup>22</sup> Better technologies will speed cargo through the inspection process while searching more efficiently for illicit materials and dangerous substances. At the same time, better information management will enhance the effectiveness of the automated targeting systems that are used to identify suspect cargo for inspection.

**Visa Management.** The President must also impress upon APEC leaders the importance both of securing programs that issue visas and of monitoring visa use. In the hands of terrorists, passports and visas can be deadly weapons. The prevalent use of identity theft and false travel documents makes the U.S. non immigration system (e.g., students, green card holders) particularly prone to abuse. In

2001, officials at border crossing points seized over 100,000 falsified documents. Over 50 percent of these documents include border crossing cards, alien registration cards, and fraudulent visas and passports.<sup>23</sup>

Terrorists have used such materials. For example, one of the perpetrators of the 1993 World Trade Center bombing entered the country with a doctored passport.<sup>24</sup> Terrorists have also entered the United States with legal visas because U.S. authorities were unaware of their terrorist connections. One study of 28 known militant Islamic terrorists found that 17 of them were legally in the country as permanent residents or naturalized citizens.<sup>25</sup>

In 2002, the U.S. Congress passed the Enhanced Border Security and Visa Entry Reform Act to address this problem. Among its provisions, the legislation requires that each country participating in the Visa Waiver Program<sup>26</sup> issue to its nationals machine-readable passports<sup>27</sup> that are tamper-resistant and incorporate biometric identifiers.<sup>28</sup> This must be accomplished by October 24, 2004. Countries also must notify the United States of the theft of blank passports in a timely manner. Among APEC nations, Australia, Singapore, and Japan currently participate in the Visa waiver Program.<sup>29</sup>

21. U.S. General Accounting Office, *Container Security: Expansion of Key Customs Programs Will Require Greater Attention to Critical Success Factors*, Highlights of GAO-03-770, July 2003, at [www.gao.gov/highlights/d03770high.pdf](http://www.gao.gov/highlights/d03770high.pdf).

22. The International Trade Data System is a component of the Automated Commercial Environment, which is designed to reduce data-reporting requirements on the trade community while facilitating the collection of information and its distribution to customs officials and other federal agencies.

23. U.S. General Accounting Office, *Identity Theft: Prevalence and Links to Alien Illegal Activity*, GAO-02-830T, June 25, 2002, p. 7.

24. *The Potential for Fraud and INS's Efforts to Reduce the Risks of the Visa Waiver Program*, U.S. Department of Justice, Inspection Report I-99-10, March 1999.

25. Steven A. Camarote, *The Open Door: How Militant Terrorists Entered and Remained in the United States, 1993-2001* (Washington, D.C.: Center for Immigration Studies, 2001), p. 19.

26. The Visa Waiver Program allows citizens of certain countries to travel to the United States for tourism or business for 90 days or less without obtaining a visa.

27. A machine-readable passport has biographical data entered on the data page according to international specifications.

28. Biometrics measures an individual's unique physical or behavioral characteristics to recognize or authenticate the individual's identity. Common physical biometrics include fingerprints; hand or palm geometry; and retina, iris, or facial characteristics. To be in accordance with U.S. law, each country must adopt identifiers that are compliant with biometric and document identification standards established by the International Civil Aviation Organization. For an introduction to biometric technology, see Simon Liu and Mark Silverman, "A Practical Guide to Biometric Security Technology," January-February 2001, at [www.computer.org/itpro/homepage/Jan\\_Feb/security3.htm](http://www.computer.org/itpro/homepage/Jan_Feb/security3.htm).

## Burma

President Bush should also address the imprisonment of Burmese opposition leader and Nobel laureate Aung San Suu Kyi. On May 30, 2003, the State Peace and Development Council (SPDC), the military junta that rules Burma, forcibly detained Suu Kyi. She remains incarcerated.

The junta has persecuted Suu Kyi and her party, the National League for Democracy (NLD), ever since they won a landslide victory against the military government in the 1990 national elections. The military quickly disavowed the results of the 1990 elections and retaliated by arresting many NLD leaders and placing Suu Kyi under house arrest.

The Burmese military released Suu Kyi from house arrest on May 6, 2002, in an apparent effort to convince the world that the country would make the transition to democracy. Her rearrest is a clear demonstration that the junta will not reform voluntarily.

In response to the unjust detention of Suu Kyi, the United States is applying a range of stiff, but appropriate, sanctions that include banning the import of all products manufactured in Burma. Unilateral American sanctions, however, are not enough. Burma is already seeking ways to get around America's tough sanctions. Burma's merchants are using euros instead of U.S. dollars for foreign transactions, and the SPDC is encouraging trade with Asian countries to replace lost trade with the U.S.<sup>30</sup> President Bush should gain support from the other APEC economies that currently trade or provide economic and military aid to the regime.

Until Suu Kyi was rearrested, many countries in Asia disregarded American concerns about Burma. Therefore, multilateral pressure must be applied on the SPDC, or they will continue their wrongful suppression of freedom and democracy.

## Making a Difference at the APEC Forum

The APEC summit in Bangkok offers President Bush the opportunity to advance America's economic and security interests in Asia. In his meetings with APEC leaders, the President should:

1. **Encourage faster trade liberalization among the APEC economies.** One critical way to increase economic growth and improve living standards is to encourage trade liberalization and greater cooperation between the United States and its trading partners in Asia.
  - President Bush should take the opportunity to promote his Enterprise for ASEAN Initiative (EAI).
  - President Bush should agree to negotiate a bilateral free trade agreement with Thailand and should make the announcement at the APEC meeting.
2. **Promote economic reform in Japan and South Korea.** Japan's return to strong economic growth is critical for the region and the world. Japan should be urged to end deflation, resolve non-performing loans in the nation's banking system, and continue to implement structural reforms. South Korea should be encouraged to continue deregulation, economic reforms, and to address its weak credit markets.
3. **Develop support for North Korea policy.** President Bush should use this opportunity to coordinate among the Six Party powers the unequivocal position that a nuclear North Korea will not be tolerated and work toward a specific plan to persuade North Korea to abandon its nuclear programs. President Bush should also ask all APEC members to participate in halting North Korea's illegal activities, which include drug trafficking, arms smuggling, and currency counterfeiting.
4. **Seek to strengthen regional law enforcement agencies and international police cooperation.** Law enforcement is key to countering terrorism operations and putting terrorists out of business.
5. **Reinforce member country commitments to block terrorist financing.** Some countries, such as the Philippines and Indonesia, have made only half-hearted efforts to block terrorist financ-

29. Canada is also a member of APEC but is not a participant in the Visa Waiver Program. Canadians can visit the United States without a visa under other U.S. immigration law.

30. "Myanmar Finds Ways Around US Sanctions," *Straits Times*, September 22, 2003.



ing. They should implement all of the recommendations of the Financial Action Task Force.

6. **Gain China's commitment to abide by WTO obligations and loosen capital controls.** Chinese citizens cannot invest abroad. In theory, these restraints on outward capital movement will be relieved as China opens up its financial services markets as required by the terms of its accession to the WTO. APEC partners must insist that China abide by its WTO obligations and ease these capital controls soon.

7. **Encourage APEC members to participate in counterterrorism programs.**<sup>31</sup>

- **Container Security Initiative.** While the U.S. teams will identify some cargo for inspection, host nations are responsible for conducting inspections and identifying containers they believe may represent security risks. The program cannot succeed without the full cooperation of member ports. In addition, APEC should encourage members to enter the CSI program as a means to rapidly standardize a key element of port and transportation security across the region.

- **Customs–Trade Partnership Against Terrorism (C–TPAT).** The long-term advantages to joining in this program could be significant. In addition to helping fight global terrorism, industries will find a number of spin-off benefits including better inventory control and asset visibility, reduced theft and pilfering, shorter transit times, fewer inspection delays, and potentially reduced insurance rates.

- **Better Non-invasive Inspection Technologies and Information Management.** The United States has already deployed sophisticated inspection technology at its major ports and requires

importers to pay the costs associated with moving, screening, unloading, and inspecting containers. Other countries will have to determine their own ways to pay direct costs. Again, however, APEC states should consider the long-term benefits of outfitting ports and providing shippers with incentives to implement inspection and information technologies. These innovations will make countries more competitive in global trade, particularly trade with the United States, and could be important incentives for economic growth.

- **Visa Waiver Program.** APEC nations participating in the Visa Waiver Program should work to meet the requirements for visa issuance and reporting as established in the Enhanced Border Security and Visa Entry Reform Act.

- **Machine-Readable Passports.** All APEC countries should issue machine-readable passports that are tamper-resistant and incorporate biometric identifiers, as well as developing procedures to notify other nations expeditiously when passports are lost or stolen.

8. **Commit APEC members to multilateral sanctions on Burma.** In light of the brazen acts of Burma's generals, Washington and the international community must act. American efforts should focus on persuading APEC member countries to join the U.S. in imposing strong sanctions on the junta. Without the support of Asia's frontline states, political and economic sanctions will fail to influence the generals in Rangoon.

## Conclusion

The President's trip to Bangkok provides a unique opportunity to advance American interests. At the APEC Leaders' Summit, he can gain commit-

31. U.S. efforts are in an "embryonic" stage, lacking the staff, training, and resources needed to take full advantage of the program. Most ports have only four or five member teams responsible for coordinating the administrative, legal, logistical, and security tasks involved in the inspection process. The initial teams deployed found that they often had to adjust procedures and staffing to meet the unique needs of each port. See U.S. General Accounting Office, *Container Security: Expansion of Key Customs Programs Will Require Greater Attention to Critical Success Factors*, GAO-03-770, July 2003, pp. 11–13 and 20–22. While the United States plans to provide additional resources to reinforce the program, host nations will have to provide active cooperation and support to make and maintain progress.

ments to lower the trade barriers of many of the world's largest and most dynamic economies and address a host of security issues during bilateral and mini-multilateral meetings.

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