

Regional Overview:

## Multilateral Approaches Prevail . . . For Now!

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The United States turned multilateralist this quarter, sitting down in a six-party setting to discuss North Korea's nuclear weapons threats even as a U.S.-instigated 11-nation group was practicing how to prevent Pyongyang (among others) from exporting weapons of mass destruction (WMD) elsewhere. More quietly, Australia's "coalition of the willing" seems to be restoring some semblance of order in the Solomon Islands, even as another island's leader – Taiwan's Chen Shui-bian – unilaterally stirred up cross-Strait tensions with talk about referendums, constitutional changes, and the irrelevance of "one country, two systems" following the Hong Kong Anti-subversion Bill controversy. U.S. military restructuring plans in South Korea moved ahead slowly as did any progress in obtaining Aung San Suu Kyi's release from "protective custody" in Burma.

Meanwhile, a failed military mutiny in the Philippines indicated that serving as a "second front" in the U.S.-led war on terrorism is not the only challenge facing President Gloria Macapagal-Arroyo's beleaguered government. Speaking of beleaguered, President Bush went back to the United Nations this quarter, not to apologize for bypassing the hamstrung UN Security Council in invading Iraq but to seek greater international help in securing the peace, while still offering the UN only limited involvement in the management of postwar Iraqi affairs. And, trade negotiators are hoping that next quarter's premier regional multilateral economic event – the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting – avoids being the disaster that this quarter's World Trade Organization (WTO) gathering in Cancun proved to be.

### **Six-Party Talks: Little Progress Expected or Achieved**

Score one for Washington. Its argument that the North Korea nuclear crisis was a multilateral issue (vice a matter between itself and North Korea alone) has prevailed, at least for the moment. While Pyongyang initially continued to demand direct dialogue only with Washington or at most another trilateral round – with China serving either as host (North Korea view) or active participant (U.S. stance) – Washington, Tokyo, and most importantly Seoul stood by their previous agreement, reached at a series of summits in the previous quarter, that the presence of the ROK and Japan at future talks was "essential." Chinese support for this stance and a bit of arm-twisting by Beijing (and Moscow?) helped finally bring the North to the negotiating table for the first round of Six-Party Talks on Aug. 27-29.

The addition of Russia was at Pyongyang's request, as the North sought another potentially friendly (or at least less hostile) face at the table. It also reflected Kim Jong-il's apparent growing annoyance at Beijing, which has become less hesitant to put pressure on Pyongyang – remember the three day oil cut-off? The Dear Leader reportedly asked Russia to host the talks (instead of China), but Moscow was not about to buy into this transparent attempt to play Moscow and Beijing against one another (a game Pyongyang excelled at during the Cold War).

The North went into the talks demanding a “fundamental switchover” in Washington's attitude, insisting that the Bush administration conclude “a legally binding non-aggression treaty and establish diplomatic relations.” All Pyongyang was willing to do in advance was to “declare its will to scrape its nuclear programme.” Monitoring and inspection could only come later, after the treaty was signed and diplomatic relations established (and Pyongyang had been “compensated for the lack of electricity” caused by Washington's “hostile policies”). The U.S. insistence that North Korea dismantle its nuclear program in advance of dialogue (or rewards) was, in Pyongyang's eyes, “little short of demanding that the DPRK surrender to it.”

Before, during, and after the talks, Washington steadfastly rejected the bilateral non-aggression pact proposal for a variety of reasons, not least of which is because it cuts Seoul out of the Peninsula peace-making process, a long-time DPRK objective that all previous ROK and U.S. governments have wisely rejected. (For a detailed discussion on why a bilateral pact is unacceptable, see, “North Korea: Digging Deeper Holes,” *PacNet* No. 37, Sept. 2, 2003. [<http://www.csis.org/pacfor/pac0337.htm>])

Given the going in position of the two primary protagonists, it came as no surprise that the first round resulted in little except a possible promise (twice recanted by Pyongyang) that all would sit down for another round of talks at an undetermined date (possibly November). Hardly a coalition of the willing, North Korea was apparently both bribed and cajoled into coming to the first meeting, but even Beijing's considerable leverage could not convince Pyongyang to demonstrate any flexibility once it arrived (or even to promise unequivocally to return).

Washington reportedly did show some flexibility at the Beijing talks, indicating that a “phased approach” might be considered once North Korean compliance had been assured. In the days leading up to the talks, Washington had also hinted that some type of multilateral security assurances might be provided in lieu of a bilateral pact. While Assistant Secretary of State James Kelly's talking points have not been released, the Chinese representative, Vice Foreign Minister Wang Li, stated that Kelly assured Pyongyang that “the U.S. had no intention to threaten North Korea, no intention to invade and attack North Korea, no intention to work for regime change in North Korea.” These assurances notwithstanding, Washington stuck to its demand for a “full, verifiable, irreversible” end to the North's nuclear weapons program, a demand the other participants reportedly echoed.

Faced with firm resistance from the other five parties regarding its “so-called nuclear weapons program,” Pyongyang came another step closer to coming completely out of the nuclear closet by reportedly acknowledging at the talks that it not only had a “nuclear deterrent force” but planned to increase it. North Korea’s representative, Vice Foreign Minister Kim Yong-Il, also reportedly indicated that Pyongyang was “prepared to prove that it could successfully deliver and explode” nuclear weapons. (On a slightly positive note, Kim apparently did not repeat an earlier threat to also export such weapons.) While the other five continued to talk about multilateral approaches to addressing North Korea’s security concerns, Pyongyang declared that any collective security guarantee would be “meaningless.”

Despite repeated references to its “nuclear deterrence force,” North Korean spokesmen still profess to a certain amount of ambiguity as to whether or not Pyongyang actually has nuclear weapons and the other five remain in various states of denial on this subject, since few seem prepared to take the steps that would be necessitated by unambiguous proof that the North is not bluffing. Should Pyongyang formally declare that it is a nuclear weapons state or, worse yet, conduct a nuclear test, this would leave Washington with little option other than to push for UN Security Council action against Pyongyang and, most importantly, would give Seoul, Beijing, and Moscow little option other than to finally support this course of action – all currently think going to the UNSC is “premature.” Even if it does not yet possess actual usable weapons, Pyongyang’s claims that it has reprocessed its spent fuel rods make it impossible to overlook the proliferation threat caused by any reprocessed plutonium or highly enriched uranium that may now be in its hands.

### **Future Prospects for Korean Talks: Neither Hopeful nor Hopeless**

The current impasse does not mean that long-term prospects are hopeless. There are several points on which all six already agree. First is that a war on the Peninsula serves no one’s interests. While North Korea issues threats of nuclear Armageddon almost daily, it realizes that the outcome of any major confrontation (nuclear or not) will be the destruction of the North Korean state. Nor does Washington seek a military solution, given its preoccupation elsewhere and the high costs (in terms of human lives lost) should the military option be exercised. While few would shed tears if Kim Jong-il were to be eliminated tomorrow – Beijing and Moscow see the utility of a North Korean buffer state remaining but not necessarily under Kim’s rule – the uncertainty and costs involved in bringing about regime change in North Korea, at least at present, are higher than the presumed benefits. As a result, all seem prepared to live with an outcome that leaves the current North Korean regime in place.

Finally, all six (North Korea included) reportedly agreed in Beijing to seek a nuclear weapons-free Peninsula. If negotiations are to succeed, Washington, Seoul, Tokyo, Beijing, and Moscow must insist, with one voice and at a minimum, that North Korea fully, verifiably, and irreversibly freeze its various nuclear weapons programs as a precondition to further negotiations. This requires a return of International Atomic Energy Agency (IAEA) inspectors and the placing of spent fuel canisters (and any

extracted plutonium) back under observation. In return, the other members must be prepared to guarantee that no military strikes will be made against North Korean facilities or its leadership as long as negotiations continue in good faith. Washington should also be prepared, in close consultation with Seoul and Tokyo, and with Moscow and Beijing's concurrence, to lay out a clear roadmap of what it is prepared to offer, and when, in return for North Korea's verifiable cooperative actions (rather than just pledges to act).

A six-party nonaggression pact – or, better yet, a North-South Peace Treaty co-signed by Washington and Beijing (the other primary combatants during the 1950-53 War) and endorsed by Moscow and Tokyo – should be the long-term goal of the current process. The first step in this process, however, must be a complete, verifiable, irreversible end to Pyongyang's nuclear weapons programs. This can only occur if North Korea realizes that its long-term security – if not the current regime's very survival – rests upon its willingness to give up its nuclear aspirations in return for the multilateral security guarantees that remain there for the asking.

### **Proliferation Security Initiative**

While Washington remains committed to a diplomatic solution to the North Korea nuclear stand-off, this does not mean that it is prepared to stand idly by and allow Pyongyang, or other possible proliferators, to place weapons of mass destruction into the hands of others who may be less easily deterred from using them. To this end, the U.S.-instigated Proliferation Security Initiative (PSI) picked up considerable steam this quarter, with planning meetings taking place in Brisbane and Paris and a major, highly publicized, interdiction exercise being held in the Coral Sea.

The PSI, first laid out by President Bush in May and formalized at a 11-nation meeting (involving Australia, France, Germany, Italy, Japan, the Netherlands, Poland, Portugal, Spain, the UK, and the U.S.) in Madrid in June, is “a global initiative with global reach,” under which coalition members agreed, on July 9-10 in Brisbane, “to move quickly on direct, practical measures to impede the trafficking in weapons of mass destruction (WMD), missiles, and related items.” The Brisbane meeting focused on “defining actions necessary to collectively or individually interdict [WMD shipments] at sea, in the air, or on the land.” The Paris meeting, on Sept. 3-4, “continued work on the modalities for interdiction, in particular effective information sharing and operational capabilities for interdiction.” The 11 participants also agreed in Paris on a Statement of Interdiction Principles “to establish a more coordinated and effective basis through which to impede and stop [WMD] shipments . . . consistent with national legal authorities and relevant international law and frameworks, including the UN Security Council.”

Despite the continued stress on activities consistent with legal frameworks, Beijing, for one, has expressed some concern regarding this effort, noting that “some countries of the world [meaning China] have doubts over the legality and effectiveness of the measure.” Pyongyang was considerably less subtle in its condemnation on this “international blockade strategy,” claiming that any action directed against North Korea would be a “wanton violation” of its sovereignty and a “prelude to nuclear war.” Beijing is likewise

(but considerably less hysterically) concerned that PSI efforts specifically focused on North Korea could be counterproductive (even though it has stated that China would not allow itself to be a conduit for illegal North Korean shipments).

While participants have been quick to point out that the PSI is targeted at proliferation *per se* and not at any particular country, a State Department spokesman did note that Pyongyang “might find itself affected by this initiative” if it continued to “aggressively proliferate missiles and related technologies.” “Unnamed Pentagon officials” were also quick to point out that the first major PSI exercise, dubbed Pacific Protector and held in the Coral Sea off the coast of Queensland on Sept. 13, was aimed at sending “a sharp signal to North Korea.” The Pentagon reportedly wanted to identify the target ship in this interdiction exercise as a North Korean vessel, but the Australian organizers, responding at least in part to Japanese concerns, elected instead to develop a scenario where a simulated Japanese freighter (played by a U.S. destroyer) suspected of carrying contraband chemicals was stopped and boarded by the Japanese Coast Guard backed up by Australian, U.S., and French Navy and Coast Guard ships (with the other seven members sending observers). This was the first of a series of 10 sea, air, and ground interdiction training exercises that will take place over the coming year.

The coalition plans to meet again in October in London. The long-term objective, according to Under Secretary of State for Arms Control and International Security John Bolton, is “to create a web of counter-proliferation partnerships that will impede trade in WMD, delivery systems, and related materials.” The plan is to “seek eventually to broaden participation in the PSI to include all like-minded states.” Taiwan, while not a member of the PSI, has already demonstrated its like-mindedness. On Aug. 12, acting on a U.S. request, Taipei seized about 150 barrels of dual-use chemicals from a North Korean freighter when it stopped in Kaohsiung to refuel. Earlier in the year, several other ships bound for North Korea also had dual-use cargo (aluminum tubing and chemicals) confiscated, as Pyongyang’s actions have caused greater international attention to be focused on shipments to and from North Korean ports. (Tehran’s actions have placed Iran in this same category.)

The PSI provides yet another example where institutionalized multilateral mechanisms are being bypassed in favor of ad hoc enforcement regimes. While the Statement of Principles cites a UNSC Presidential Statement as part of its legal justification, many see the Initiative as being necessitated by a failure of the UNSC to act: “Regrettably, the United Nations Security Council’s record on defending nonproliferation standards is patchy at best,” asserted Australian Foreign Minister Alexander Downer at the July Brisbane meeting, building on a familiar theme. In a late June speech, Downer had criticized the UN as “a synonym for an ineffective and unfocused policy involving internationalism of the lowest common denominator,” thus necessitating the creation of “coalitions of the willing” to deal with specific security threats.

## **The Solomons: the Not-So-Happy Islands**

As reported last quarter, Canberra also took the lead in forming a down-under “coalition of the willing” to provide immediate assistance to the Solomon Islands to prevent deteriorating conditions from turning the so-called “happy islands” into a haven for terrorists and drug smugglers and to protect key institutions from intimidation by criminal elements. Fiji, New Zealand, Papua New Guinea, Samoa, and Tonga provided about one-third of the Aussie-led 2,225 member intervention force which included police as well as military forces. The Australian decision to act came after several earlier attempts by the Solomons to obtain UNSC assistance had fallen on deaf ears – the Solomon Islands is one of a handful of countries that recognizes Taiwan, making China’s rejection of peacekeeping support a near certainty (and reinforcing Downer’s “lowest common denominator” charge).

A July 10 vote by the Solomon Islands Parliament backing Prime Minister Allan Kemakeza’s earlier request for outside support provided the political cover for Operation Helpem Fren (a Pidgin phrase meaning “to assist or support a friend”) to commence. It helped to mute, but did not totally drown out, charges of “neocolonialism” being hurled at Australian Prime Minister John Howard. “This is not some kind of colonial hangover exercise by Australia,” Howard asserted, “it is a response to a request of a friend.” This did not prevent the opposition from accusing him of “trying to look hairy-chested,” however (even though the operation itself enjoys generally broad bipartisan support in Australia).

Canberra seems prepared for a long-term commitment to the Solomons. The deployment has been described as “the first stage of the Regional Assistance Mission to the Solomon Islands, a longer-term ‘cooperative intervention’ to address the crisis of development and governance in the Solomon Islands.” The first task was to restore some semblance of law and order, and Operation Helpem Fren can already claim some limited success in this effort. On Sept. 23, Australia amended its travel advisory, downgrading earlier advice to “defer all travel” to the Solomons. Travelers are now advised to “exercise caution” and consult the High Commission in Honiara if planning to travel outside the capital. Tour groups are already starting to return.

Ironically, Foreign Minister Downer as recently as this past January had stated that Australian involvement in the Solomons would be “folly in the extreme.” Now he says “What we are doing in the Solomon Islands is, in many ways, a model. It deserves the support of the international community as a whole, including the battered UN system.” Prime Minister Howard has acknowledged that his “cooperative intervention” policy represents a new stance: “We recognize that such an action represents a very significant change in the way we address our regional responsibilities and relationships,” Howard said in a July 1 speech at the Sydney Institute, “but our friends and neighbors in the Pacific are looking at us for leadership and we will not fail them.”

Others – especially Papua New Guinea (hereafter PNG), which has its own internal problems – have expressed concern about how far and eagerly this new “cooperative

intervention” model might be applied. PNG Prime Minister Sir Michael Somare issued several warnings to Canberra not to attempt to “disrupt” his nation’s sovereignty after Australia expressed concerns about how effectively its roughly US\$220 million in aid – 20 percent of PNG’s annual revenue – was being spent. At quarter’s end, however, PNG had agreed to accept a force of 200 Australian federal police plus other advisors “as soon as possible” (most likely by January 2004) in return for continued aid. The police would serve in a training and advisory capacity while civilian advisors would also work side by side with PNG counterparts in various government ministries, adding a new dimension to Australia’s evolving “cooperative intervention” policy.

### **Iraq: Coalition of the Unwilling**

Australia was also a willing partner in Washington’s uncooperative intervention in Iraq and continues to provide forces to help win the peace in the face of isolated but growing resistance to the U.S.-run post-war occupation. Washington has found others, including some traditional security partners, to be less than eager to contribute forces to the pacification effort, however, absent some form of United Nations authorization or endorsement.

With this in mind, President Bush went to the UN on Sept. 23 to call on “all nations of good will” to step forward and help build democracy in Iraq. Bush expressed no regret in leading the ad hoc coalition against Saddam, stating that the UN had been right to demand compliance with UN resolutions, thus implying that the U.S. was equally right to act when Saddam refused: “The Security Council was right to vow serious consequences if Iraq refused to comply. And because there were consequences, because a coalition of nations acted to defend the peace, and the credibility of the United Nations, Iraq is free.” The U.S. was not acting just to bring freedom to the Iraqi people, Bush asserted, but to defend the UN’s credibility as well. This argument failed to win the hearts and minds of the assembled nations of good will and, at quarter’s end, Washington had still failed to gain its desired UN Resolution supporting the U.S. occupation, due primarily to disagreement over how fast authority would be turned over to a civilian Iraqi government and what role, if any, the UN would have in managing Iraqi postwar affairs until that time.

The UN shares President Bush’s stated goal: “self-government for the people of Iraq, reached by orderly and democratic process.” Both would also agree that “the United Nations can contribute greatly to the cause of Iraq self-government.” But, President Bush asserts that “This process must unfold according to the needs of Iraqis, neither hurried, nor delayed by the wishes of other parties,” rejecting UN time lines as unrealistic. He may have a point. As Secretary of Defense Donald Rumsfeld pointed out in a Sept. 25 *Washington Post* editorial, while the UN seeks an accelerated time table in Iraq, “four years after the war, the United Nations still runs Kosovo by executive fiat . . . . Decisions made by the local elected parliament are invalid without the signature of the UN administrator. And still, to this day, Kosovo ministers have UN overseers with the power to approve or disapprove their decisions.” It’s time for some flexibility and realism on both sides of the argument.

President Bush also used his UN “bully pulpit” to call for support of his Proliferation Security Initiative. He challenged the UN to adopt a new antiproliferation resolution calling on all members “to criminalize the proliferation of weapons of mass destruction, to enact strict export controls consistent with international standards, and to secure any and all sensitive materials within their own borders.” Until then, Washington’s ad hoc coalition would continue to pursue this objective independently.

Much has been made of UN Secretary General Kofi Annan’s speech that immediately preceded President Bush’s General Assembly remarks. The secretary general argued forcefully that when states go beyond their “inherent right of self-defense” and decide to use force to deal with broader threats to international security, “they need the unique legitimacy provided by the United Nations.” Otherwise, such actions could create a precedent that might lead to “a proliferation of the unilateral and lawless use of force, with or without justification.” No names were mentioned but it was pretty clear who he had in mind. But Annan had some words for the other Security Council members as well: “It is not enough to denounce unilateralism, unless we also face up squarely to the concerns that make some States feel uniquely vulnerable, since it is those concerns that drive them to take unilateral action. We must show that those concerns can, and will, be addressed effectively through collective action.” The words were perhaps more polite and indirect, but Annan, no less than Bush, was warning the UNSC that its credibility is at stake if it continues to fail to act in the face of growing security challenges.

### **U.S. Force Realignment Plans Moving Slowly but still Causing Anxiety**

Among the nations waiting for a UNSC Resolution on Iraq are allies like South Korea and Japan and other friendly nations such as India, that desire (require?) political cover in order to respond more favorably to U.S. requests for troops to help in Iraqi pacification and reconstruction efforts. The request to South Korea is particularly sensitive since the ROK government is in the midst of a domestic political crisis, as President Roh Moo-hyun’s party disintegrated around him this quarter even as North Korea failed to make his life much easier. Further complicating matters for Roh is the Pentagon’s determination to move forward with its force restructuring plans on the Korean Peninsula, despite Blue House warnings that the time may be less than ripe for such movement.

As described in detail last quarter, the U.S. and ROK established a “Future of the ROK-U.S. Alliance Policy Initiative” (FOTA) earlier this year aimed at developing a coordinated future force restructuring plan on the Peninsula (as part of a broader global U.S. effort). Agreement has been reached on a two-phase consolidation plan. Under the first phase, forces north of the Han River (which runs through Seoul) will consolidate in the Camp Casey and Camp Red Cloud areas (which are also north of Seoul). Phase two will involve consolidation of forces around two “key hubs” south of Seoul over the next three to five years.

The third FOTA meeting was held in Hawaii on July 22-23 and the fourth in Seoul on Sept. 3-4. At the Hawaii meeting, the two sides reaffirmed the basic aims of the Initiative: to further strengthen the ROK-U.S. Alliance and its combined defense



capabilities, to provide a stable long-term stationing environment for U.S. forces, and to ensure a robust alliance for the future. The two sides agreed to a target date of 2006 for the relocation of the Yongsan Garrison (currently in the heart of Seoul) and also reached agreement on the transfer of some military missions from U.S. to ROK forces. While specifics were not revealed in the Joint Communiqué, ROK sources later revealed that this included the transfer of responsibility for guarding the truce village of Panmunjom to South Korea by late 2004 or early 2005. Given that the Armistice was signed by North Korea, China, and the U.S., without South Korea, this will have significant political and diplomatic, as well as military, implications. The ROK reportedly also agreed to the repositioning of the U.S. 2nd Infantry Division southward by the target year of 2006, instead of 2009 (as initially desired by Seoul).

Both sides agreed on “the need to promote the awareness of the Korean public on this relocation’s value to ROK security,” an acknowledgment of the political sensitivity and suspicions in the minds of many in the South regarding Washington’s motives and commitment. No reference was made to any cutback in the number of U.S. troops in Korea. The contentious issue of combined command relationships was kicked down the road, with both sides agreeing to continue to study the issue over the mid- to long-term to come up with tangible results by the 2005 Security Consultative Meeting.

An official report on the results of the fourth meeting has not yet been published, but press reporting indicates that the two sides have begun to sketch a new unified agreement to operationalize the Yongsan relocation, acknowledging that the old division of responsibility (and costs) originally allocated in the early 1990s needed updating. Discussions apparently focused on how much land would be returned and when, plus housing and other support for the roughly 1,000 U.S. troops that will reportedly remain in the Seoul area after the Yongsan relocation. The roles and missions debate no doubt also continued. A fifth round of talks was scheduled for early October in the expectation that all details could be worked out before the next Security Consultative Meeting in Seoul. This meeting, involving the respective defense ministers, will also commemorate the 50<sup>th</sup> anniversary of the alliance.

### **Other Troubled and Troubling Areas of Concern**

A number of other developments taking place during this quarter deserve at least brief mention due to their potential impact on U.S. and broader regional security interests.

**Taiwan Politics.** As a democratic leader facing re-election (and currently behind in the polls), Taiwan’s President Chen Shui-bian has taken a few steps during this quarter that may shore up his domestic political base but seem sure to annoy both Beijing (the intended target) and possibly Washington (the law of unintended consequences applies here). These include renewed references to “one country on each side of the Strait” – a 2002 formulation that prompted angry responses from Beijing but also compelled Washington to strongly reaffirm its own “one China” policy – plus calls for referendums

on several domestic issues and an expressed desire for a new constitution, which constitute new ways of irritating Beijing (while increasing Washington's discomfort level as well).

As David Brown points out in his cross-Strait discussion elsewhere in this journal, Chen's actions appear aimed at drawing an overreaction from Beijing that can then be used to attack Chen's opponents in a wave of anti-mainland sentiment, if Beijing is foolish enough to take the bait (so far it hasn't). But he also risks alienating his supporters within the Bush administration, whose unequivocal support for Taiwan – remember President Bush's "whatever it takes" pledge – was based at least in part on Chen's "five noes" and subsequent promise of "no surprises." Chen's recent remarks stretch (if not break) the limits of his earlier assurances to Washington. The Bush administration seeks close ties with both Beijing and Taipei. If Taipei is seen as purposefully putting the former in jeopardy, it may end up damaging the latter instead.

**Hong Kong Anti-subversion Law.** President Chen, with some justification (but too much delight), also pointed to the controversy in Hong Kong over the government-proposed Anti-subversion Bill as proof that "one country, two systems" not only does not apply to Taiwan but is breaking down in Hong Kong as well. But, when a demonstration of 500,000 Hong Kong citizens can force Chief Executive Tung Chee-hwa (and by extension the PRC) to back down and return to the drawing board on proposed legislation (as happened on July 1), this represents good news indeed. Nonetheless, as Bill Overholt has pointed out ("One Country, Two Systems': An Inch from Victory," *PacNet* No. 30, July 17, 2003 [<http://www.csis.org/pacfor/pac0330.htm>], Hong Kong's Basic Law requires the enactment of some type of anti-subversion legislation. The real test will be the ability of the Hong Kong government and legislature to find an approach acceptable both to the people of Hong Kong and to the mainland. This will require compromise and clear thinking by both sides.

**Manila Mutiny.** Clear thinking apparently did not prevail among those responsible for a failed mutiny – some would call it a coup attempt – in the Philippines in late July. The government of President Gloria Macapagal-Arroyo deserves some plaudits first for uncovering the plot in sufficient time to respond against it and then for bringing a 19-hour siege – during which the rebels took control of an apartment/shopping complex in the Makati business district – to a peaceful conclusion.

The mutineers, led by Navy Lt. Antonio Trillanes (who had written a scorching report on corruption in the Philippine Navy in 2002), claimed that they were not trying to take over the government. "We are not attempting to grab power," Trillanes told reporters who flocked to the scene of the siege in downtown Manila, "we are just trying to express our grievances against the government and against the chain of command of the armed forces of the Philippines." Others suspected the hand of deposed former President Joseph Estrada and/or coup veteran Sen. Gregorio ("Gringo") Honasan behind the well-meaning but misdirected military officers, whose grievances cannot be easily dismissed. These include charges of widespread corruption (a widely recognized problem among the poorly paid military), including accusations of military officers in the southern

Philippines selling Muslim rebels there the guns and ammunition that were being used to then kill Philippine troops trying to defend the country against the separatists.

While this latest attempt at “people power” failed to win public support (as the rebels clearly hoped), it was successful in calling attention, once again, to the serious corruption and morale issues that continue to plague the Philippine Armed Forces and make them less than a highly effective force in defending the country in the south or elsewhere. While President Arroyo pledged to fully prosecute all involved in this lawless act, she also promised at her State of the Union address on July 28, a day after the mutiny was defused, to appoint an independent commission to investigate the complaints of the rebellious officers. The fact that several of the 70 officers who led the 300-man revolt were members of two elite rapid reaction forces chosen by the Pentagon for antiterror training last year indicates that this event could also have a dampening effect on activities along Washington’s “second front” in the war on terrorism.

**Constructive Interference in Burma.** At the ASEAN Meeting in Phnom Penh in mid-June, the assembled foreign ministers said they “looked forward to the early lifting of restrictions placed on Daw Aung San Suu Kyi and the NLD [National League for Democracy] members.” They are still waiting. The best that the ruling junta would do was to move Daw Sui Kyi from an undisclosed location back to house arrest (after a gynecological operation) and to allow International Red Cross representatives and UN special envoy Razali Ismail to visit her to dispel rumors that she had been injured during the May 30 melee that resulted in her being placed under “protective custody.”

The ASEAN ministers had also urged Rangoon “to resume its efforts of national reconciliation and dialogue among all the parties concerned leading to a peaceful transition to democracy.” There is no progress to report on this front. Burma’s behavior will move from being a mere embarrassment to ASEAN to much worse in another year, when Rangoon is scheduled to take over the rotating ASEAN chair. Already, Burma’s intransigence has “affected our credibility,” bemoaned Malaysian Prime Minister Mahathir Mohamad

This prompted a July 20 warning from the outspoken Mohamad (who will retire at the end of October after 22 years at Malaysia’s helm) that ASEAN may be forced, as a last resort, to expel Burma if Rangoon continued along its current path. “We will have to examine every avenue before we take such drastic actions,” said Dr. Non-Interference, but “in the end, it may have to be that way.” Dr. Mahathir’s comments were followed by a strong statement several days later by the assembled Asia-Europe Meeting (ASEM) ministers in Bali calling on Burma “top immediately release Daw Aung Sang Sui Kyi and other NLD members and ensure them freedom of political activities.” ASEM (which does not include Burma among its membership) also called on Rangoon “to resume its efforts toward national reconciliation and democracy.” Expect to see still more constructive interference in Burma’s internal affairs, beginning with the early October annual ASEAN summit meeting in Bali.

**Cancun Fails Miserably . . .** While multilateral security efforts (at least of the ad hoc variety) enjoyed some success this quarter, the same cannot be said for the world's premier multilateral economic gathering, this quarter's fifth World Trade Organization (WTO) Ministerial Meeting on Sept. 10-14 in Cancun. The U.S., EU, and other rich "free traders" drew the lion's share of the blame by refusing, more for domestic political than for economic reasons, to ease up on their own agricultural subsidies and other protectionist practices. But it also seemed clear, as the Rushford Report's Greg Rushford observed, that "too many politicians from poor countries were more interested in scoring political points against the rich countries than in participating in setting the stage for genuine negotiations to come later." The big question for East Asia is what Cancun portends for the region's upcoming premier multilateral economic event, the Oct. 20-21 Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Bangkok.

**. . . Can APEC Succeed?\*** A number of economic dynamics are in play that could have an interesting impact on the 11<sup>th</sup> APEC Leaders' Meeting. First is the controversy over exchange rate policy, which emerged during Secretary John Snow's first trip to Asia in early September. Some analysts believe the U.S. concern over revaluation of the *yuan* to be purely motivated by pre-election pandering and warn of the disastrous consequences to Asia of U.S. protectionism; others argue just as forcefully that global economic imbalances necessitate not only a *yuan* appreciation, but a yen appreciation and a dollar depreciation in tandem. Although APEC finance ministers revealed a hands-off approach to U.S. exchange rate concerns at their meeting in September, the U.S. may well try again for a G-7 type endorsement of a commitment to market-driven, as opposed to managed, exchange rate policies, leaving specific currencies unmentioned. The U.S. may have to concede a pledge to "free and fair trade" to assuage concerns about protectionism, but this shouldn't be a problem since "fair trade" has emerged as the new catch-all phrase.

APEC members cannot allow Cancun to poison the atmosphere for these key trading relationships. U.S. Trade Representative Robert Zoellick may well have pledged to deal only with "can do" countries in his "competitive liberalization" approach (suggesting priority would go to bilateral free trade agreements). But in the end, the U.S. should also use APEC to try and reinvigorate multilateral trade talks. Fortunately, APEC members managed to avoid incurring the worst of U.S. wrath in Cancun. Even though many sided with the Group of 22 demands, they either chose not to play leadership roles (China) or to hide behind G-22 positions (Japan) quietly hoping for failure. Some of the smaller APEC economies, however, may have learned a new assertiveness from the G-22 and could inject their positions more confidently into the APEC agenda.

In this light, there will be an important if small outcome from APEC 2003 in the form of a new agreement to foster cross-border opportunities for microenterprises and the SME sector (small and medium enterprises). Although this sounds like one of those "paper" agreements that APEC is so famous for, this Thai initiative builds on an innovative and successful Thai economic strategy to invigorate domestic demand by strengthening domestic businesses. Malaysia and the Philippines have recently adopted similar strategies, and this is precisely the cure Southeast Asia needs to deal with competitive

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\* Economic discussion prepared by Pacific Forum CSIS Director for Programs Jane Skanderup.

pressures from China. This agreement won't make the headlines, but demonstrates real leadership from the Thai hosts.

## **Regional Chronology July-September 2003**

**July 1, 2003:** About 500,000 Hong Kong citizens protest draft Anti-Subversion Bill.

**July 1, 2003:** Southeast Asian Counter-Terrorism Center opens in Malaysia.

**July 1, 2003:** DPRK warns any U.S.-led naval or aerial blockade or sanctions against North Korea would be met with "merciless retaliatory measures."

**July 1, 2003:** Australian PM Howard talks of "cooperative intervention" in the Solomons.

**July 2-3, 2003:** China and Russia block a U.S.-proposed statement condemning North Korea for reviving its nuclear weapons program in a meeting of the UN Security Council's five permanent members.

**July 7, 2003:** Indonesia Parliament approves direct presidential elections in 2004.

**July 2, 2003:** Assistant Secretary of State James Kelly hosts TCOG meeting with Korean and Japanese counterparts.

**July 3, 2003:** U.S. announces sanctions on DPRK firm for sales of missile technology to Iran.

**July 5, 2003:** The WHO declares the SARS virus is contained in Taiwan.

**July 7-10, 2003:** ROK President Roh Moo-hyun visits PRC; meets with President Hu Jintao and Premier Wen Jiabao.

**July 7, 2003:** Philippines indicts alleged leader of Jemaah Islamiyah (JI) Hambali and seven others for the 2001 Manila bombing.

**July 9, 2003:** ROK National Intelligence Service (NIS) reportedly testifies that the DPRK has reprocessed some number of its spent fuel rods and has tested devices used to trigger atomic explosions.

**July 9-10, 2003:** Second Proliferation Security Initiative (PSI) meeting, in Brisbane, to develop practical ways to prevent the global spread of WMD.

**July 9-12, 2003:** Eleventh Inter-Korean Ministerial Meeting in Seoul; both sides agree to pursue "appropriate dialogue" to resolve nuclear weapons dispute.

**July 10, 2003:** DPRK and U.S. resume talks in Bangkok on recovering remains of U.S. servicemen killed in the Korean War.

**July 10, 2003:** Solomon Islands Parliament approves Australian intervention to restore order.

**July 10, 2003:** Taiwan legislature refuses to pass referendum law.

**July 14, 2003:** ROK says it has “no scientific evidence” to confirm earlier reports of DPRK reprocessing.

**July 14, 2003:** Yang Bin (appointed by DPRK to administer a free-trade zone in North Korea) convicted of fraud and sentenced to 18 years in prison by China.

**July 14, 2003:** Convicted JI terrorist Rohman al-Ghozi escapes from jail in Manila.

**July 14, 2003:** Bomb explodes in Indonesia’s Parliament.

**July 17, 2003:** ROK and DPRK exchange machine gun fire along the DMZ.

**July 17-20, 2003:** President Roh and PM Howard agree to cooperate fully to resolve the nuclear standoff during summit meeting in Seoul.

**July 18, 2003:** IAEA Chief ElBaradei says DPRK represents biggest nuclear weapons threat.

**July 19, 2003:** Tung Chee-hwa visits Beijing to discuss Hong Kong’s political crisis. Premier Wen issues strong endorsement of Tung’s leadership.

**July 20, 2003:** Malaysia PM Mahathir warns that ASEAN may be forced, as last resort, to expel Burma.

**July 21, 2003:** Russian Deputy FM Losyukov urges U.S. and DPRK to start talks, warning that their standoff was boiling over.

**July 21, 2003:** North Korea demands the U.S. drops its “hostile policy” and legally commit itself to a nonaggression pact.

**July 21-23, 2003:** UK PM Blair visits President Hu and Premier Wen in Beijing; meets Tung Chee-hwa and pro-democracy legislators in Hong Kong.

**July 23, 2003:** Reuters reports DPRK is prepared to declare itself a nuclear state unless the U.S. responds positively to its proposals by the Sept. 9 anniversary of the DPRK’s founding.

**July 23, 2003:** U.S. International Trade Commission approves antidumping duties on catfish imports from Vietnam and countervailing duties on computer memory chips from the ROK.

**July 23-24, 2003:** Fifth Asia-Europe Meeting (ASEM) in Bali, includes call for Aung San Suu Kyi's immediate release.

**July 24, 2003:** Presidents Bush and Roh agree by phone to keep pushing for multilateral talks on DPRK's nuclear program.

**July 24, 2003:** International Maritime Bureau reports that international piracy has risen 37 percent (234 attacks) in the first six months of 2003.

**July 24, 2003:** A U.S. Marine arrested by Okinawan police in June pleads guilty to charges of rape.

**July 25, 2003:** President Bush visits Korean War Veterans Memorial; DPRK demands U.S. apologize for the Korean War, dismissing the U.S. and ROK commemoration of the 50th anniversary of the Korean War truce as a "disgusting farce."

**July 25, 2003:** U.S. imposes sanctions on DPRK firm for export of missiles to Yemen last December.

**July 26, 2003:** Japanese Upper House approves a controversial law allowing the dispatch of Japanese troops to Iraq in what could be the nation's biggest overseas military deployment since World War II.

**July 26, 2003:** Philippines President Arroyo orders arrest of nearly 70 rogue junior officers suspected of plotting a coup.

**July 27, 2003:** Rebels officers storm a major commercial center in Manila's financial district; accuse the government of corruption but deny they are part of a coup. 19-hour siege ends peacefully.

**July 27, 2003:** Cambodia holds its third democratic election, for the 123-seat National Assembly; Cambodian People's Party party wins 47 percent of the votes, short of the amount required to form a government. Rival parties refuse to join a coalition with PM Hun Sen.

**July 27, 2003:** China reports one new SARS death in Beijing, raising the mainland death toll to 349.

**July 28-29, 2003:** Under Secretary of State John Bolton visits Beijing for second session of U.S.-China security dialogue.

**July 28, 2003:** President Bush calls PM Koizumi to welcome Parliament's vote to authorize sending Japanese troops to Iraq.

**July 28, 2003:** President Bush signs bill banning Burma imports; issues executive order freezing assets of senior officials and prohibiting virtually all remittances to Burma.

**July 29-31, 2003:** Under Secretary of State John Bolton visits South Korea.

**July 29, 2003:** Red Cross officials meet Aung San Suu Kyi.

**July 29, 2003:** U.S. and China sign Container Security Initiative agreement. U.S. inspectors will work with Chinese officers to screen U.S.-bound cargo containers before they leave Chinese ports.

**July 30, 2003:** President Bush speaks by telephone to President Hu Jintao and encourages Hu "to stay involved in the process of discussion" with DPRK leader Kim Jong-il.

**July 30-31, 2003:** Under Secretary Bolton visits Seoul, describes DPRK leader Kim Jong-il as a "tyrannical dictator."

**July 30, 2003:** Defense Department report to Congress claims China is boosting military spending and deploying increasing numbers of ballistic missiles opposite Taiwan.

**July 31, 2003:** The Russian Foreign Ministry announces the DPRK favors six-sided talks, with Russian participation, to ease tensions over Pyongyang's nuclear program.

**July 31, 2003:** Philippines government officials announce leaders of the failed coup face a maximum penalty of 40 years in jail; 321 soldiers held for court-martial.

**July 31, 2003:** China and Russia issue statement calling for a quick start to talks to ban weapons in space.

**July 31, 2003:** U.S. Senate approves Singapore Free Trade Agreement.

**Aug. 1, 2003:** Under Secretary Bolton visits Tokyo.

**Aug. 1, 2003:** China denounces Pentagon report on Chinese military saying Washington was making excuses to sell advanced weapons to Taiwan.

**Aug. 1, 2003:** Suicide bomber destroys Russian military hospital near Chechnya, killing 50.

**Aug. 3, 2003:** Pyongyang calls Under Secretary Bolton "human scum" for his criticism of Kim Jong-il.



**Aug. 4, 2003:** Chung Mong-hun, a Hyundai Group executive implicated in the transfer of \$500 million to the DPRK, commits suicide.

**Aug. 5, 2003:** Car bomb explodes outside Marriott Hotel in Jakarta.

**Aug. 6, 2003:** Indonesian General Damiri sentenced to three years for failing to prevent violence in East Timor and for gross human rights violations.

**Aug. 6, 2003:** Taiwan spokesman says executive branch will authorize referendum if legislature does not.

**Aug. 6-12, 2003:** Shanghai Cooperation Organization (SCO) conducts joint antiterrorism exercise.

**Aug. 7, 2003:** Bali bomber Amrozi is found guilty and sentenced to death.

**Aug. 7, 2003:** ASEAN Plus Three finance ministers meet in Manila.

**Aug. 8, 2003:** ROK Navy fires warning shots on three North Korean boats that cross the Yellow Sea boundary.

**Aug. 8, 2003:** Region-wide protests mark the 15<sup>th</sup> anniversary of the fall of the pro-democracy movement in Burma, amid calls for the immediate release of Aung San Suu Kyi.

**Aug. 12, 2003:** Taiwan seizes dual-use chemicals from North Korean freighter.

**Aug. 12, 2003:** President Chen repeats “one country on each side of the Strait” formulation.

**Aug. 13-14, 2003:** TCOG meeting in Washington – U.S., ROK, and Japanese officials final coordination prior to six-party nuclear talks with the DPRK in Beijing.

**Aug. 14, 2003:** U.S. officials announce joint operation by Thai anti-terrorism forces and the CIA has resulted in capture of Nurjaman Riduan Isamuddin, known as Hambali, an al-Qaeda top strategist and key figure in the 2002 Bali bombing.

**Aug. 15, 2003:** ROK President Roh, on the 58th anniversary of the Korean Peninsula’s liberation from Japan, promises DPRK economic help for ending its nuclear program.

**Aug. 16, 2003:** Nearly 2,000 students and activists hold rally demanding an end to ROK-U.S. alliance and the withdrawal of U.S. troops. Nearby, 500 demonstrators march in support of the U.S.

**Aug. 18-27, 2003:** Russian military stage largest exercises in 15 years in the Far East under the leadership of Navy Commander in Chief Vladimir Kuroyedov. The exercises involve 70,400 servicemen and civilians, 61 ships, and 72 aircraft and helicopters to cope with crisis and conflict on the Korean Peninsula that results in a large number of Korean refugees to Russia. Japan, ROK, and U.S. ships and aircraft participated and China sent observers.

**Aug. 20, 2003:** A delegation of North Korean athletes arrives in South Korea for the World University Games.

**Aug. 22, 2003:** U.S. special envoy for North Korea Jack Pritchard resigns.

**Aug. 25, 2003:** Burmese Cabinet changes announced: intelligence chief, Gen. Khin Nyunt becomes PM; five ministers and two deputies retire; Gen. Than Shwe remains head of state.

**Aug. 26, 2003:** ROK National Security Advisor Ra Jong-yil states that his government would stop all economic assistance to North Korea if “suspicions of nuclear weapons are confirmed.”

**August 27-29, 2003:** Six-party talks take place in Beijing.

**Aug. 28, 2003:** Additional U.S. trade sanctions against Burma go into effect, closing the U.S. market to Burmese imports; could force the closure of textile factories across Burma.

**Aug. 28, 2003:** Indonesia President Megawati criticizes Burma over Aung San Suu Kyi’s detention.

**Aug. 29, 2003:** Philippine Defence Secretary Reyes resigns and issues warning of well-organised effort by unnamed forces to topple the government.

**Aug. 30, 2003:** Russian submarine carrying a crew of 10 sinks in the Barents Sea while being towed to a scrapyard, killing nine.

**Aug. 30, 2003:** The Hong Kong government announces GDP shrank by 3.7 percent from April to June, due to SARS-related loss of economic activity in air travel, tourism, and hotel industry. Forecasters expect economic growth to rise in second half of 2003.

**Aug. 30, 2003:** North Korea claims “disinterest” in future six-party talks; cites “practical measure to beef up nuclear deterrent force.”

**Sept. 2-3, 2003:** U.S. Treasury Secretary Snow visits Beijing, meets Premier Wen, Vice-Premier Huang, Central Bank Chief Zhou Xiaochuan, and Minister of Finance Jin Renqing; urges China to abandon its fixed currency and let the *Renminbi* float.

**Sept. 2, 2003:** An Indonesian court sentences cleric Abu Bakar Bashir, the spiritual leader of Jemaah Islamiyah, to four years in prison for treason.

**Sept. 3, 2003:** ASEAN Plus Three economic ministers meet in Phnom Penh

**Sept. 3, 2003:** Indonesian VP Hamzah Haz calls the U.S. the “terrorist king” during speech.

**Sept. 3-4, 2003:** Third PSI meeting in Paris. Statement of Interdiction Principles issued.

**Sept. 4, 2003:** President Bush calls China’s currency policy “unfair.”

**Sept. 4, 2003:** China notes that “some countries” have concern about PSI’s legality.

**Sept. 4, 2003:** Taiwan stages annual military wargame “Han Kuang 19” to demonstrate its defense capabilities.

**Sept. 4, 2003:** SCO foreign ministers meet in Tashkent.

**Sept. 4, 2003:** The Dalai Lama in U.K. newspaper interview announces his willingness to return to Tibet if China allows him to go back without preconditions.

**Sept. 5, 2003:** Hong Kong government postpones consideration of controversial anti-subversion bill until more public consultations are held.

**Sept. 6, 2003:** Former Taiwan President Lee Teng-hui at independence rally, initiates “Calls Taiwan Taiwan” campaign.

**Sept. 10-14, 2003:** The fifth annual WTO Ministerial conference is held in Cancun, Mexico.

**Sept. 10, 2003:** An Indonesian court sentences Imam Samudra to death for masterminding the Bali bomb attacks.

**Sept. 10, 2003:** A South Korean activist commits suicide in anti-capitalism protest at WTO meeting.

**Sept. 11, 2003:** President Bush meets with the Dalai Lama.

**Sept. 12, 2003:** U.S. Marine convicted of beating and raping an Okinawan woman; sentenced to 3.5 years in prison.

**Sept. 13, 2003:** PSI interdiction exercise “Pacific Protector” held in Coral Sea.

**Sept. 13, 2003:** Typhoon Maemi strikes South Korea, killing 85 people and causing at least \$1 billion in damage.

**Sept 14, 2003:** Author proposes to Louanne Petronio on the Ponte Vecchio in Florence; July wedding planned.

**Sept. 15, 2003:** North Korea calls PSI exercise “a prelude to nuclear war.”

**Sept. 18, 2003:** Bali bomber Ali Imron sentenced to life in prison.

**Sept. 18, 2003:** ROK National Security Council chief Ra Jong-yil states the UN’s role in postwar Iraq would be a vital factor in Seoul’s decision on sending combat troops.

**Sept. 18, 2003:** PNG agrees to accept an Australian police “cooperative intervention” force “as soon as possible.”

**Sept. 19, 2003:** President Bush phones Japanese PM Koizumi to seek support for reconstruction efforts in Afghanistan and Iraq.

**Sept. 20, 2003:** PM Koizumi is re-elected as head of the LDP by large majority.

**Sept. 20, 2003:** President Putin says Russian troops will not serve in Iraq.

**Sept. 20-25, 2003:** Eighth divided families reunion held at Mt. Kumgang, North Korea.

**Sept. 22-26, 2003:** The United Nations 58th General Assembly meets in New York, President Bush addresses the assembly and calls for support to Iraq.

**Sept. 23, 2003:** SCO prime ministers meet in Beijing.

**Sept. 24, 2003:** In press conference, President Roh links the deployment of ROK troops to Iraq to stability on the Korean Peninsula.

**Sept. 27, 2003:** DPRK describes Secretary Rumsfeld as “politically illiterate” and a “psychopath.”

**Sept. 27-28, 2003:** Presidents Putin and Bush meet at Camp David, Maryland, issue joint statement calling on DPRK and Iran to end their development of nuclear weapons. Putin states that a negotiated settlement with North Korea should include security guarantees.

**Sept. 28, 2003:** President Chen says his party will push for new constitution in 2006.

**Sept. 29-30, 2003:** TCOG meeting in Tokyo.