A Brookings Briefing

PREVIEW OF APEC MEETING: Pacific Rim Nations to Discuss Economic Issues, Terrorism, North Korean Nuclear Program

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Moderator:

JAMES B. STEINBERG
Vice President and Director, Foreign Policy Studies Program, The Brookings Institution

Panelists:

RICHARD C. BUSH
Senior Fellow, Foreign Policy Studies, and Director, Center for Northeast Asian Policy Studies, The Brookings Institution

DON OBERDORFER
Distinguished Journalist in Residence, Nitze School of Advanced International Studies Johns Hopkins University

LAEL BRAINARD
Senior Fellow, Economic Studies and Foreign Policy Studies, and New Century Chair, The Brookings Institution

EDWARD J. LINCOLN
Senior Fellow, Foreign Policy Studies, The Brookings Institution

MICHAEL E. O'HANLON
Senior Fellow, Foreign Policy Studies, and The Sydney Stein, Jr. Chair, The Brookings Institution

MR. JAMES STEINBERG: Good morning and welcome to Brookings. We're here to talk to you today about the upcoming APEC Summit and the bilateral meetings that will take place at and around APEC this weekend.

It's obviously quite an extraordinary conjunction of events that makes the cast of characters of APEC quite an important one right now. We've had over the last several weeks this increasing drama concerning North Korea beginning with the revelations about the Japanese abductees, and then last week about the North Korean nuclear program. We've had this horrific terrorist attack in Indonesia, obviously another part of APEC which has such profound affects on Australia, another part of APEC. And this attention to the continuing problem of terrorism and al Qaeda comes on the heels of the Summit last year at APEC which focused very heavily on the problem of terrorism.

We have in the run-up to the meeting a Summit between President Bush and Jiang Zemin and the upcoming Chinese 16th Party Congress which is expected to herald a major transition in clearly one of the key member countries of APEC.

So in many ways it seems this cast of characters who are assembling seem to be the topic dejeur and it's a very propitious time for a meeting to take place. But the question one has to ask oneself in all of this is what does APEC have to do with it, other than a forum in which these leaders from very important countries that have significant issues with the United States can come together.

There are obviously a number of economic issues on the horizon that are concerns to trans-economic situations, the questions in the region about the United States' own recovery.

What we want to do this morning is focus on the question of APEC and where it fits in the global and regional economic situation, and then more broadly on some of the political and security issues that will become the major topics of the discussion.

So we're going to begin first on the economic side. I'd like to ask Lael Brainard to begin by asking the question, how is the Bush Administration thinking about this Summit? What are their objectives? How do they think about the role of APEC? What are they going to try to get out of it?

MS. LAEL BRAINARD: I think what is interesting about APEC as it has evolved in the last few years and as the Bush Administration probably views it, is that it is becoming more valuable as an insurance policy that President Bush will meet with key Asian leaders once a year rather than in fulfilling its original purpose which was really to achieve trade investment liberalization among the economies in this group.

So my impression is that the Bush Administration will be putting its main emphasis not on APEC itself but rather on the key meetings that will be taking place on the edges of APEC—meetings with key

leaders on the top security issues of the day.

The fact that we see APEC really being a vehicle for addressing a host of security issues two years in a row now, and not really in the central meetings themselves but around the edges, just highlights the awkward fit between the stated aims and the membership of this group which is very diverse, has 21 members, and is supposed to be very narrowly focused on economics. And yet we really haven't seen economic outcomes of any importance for the last two years.

In terms of the economic agenda, the main concrete achievements on trade and on finance will really be only in those areas where they intersect with terrorism: the Transportation Security Initiative, the Container Security Initiative. But nothing will be happening on trade investment liberalization.

The other thing that's worth noting is that although all the leaders come together at this time with the same agenda, in reality there are quite different priorities. Many of the Asian leaders are coming to the table worried about recent security tremors in the region, but equally worried about economics. They are still recovering from the financial crisis, still trying to figure out how to position vis-à-vis a resurgent China, looking at a still flagging Japan looking at the U.S. economy, and looking to the Bush Administration to reassure them. We probably won't hear much on the U.S. economy that will be fundamentally reassuring given the prospects for war.

The last item that is important is that APEC is meeting this year in Mexico at a time that highlights that Latin America is kind of an awkward fit within this mix and highlights the financial tremors that are reverberating through that region. These issues are clearly very high on the minds of the leaders of Chile and Mexico, and raising a very difficult question which is do we really know the right prescription for integrating the emerging markets into the financial markets on a sustainable basis? These questions were raised and only partially answered during the Asian financial crisis in the APEC context and APEC did not really grapple with. And now in the context of Brazil and Argentina, they look even less resolved.

MR. STEINBERG: Ed, another one of our distinguished fellows here at Brookings. You've been studying APEC for a long time. APEC began at the leaders' level with some very ambitious goals about economic trade liberalization, a very specific plan. What's happened to that? Is there any future for that? And how do the goals and objectives of APEC fit into what we see increasingly as the focus on the one hand on global trade liberalization through the WTO and also through bilateral free trade agreements.

MR. EDWARD J. LINCOLN: You point out the reason why Lael was saying that APEC has lost some of its initiative. There was a moment in the mid 1990s when the leaders adopted a goal of eliminating trade and investment barriers throughout the region. Progress on that goal has been minimal at best, partly because there was no strong mechanism put in place to accomplish this goal; and furthermore, it was never entirely clear what the

goal was. What does elimination of trade investment barriers mean? Was it to be only among the APEC members or was it to be on an MFN basis, (that is, we would all reduce our barriers to the rest of the world?)

There was no definition, no conclusion on that, and no actual negotiations to drive these barriers down.

So what is in place is a very weak process of countries issuing what they call individual action plans. Each government comes up with its own individual plan. They are submitted. There is now supposed to be a peer review process, but this is still far short of a negotiation. So there will be talk at this meeting about the IAPs that are submitted, but this will be fairly unimportant.

There are other ways, however, that we have tried to use APEC even if we can't figure out how to make this overarching goal to work. The one real concrete action that APEC took was to reach agreement on elimination of tariffs on information technology products. This was the ITA, the Information Technology Agreement. It was then kicked up to the WTO and discussed and adopted by the WTO. This suggests that there is a model in which APEC could play a role like this during the Doha Round. If you could get agreement within APEC on certain issues, that that might help to push the Doha negotiations forward.

The only problem with that scenario is -- there are two, actually. One is that the ITA may have represented the one nice piece of low-hanging fruit that got picked off and other agreements of this sort may be hard to reach; and two, with the expansion of APEC membership with the 21 countries that Lael mentioned, makes APEC a mirror of all the problems that affect the WTO. Rich countries, poor countries, big countries, little countries, countries with very different interests when it comes to trade policy. So it's not entirely clear that it's any easier to reach agreement among these 21 than it is among the much bigger set of WTO countries. So it is difficult, but there's certainly a possibility for how APEC could make itself relevant within the context of the WTO.

Very little of that's going to happen this year. I think the only thing that will come out of this meeting will be a vague statement of APEC endorsing the WTO and the Doha Round, but there won't be any specifics to it. We'll see if they can move forward on anything next year, but I wouldn't hold up too high a hope for that.

MR. STEINBERG: How much focus do you think there will be among leaders on the Japanese economy, and how much pressure will there be on Prime Minister Koizumi to move forward on some of the steps that he keeps promising to take but doesn't seem to be quite getting there.

MR. LINCOLN: I hope there is. I think in general there's somewhat less macroeconomic discussion at these APEC meetings than there is at the G7 or G8 meetings. So we are at a moment of time right now where a discussion with Japan would be relevant and maybe the Japanese even would want to say something because there has been one small but hopeful development in Japan the last

several weeks. This was the reshuffling of Prime Minister Koizumi's Cabinet in which he took his Economic Minister, Mr. Takenaka, and gave him a second post. So he now has a double post in the Cabinet that puts him in charge of policy toward the banking sector. Takenaka is on the record as advocating a very tough policy towards cleaning up bad loans in the bank.

So it may be that Prime Minister Koizumi would want to say we're moving forward, we're doing something. I would hope that the U.S. government would respond and try to keep the pressure on because Japan is a country that does use the perception of pressure from the outside to move the policy process forward at home. I think they still need that pressure.

MR. STEINBERG: Is President Bush going to be able to reassure the Asian and Latin American partners that the U.S. economy is on its way up and is going to pull the rest of the world out of its current trouble?

MR. LINCOLN: Oh, I'm sure he'll try to. [Laughter]

MS. BRAINARD: My impression is that everybody puts the best face on it, and that he will go through the good numbers but that China's going to look at its export figures, which were down 17 percent in the first quarter of this year relative to last year and be nervous; and they're going to look at the stock market and be nervous; and they're going to look in particular at the Iraq oil juncture and be extremely nervous. And the fact that the U.S. has not put emphasis on this region in terms of its regional trade initiatives in particular gives greater weight to the concern among the ASEAN economies that perhaps the focus has shifted elsewhere which is why we're seeing so much activity between ASEAN and Japan and ASEAN and China -- intraregional free trade initiatives that really do not include the U.S. as a key player.

MR. STEINBERG: Any chance that the United States will move forward on a U.S.-Australian FTA?

MS. BRAINARD: My sense is that Singapore and Chile are kind of first in the lineup, but that both Howard and Bush are extremely interested in the U.S.-Australia FTA. The difficulty there of course is agriculture, so that may get pushed further back because of politics.

MR. STEINBERG: Any surprises on the trade from to come out of this meeting?

MS. BRAINARD: I would like to be surprised. [Laughter]

MR. LINCOLN: The only thing that may have any real significance is the that Lael brought up. There is apparently an effort to create an APEC initiative on security in international transportation—finding ways to make sure that containers coming into the United States from Asia don't have nuclear weapons or other undesirable things in them.

MS. BRAINARD: And that's very significant. We should underscore that it is extremely important. The exposure on the container front right now is extremely high. These are major ports in the region. We have a tremendous amount of trade with Asian economies, and the Bush Administration has been extremely successful in signing up almost all of the major economies and ports in this region onto the Container Security Initiative. I think that will be highlighted at APEC.

But again, that's not really where APEC lives and breathes, and the question is whether it could be doing the traditional bread and butter of trade and investment liberalization at the same time. Right now it clearly is not.

MR. STEINBERG: As I said in the opening, clearly the main, perhaps the biggest topic on everybody's mind as they come together will be the question of North Korea and the really dramatic developments of recent weeks. We're fortunate this morning to have one of the world's premier North Korean/South Korean watchers, Don Oberdorfer who I know you all know well.

Don, what's Kim Jung Il up to and how should we understand these latest developments?

MR. DON OBERDORFER: If I knew the answer to that question authoritatively, I wouldn't be here, I'd be some place much higher -- [Laughter]

MR. STEINBERG: You're about eight inches above the ground. [Laughter]

MR. OBERDORFER: I'm kind of a historian of this, having written a book about the developments between North and South Korea and the United States from the early '70s until now. There are a lot of things about this that are reminiscent, the same things are in play that were in play with the earlier nuclear crisis with North Korea in 1994.

In the first place, United States intelligence has been looking at North Korean nuclear program for a long time. Actually it started in the late '70s or mid '70s even, and we were watching it. In 1982 we saw the buildings going up. As you know, in 1986 and '87 we could look down and see them building this thing. But the United States didn't do anything about it until 1989 so they had seven years of watching them build a plutonium plant.

In this case I understand that U.S. intelligence going back into the Clinton Administration has been looking at certain kinds of steel and other things going into North Korea that would be useful for highly enriched uranium, but now it's come to the fore in the past several months.

Secondly, the U.S. was very reluctant to deal with North Korea. In those days it was called a pariah state, not axis of evil or whatever. The Reagan Administration first started dealing with North Korean diplomats. The first Bush Administration invited Kim Jung Sun, a prominent figure in the North Korean Workers Party to have a meeting with Arnold Cantor, at that time the Under Secretary of State

for Political Affairs. But it wasn't really until the Clinton Administration and the threat which suddenly came to the fore of this plutonium factory that the U.S. reluctantly started to negotiate with North Korea, and North Korea took the initiative as I think they're going to take the initiative now and I think they're already taking it in some ways.

Then we got to the negotiations. The Administration was first very reluctant to do it. Bob Galucci I remember told me that his instructions were they do everything we want and we give them a box of oranges. The U.S. position is we're not going to really trade anything with these people.

But in the end, as I think it's likely in this case, there would have to be a serious negotiation if they're going to stop this program. You just can't be shouting into the wind. So there are some parallels.

On the other hand there are some things very different and I think the APEC meeting sort of illustrates this.

At the time North Korea had virtually no relations with South Korea. Now of course it has extensive relations with South Korea. They go up and down but they're certainly extensive. Kim Dae Jung had a Summit meeting in 2000, June, with Jim Jung Il. Kim Dae Jung's representative has been up there repeatedly. There was just an official from the Unification Ministry there.

The Japanese have dramatically improved their relations with North Korea in the past month with Koizumi going up to Pyongyang and dealing with this issue of the abduction of Japanese citizens.

The Russians, which had terrible relations with North Korea in the early '90s have repaired their relationship. Putin and Kim Jung Il seem to get along very well. Kim Jung Il sees himself, I think, as a modernizer holding the strong hand so he has a kind of simpatico relationship with Putin.

And the United States and China of course always, most important regarding North Korea, played a big role in the '94 crisis behind the scenes; will play a big role this time. China doesn't want nuclear weapons on the Korean Peninsula. On the other hand they very much want dialogue with the United States, with North Korea, with everybody else. And the United States has, as I said, almost no contact with them before '94. Since then we've had much more extensive contact in the Clinton Administration. Secretary Albright went to Pyongyang and met with Kim Jung Il.

So we're set up to deal with a serious problem. The Administration has not yet decided that it's going to really deal with North Korea, but my guess is that like the last time there really are no alternatives unless you want to go into the military field. And that is the most dangerous place on earth for an eruption. There's close to two million troops on one side or the other of the DMZ including 37,000 Americans. So eventually I think they'll be driven to negotiate on some terms with the North Korean government and because everybody else wants that and there's basically no alternative.

MR. STEINBERG: Mike, talk to us about the military options and how the Administration

might think about its choices if it wants to continue to pursue a hard line, and if Kim Jung Il's feeling that he's not getting the bargain that he's looking for holds fast.

MR. MICHAEL O'HANLON: Jim, I agree with Don's main point that it's going to be very hard to use military threats in this situation.

The military threat that we used in 1994 is not easy to replicate or to apply here again. That was Bill Perry's statement to the North Koreans that we will not allow you to develop a nuclear arsenal, and that was an implied threat to destroy the nuclear reactor, the larger nuclear reactors that were being developed at that time and a larger reprocessing facility. I think that threat remains quite credible today so I do think the North Koreans have a difficult time putting those large facilities on line. But unfortunately they still have probably six plutonium bombs worth of material that's already been produced in these reactors that Don mentioned earlier. That's been essentially sitting in limbo. I think our options for bombing that amount of plutonium in the spent fuel are more difficult because of the likelihood of radioactive disbursal if we even can be confident that the materials are going to be in the place we think they are.

So I think there's therefore a difficulty of applying this preemption concept very much further, and of course it's not much use at all against a basement bomb program, the whereabouts of which you don't have any real knowledge of.

So I think what you have to then say is do we have a larger preemption option of overthrowing the regime. I think Don gave the compelling answer here that only as a very very very last resort, because I have no doubt the United States and South Korea could overthrow the North Korean regime, but this is the sort of a war that would, even if it goes very well, lead to many tens of thousands of casualties. Official U.S. government estimates are more in the range of hundreds of thousands of casualties. But even if we put on our rose-tinted glasses and think about North Korea the way we think about Iraq in many discussions and imagine the war to go quickly and for the regime to collapse very quickly, as most of you know the sheer proximity of Seoul to North Korean artillery and the degree to which North Korean forces are dug in along the DMZ, and I think frankly the fairly tough nature of the North Korean fighters, fairly ferocious, probably fairly beholden to Kim Jung Il for whatever reason, but one has to assume there is still a certain element of regime control over those soldiers. It's going to lead them to fight pretty well, as they fought in the Korean War a half a century ago.

All this together means that even a best-case scenario is many tens of thousands dead and probably much of Seoul destroyed, if not most of it.

So I think that military preemption options are pretty mediocre. We do have the one threat which again I think is still effectively in place. The Bush Administration probably doesn't have to spend a lot of time reiterating it, which is that we would destroy these new reactor capabilities that led to the Agreed Framework in the first place, that the facilities that have been built at Yongbyon that could produce perhaps a dozen bombs' worth of plutonium per year if they were ever made operational,

maybe even more than that.

So I think that preemptive option remains on the table, remains credible, but a preemption option against either the basement bomb program or the regime itself is simply not very compelling and not very appealing.

So just to conclude, and then to say what options do we have, and again Don and Richard and others, and Jim, have thought about this at least as much or more than I so I'll be quick. But since we don't have a very good set of military options you have to ask what are the remaining tools? Clearly the Bush Administration and the European Union are now talking about cutting off fuel shipments to North Korea. I'm a little nervous about that because it seems to me that invites North Korean to consider reprocessing the plutonium that it already created a decade ago.

So my inclination is to say let's continue to provide at least a minimal amount of fuel oil and humanitarian relief in the form of food aid, but make it very clear to the North Koreans, as I think the Japanese have already done, but any greater amount of economic aid and especially the economic aid that many would see as reparations from Japan for its colonial occupation of the Korean Peninsula in the early 20th Century, that aid is clearly not going to be forthcoming until there is progress on this issue and some kind of a meaningful inspection regime that allows us to verifiably convince ourselves the North Koreans are dismantling the basement bomb program. I think that has to be a very clear piece of this as well. And if you want -- So that's sort of holding out a carrot that's already been put on the table by Prime Minister Koizumi's visit a few weeks ago. But making it clear that carrot is not going to even be a topic for discussion until we can resolve this nuclear issue.

In addition, and I'll finish on this point, coming back to a defense-related matter. The Bush Administration, of course, has wanted to put conventional military forces on the table in discussions with North Korea in a manner that the Clinton Administration chose not to.

I think the Clinton Administration rightly saw the nuclear and missile issues as being of more paramount importance, but the conventional issue is what leads the North Koreans to spend 25-30 percent of their GDP on their military. I think that's fundamentally unacceptable.

If we're going to get the North Koreans out of this habit of trying to develop yet one more program to extort yet more money out of the West, we have to help them and push them on their path to economic reform. That involves supporting the limited economic reform efforts that are already underway in North Korea that Susan Shirk wrote about in her Washington Post OpEd today, but it also involves pushing the North Koreans to begin to downsize their military, and that may even require some limited cuts by South Korean forces.

I've gone through some of the calculations her with a co-author in an article we've got out on the table. I think there are ways to do this that actually improve the position or at least hold steady the position of allied conventional forces on the Peninsula, and we already have clear superiority over the

North Koreans by my estimation. So I think we can afford to be a little flexible in negotiations about the conventional military issue. But we may need to introduce that into the mix as well because again if you're going to avoid this cycle of extortion and a new program and more extortion by the North Koreans and get them to a path towards economic reform that's not going to continue to lead them to see the same sort of incentives to produce yet another secret weapons program, I think you need to push them in a direction of economic reform that may actually work. That means downsizing their conventional military forces.

So I come back to the diplomatic tools. There may be an arms control aspect of these diplomatic tools, but military preemption is a very unappealing option on almost all grounds.

MR. STEINBERG: Don, why now? Why did Jim Jung Il come clean now? And how much was this a function of the Administration's hard line, axis of evil, the vehicle to negotiate and the like?

MR. OBERDORFER: I have to begin by saying it's pure speculation since I haven't spoken to Mr. Kim and I don't know anybody who has.

MR. STEINBERG: That puts you on an even footing with everybody else. [Laughter]

MR. OBERDORFER: I think he did it now because he was presented by Secretary Kelly with U.S. evidence and belief that they had this program. The first day of the talks, as I understand it, Kelly made his presentation. There was not much of a response from the North Korean Deputy Foreign Minister who he was speaking to. He probably wasn't authorized to say anything about it. Then they had a series of meetings overnight, the North Koreans did, and came in the next day with Khan Sup Chu [ph] who is a much higher level person, who said yes we have this. That decision could only have been made by Kim Jung Il. No one else could even approach making that decision.

He's a man who likes surprises. And recently, as you know, he has been -- They had a naval skirmish in the Yellow Sea between the Korean Peninsula and China in June, and surprisingly, the North Koreans expressed regret. That's the first time, as far as I know, since 1975 in the [Ax] murder case that they had done that.

Then when Koizumi was there Kim Jung Il said yes, we abducted these people. It was a mistake. We did it.

And he knows he's got the program and he's presented with the U.S. accusation so he has a choice of either trying to stiff it and have more trouble or saying yes, we are doing this and now let's move on. Purely a guess, my guess is he just decided to take the boldest course. He likes bold action.

MR. STEINBERG: Richard, you're just back from China. The President will have a Summit [inaudible] China will figure importantly not only in the discussions of North Korea but Iraq. What do you see as the Chinese expectations for this Summit and will they be met by President Bush?

MR. RICHARD C. BUSH: Jim, I think that this is the best of times in U.S.-China relations. Probably the best that it's been since you staffed President Clinton's trip about four and a half years ago.

The two leaders are going to address an agenda of foreign policy cooperation over a wide array of issues. I think for both countries, but especially for China, this emphasis on foreign policy cooperation is what they would like to emphasize in their relationship with the United States. That allows a de-emphasis on issues like human rights that they find somewhat threatening. It gives them confidence that issues of concern to them like Taiwan will be managed in the process.

It's worth noting that this is an agenda that is set by the United States. North Korea, the recent revelations, add an urgency that didn't exist even a couple of weeks ago. The United States wants China's help along with others to reduce North Korea's freedom of movement.

On Iraq, China is a member of the Permanent Five in the Security Council and its views are going to have to be taken into account but there is the expectation that they're basically supportive of the United States.

On counterterrorism they continue to be cooperative and there's a reason, because the Bali bombings occurred basically in their back yard.

Progress has been made on nonproliferation. There's a little way to go but the situation is better now than it was before.

China's going to bring up Taiwan as it always does. That's the issue that's important to them. I don't expect that President Bush will break any new ground here. I think he will emphasize the continuity of U.S. policy which is what China wants to hear. I was in Taiwan over the weekend and although there's always a little bit of anxiety there, they seem pretty relaxed.

Finally I'd note that in a Summit of this sort symbols become substance. It's very important for China's understanding of its place in the world that President Jiang has met President Bush now three times in one year. It's very important that this meeting will occur at the ranch at Crawford where very few other world leaders have been allowed to visit. It gives them confidence, therefore, that they can be cautiously optimistic about the future of their relationship with the world power that's clearly the most important to them.

MR. STEINBERG: Just a few weeks to go to the 16th Party Congress. That perhaps continues to be full of speculation of will he or won't he. Will he? [Laughter]

MR. BUSH: The basic guideline on leadership transitions in China is that those who know

don't talk, and those who talk don't know. But in this spirit I can report to you that -- [Laughter] -- in conversations with people in China and Hong Kong you get a mixed view. The Chinese friends that I talked to are still unsure of whether Jiang Zemin will give up all of his major posts, State Chairman, i.e. President; Party General Secretary; and as Chairman of the Military Commission. But we are now in a situation where they think that if Jiang retains a post it will likely be just the Chairman of the Military Commission. The possibility of him staying as Party General Secretary has declined from the summer.

I think Westerners in China are more likely to believe that he will give up all three major posts.

The important thing to remember in all of this is that leadership transitions in China are a lot more seamless than they are in the United States or other Western countries. Jiang Zemin and other people of that generation are going to retain influence. The question is how much influence are they going to retain and what are the mechanisms by which that influence will be exercised?

I think that there is an interest though in a faster transition rather than a slower one because it has a cascade effect. The more people give up their, older people give up their positions at the top the more likely that will be at lower levels of the system and that means the faster you'll see the arrival of technocratic people who are eager to push forward reforms in China.

MR. STEINBERG: A final question. Will he wear a cowboy hat?

MR. BUSH: I have it on good authority that he's not been asked for his hat size. [Laughter]

MR. STEINBERG: Okay. You've now heard the range of issues. There certainly will be others as well.

We're going to turn now to questions from the audience. We have microphones in the back.

At this point I'm going to excuse myself and turn the chairmanship of this over to Lael who will do the important job of selecting who gets to ask a question. So thank you all.

QUESTION: George Condon with Copley News Service. Two questions.

One to Richard, isn't the meeting in Crawford diminished somewhat by the fact that the President will be meeting with a lame duck who won't have that much influence a month from now?

And secondly, to others, to what degree will the President be facing anxious allies and will have to use the meeting in Mexico to reassure the Japanese, the South Koreans, the Indonesians, the Australians? How important is that in this meeting?

MR. BUSH: First of all you're right. President Jiang will certainly no longer be President of the People's Republic of China, but I think as I said before he will in some way retain influence if only

because protégés of his are going to be promoted into important leadership positions, and he does represent a certain approach to the United States that emphasizes the value of cooperation. I think that his having this meeting will strengthen the sort of continuity of that policy at whatever point he gives up important positions.

MS. BRAINARD: Anxious allies? Anybody want to address that?

MR. OBERDORFER: The Southeast Asians, of course, particularly the Indonesians after what happened in Bali; the Philippines has its own terrorism problem. There are terrorism problems in Southeast Asia which bother them.

Northeast Asia, Japan is right in the middle of this thing with North Korea and I think they will be anxious about it. Of course Japan's got its own longstanding problems which Ed referred to.

South Koreans certainly are going to be wanting to talk to President Bush and wanting to hear from him what he has in mind for their particular problem with North Korea.

So I think they will be to some degree anxious to hear from him and to tell them what they think.

MS. BRAINARD: I think President Bush has a very difficult task at this meeting. There are a lot of leaders in the room who have tremendous stakes in America's ability to lead in the region and globally both on the security front and on the economic front, so I think this is a very tough task for the President to be able to give the amount of assurance that people in the room will want to hear—either directly in the main meetings or around the margins in smaller meetings.

QUESTION: I'm Tadashi Maeda, Visiting Scholar at SAIS at Johns Hopkins and on loan from Japan Bank of International Cooperation.

I have a question regarding the policies of Mr. Takenaka. I just returned from a trip to Tokyo and Taipei and I had several conversations with the leaders of LDPs in the Diet. They are very angry at the policies introduced by Mr. Takenaka because he doesn't have any political base in LDP. And also Mr. Koizumi, Prime Minister Koizumi is very reluctant to introduce the fiscal stimulus and he is sticking to the [seatings] of the 30 trillion yen[inaudible], 242 billion dollars or something like that.

So mainly the reason of the criticism is come from the most recent stock price, the decline of stock price because of the very austere policies, expectation of austere policies[inaudible] introduced by Mr. Takenaka.

So how do you evaluate the very opposite reputation[inaudible] of Mr. Takenaka and Prime Minister Koizumi in Japan?

MR. LINCOLN: Let me say that I think the appointment of Mr. Takenaka is the first good thing to happen in a long time in the Japanese government because he is, in fact, voicing a set of policies that most economists (at least in Washington) would agree upon as the appropriate way to get out of the problem that Japan faces. Aggressive action on non-performing loans is somewhat similar to what we did in the S&L crisis, involving a very thorough cleanup of the bad loans. And he favors simultaneously cushioning, the temporary negative blow on the economy with accommodative fiscal and monetary policy. Finally, reform needs further regulatory and accounting rule changesto create a better base for the future.

I think Takenaka believes in that package. As you point out, it's not clear that Mr. Koizumi can go along with it. He's been so committed to not providing additional fiscal stimulus that he'll have to back off of that for the policy to work. So personally I am pleased with his appointment.

I just came back from Tokyo myself and I must say that I was somewhat discouraged by the fact that I got very much the same reaction that you did. The media has portrayed him as being hugely controversial and, in my view, being portrayed as controversial in Japan is the first step to being hauled down and having one's policies eviscerated. So I think the chances for this to result in major policy change are fairly minimal. Hence my comment that if there's going to be a discussion with Japan at the APEC meeting I hope that President Bush and others keep the pressure on Japan because it does appear that the good news may be undermined almost as soon as it has occurred.

QUESTION: Sean Sunderland with the Canadian Embassy.

I hate to change the subject away from such sexy political issues, but getting back to sort of the role that APEC has played and probably will play in the future, Mr. Lincoln, you mentioned the catalytic role that APEC can play in raising issues up through its organization to the WTO and the like. The bank has recently come out with a study on the benefits of trade facilitation in the area including Customs harmonization, rules of origin, so on and so forth which show pretty substantial gains that can accrue to the region through some fairly pedestrian policies that it's taken and harmonized in the area.

I guess my question is do you see APEC playing this kind of catalytic role in the future for these relatively pedestrian trade policy issues like Customs harmonization, like transparency in government procurement and the like which are also subject matter in the Doha Round?

MR. LINCOLN: That's a good question and certainly there is some possibility here. Partly because I think trade facilitation issues are often less controversial in governments than the reduction of tariffs and elimination of quotas. APEC has adopted a goal on trade facilitation, a goal of trying to reduce the cost of doing international business by five percent by 2006. Now exactly what's included in that five percent reduction nobody really knows but at least they've got something out there to aim at.

Some of the issues on the agenda have been pretty pedestrian and may not make much of a difference. There's an APEC business travel card that allows its holders to expedited service through Immigration when they're going in and out of countries, and a number of APEC countries have agreed to that. Something like Customs harmonization or agreement on electronic filing of documents related to Customs work is probably more important. Again, it wouldn't surprise me if we could make progress on that. And once again, as in the case of tariff reductions, it might be possible to take something like harmonization or electronic filing and push it up to the WTO. Ultimately these are things that you'd like to see implemented on a global basis if they are to provide the efficiencies that make them really worthwhile. So I have some hope for APEC moving forward in those areas.

MS. BRAINARD: Having labored in the trenches of APEC I'll just add my two cents on that. But I just wanted you all to know that Jim and I had prognosticated that we would not get a single question on economics, so we're now 200 percent above or below -- [Laughter]

But you're exactly right, that APEC has moved, bowing to the inevitable, away from trade liberalization and is now squarely focusing on trade facilitation. The World Bank Study that you mentioned says yes, there are big numbers. For instance, port logistics yield, if you get all the economies in the region up to what is now the APEC average, something like $200 million. So this is not small change. It's important. And there's a very powerful business group that helps give impetus to this. But the question is do you need leaders to drive forward an agenda on trade facilitation? Probably not. So unless the leaders' meeting itself can mature and start talking about some of these bigger geostrategic topics, there’s a real question-mark as to whether there's enough underlying concrete momentum being made on the economics to really justify having the leaders convening.

QUESTION: Chris Nelson of the Nelson Report.

I'm interested in the assessment of Richard and Don particularly about the pressures that the President will be under at APEC on how to negotiate with North Korea, and conversely the pressure, any pressure that Bush is likely to put on Jiang Zemin about American expectations. The Chinese are always pretending, of course, that they have no influence in North Korea and yet we always assume that they do and seem to want them to do something. So two separate questions, same theme.

What kind of pressures will Jiang Zemin be put under by Bush? What kind of pressures will Bush be put under by perhaps Jiang and other Asians on the North Korean topic? Thank you.

MR. OBERDORFER: In terms of putting pressure on Jiang Zemin or the Chinese -- The most interesting thing, we don't know if it will happen but it's been reported in the Chinese press before the revelation about the new nuclear, next nuclear project, that Kim Jung Il is expected in China before the end of the month. So if Bush talks to Jiang Zemin about dealing with the North Koreans and the next thing that happens pretty soon is that Jiang Zemin talks to Kim Jung Il, that's a pretty good channel of communications.

The Chinese, as I said before, don't want nuclear weapons on the Korean Peninsula but they very much do favor engagement and negotiations with the North Koreans, and I am sure that Jiang Zemin will probably make that point.

Mr. Bush said yesterday I believe that he intends to take up this North Korean nuclear issue with all of the allied and other leaders who are there in the meetings at APEC so it will be a major discussion.

I think all of them probably feel the same way, that the United States should engage with North Korea. It's the only way to deal with the problem. AS to whether that's pressure or not I don't know.

MR. BUSH: We're trapped here in a sort of conflict between process and results. You can't get results without process but sometimes if you focus just on process you never get results. As Don suggests, a number of our friends emphasize the need for engagement and the danger of putting too much pressure on North Korea, because if you put too much pressure on they respond like a cornered animal.

I think that the President will himself emphasize the need to deal with this problem. That has certainly been the style with respect to Iraq.

I think the underlying question that sort of is behind your two questions is how desperate is the situation in North Korea and how badly does Kim Jung Il need the support of his neighbors to deal with that situation?

I've actually been impressed, I'm kind of pessimistic on North Korea generally but I've been impressed by the steps that have been taken over the last few months by Kim Jung Il including fessing up on this enrichment program. That suggests to me perhaps that he is in a tight corner domestically and that therefore a certain amount of unity among the five powers that are most relevant here could yield some dividends.

MR. OBERDORFER: May I just add one thing to what Richard said? I should have mentioned before when I talked about things that are different, that North Korea is quite different, and particularly since July. Since the economic measures that were announced in July in North Korea and were put into effect. These were increases of 20, 30, 40, 60 times in the price of things, in wages paid, charging rent for the first time. Not 20 percent, 40 percent, but times. These were huge economic changes. Moving North Korea, at least the attempt I'm sure, is to move North Korea to something akin to the Chinese program of a socialist market, a controlled market.

Now whether this will work or not, nobody knows. It may be an unworkable and could lead to greater troubles. On the other hand it is the most important sign, I think, of change in North Korea, internal change. Not change in a diplomatic or external way, but internal change since the death of Kim Il Sung in 1994. This is extremely important. It's very important to Kim Jung Il. How that particularly

plays in this situation is a little hard to figure out, but this is a situation in which he is going to want as much international help and so forth as he possibly can get.

QUESTION: I'm Terry Moran with ABC.

What's the impact of the Bali bombing on the region in terms of security and the economy? What does it mean for the Indonesian economy? What if anything does it tell us about the stability of Indonesia as a state? What's China's role in what looks to be a vacuum there? Also what does it mean for the war on terrorism? I notice that the reaction in Australia has not been any kind of a rallying around the policy of the Bush Administration. It has been a withdrawal in some ways from it. I wonder if that betokens anything in the region in a broader sense.

MR. BUSH: It's my understanding that tourism is Indonesia's leading economic sector so this bombing sort of blows a huge hole in their economy because it sort of writes off Indonesia as a place where tourists will want to go.

I think that the bombing also sort of allows the United States and its friends in the war on terrorism to say, perhaps in a more subtle way than I'm going to say it, we told you so. Terrorism is not something you can deal lightly with. You need to take firm measures. And by allowing the terrorist infrastructure to continue to exist in your countries, it will come back to hurt you and it has.

Third, I think this also demonstrates the real difficulty that a country like Indonesia has in dealing with terrorism because the capacity of the government to do the things that other countries are able to do to deal with the terrorist threat I think is less there than it is elsewhere. So it presents a big challenge to the Indonesian government to enhance its capacity to deal with this problem in the future.

MR. O'HANLON: Just a couple of additional points, Terry. We were in Beijing last week and I was struck at how this issue did not come up, the issue of the Bali bombing. Maybe it came up in some of your discussions, Richard, but in mine it did not. Which suggests that Northeast Asia and Southeast Asia are in many ways two separate security environments and I'm sure the North Korean issue would have come up if I had been there late enough in the week to talk about it, and that certainly came up even in regard to the theoretical discussion about what the Bush Administration's Doctrine of Preemption might mean after Iraq. If we go after Iraq the question was who's next? That was much more on Chinese minds than any question regarding Indonesia, so that's my first point.

My second point is just to build somewhat on what Richard said. I find that it's too early to say this for sure but I think that the bombing in Bali will in the end strengthen Western resolve in the war on terror. As you point out in Australia it doesn't seem to be the first reaction, but I still believe that this makes it clear to many of our allies who have been to some extent more lax about the problem than we have and a little bit concerned that we're obsessed with this issue, it makes it clear to them that it's not just our problem. I expect that will be the more enduring lesson. But again, as you say, in the short term

it may be there's some questioning of how closely people want to support President Bush on any part of Australia's links to the United States on issues like Iraq policy. So there could be a certain first order effect that's downward, but a more lasting effect that is a rallying of the alliance in the war on terror.

QUESTION: Jim Matlock with the American Friends Service Committee.

President Bush clearly goes to these meetings with a sort of full drive toward potential war with Iraq. Number one, oil out of the Gulf is very important to Japan and other Asian players. How does that factor into how Bush will be received around the Iraq issue?

Number two, the comparisons with Korea where the indictment, in a sense, against the North Korean regime for being a candidate for action through military force seems stronger, despite the great dangers.

Will the contrast, will they use diplomacy in one but we're ready to go literally to war in the other, will that ripple through the discussions at APEC in some way that make it harder for Bush to keep his sort of drive for the coherence, the credibility of the war against Iraq intact?

MR. O'HANLON: On the second question, I think that the Bush Administration is fundamentally correct in its argument that North Korea should be handled differently than Iraq. I'm not a big proponent of war against Saddam, but if there is a case for it and it's a serious case then certainly threatening force to get rigorous inexpections I think is a very credible policy.

With North Korea a couple of reasons why it's different and I think most Asian countries will agree. One, North Korea has probably had one or two plutonium bombs for a decade. And yet in many ways this has been the decade when they've behaved the best. Reading through, and Don may disagree with me, but reading through his book and thinking of all the things the North Koreans have done in past decades before they had the bomb -- the airline bombing in the 1980s, the axe murder in the '70s, the assassination of several top Korean government officials in the 1980s, a number of things that North Korea has done. In many ways their behavior has been better towards the outside world, even as they've had these nuclear weapons. Whereas with Saddam, if and when he gets his first nuclear weapon all bets are off as to how he will behave in the region, whether he will feel he can reinvade Kurdistan and try to assert control over Northern Iraq in the belief that we can't do anything about it if he has a bomb; whether he will try to challenge Kuwait over the disputed oilfields along their border, believing that we will be reluctant to come to Kuwait's defense just for that sort of a border dispute if he has a bomb.

So I think there's a logic to saying Saddam's nuclear program is more dangerous at least in the short term than North Korea's.

Finally, I don't believe North Korea's made a great deal of progress with this enrichment effort and it's a slow sort of technology. Basement bomb enrichment programs for uranium are slow. And

they're difficult to construct. Uranium may not even be in the process of being enriched yet in North Korea. We may have caught them early in the process. They were trying to buy materials to build centrifuges this past summer and that's what we found out. So there is no proof they even were making meaningful progress. All we know is they want to and they may.

So for all these reasons I think it's right, not to mention the negotiating history of the last few years where North Korea has been opening up a bit, I think it's right to continue down that path. It's got to be a tough-minded negotiation process but I think clearly negotiation makes more sense with North Korea than it does with Saddam.

MR. LINCOLN: In terms of Japan I think these issues have already been thrashed out in several other meetings that have occurred between the President and the Prime Minister.

You're absolutely right to say that the Japanese are highly dependent upon oil from the Gulf region and therefore might be very concerned about the impact on oil prices from military actions against Iraq. Nevertheless what has happened is that the Japanese government and the Prime Minister in particular has basically given support to the President for what he's doing. Their one expressed concern was that the U.S. go through the mechanism of the United Nations and that was expressed back in September. The Bush Administration did so, that leaves the Japanese having to say that the U.S. has met their demand for how the process goes forward.

So at this point I would guess that if there are further developments with Iraq, Prime minister Koizumi would support it. The reason is that, although oil is important, the relationship that Japan has with the United States is really the key element of their foreign policy. They were heavily criticized during the Gulf War for reacting slowly. Eventually they came up with $14 billion to help finance the war, but it came so late and so grudgingly and with so much criticism from the United States that it has stung ever since then. So this time around I think they don't want that to happen.

MR. O'HANLON: Ed and Lael, on the question of oil supply, is this in a sense a short term/long term issue that sure, if there's a war all prices may go up, but if Iraq is liberated that suggests a future where the vast oil supplies that Iraq has available might be available on sort of really market prices and facilitate a long period of prosperity for all of us based on the low price of oil.

MS. BRAINARD: I think that's certainly true. I think though in Asia when it comes to economics, the short term is it. And the uncertainty associated with a war is a much greater potential liability than the longer term benefits. There are loads of different ways the world could evolve towards the longer term where there is a regime in Iraq that is more dependable and can be counted on to supply on a regular basis a greater share of the world's oil. But the real concern I think in the minds of many and I think it's a legitimate concern, is the potential oil disruptions which could be minimal if things went quickly and sort of very easily, or could be massive and are hard to predict at this juncture. That uncertainty is clearly weighing on markets, and it's clearly weighing on the minds of leaders in the region just as it is on the financial market here.

QUESTION: I'm [inaudible] with the Dallas Morning News. Perhaps Richard could answer this.

Have you got any sense from the Chinese that Jiang Zemin and President Bush have developed some kind of real rapport in their past meetings? And maybe talk a little bit about the personal nature of the visit to the ranch.

MR. BUSH: That's hard for me since I'm sort of never in the room. But I think that President Jiang clearly is a man who believes in the importance of personal relationships between leaders. I think President Bush does as well, as his father did. And I think that in the two past meetings they've had they have developed that kind of rapport. But I can't give you a sort of "fly on the wall" sort of view of how it goes. Sorry.

QUESTION: Col. Datta, ex-Indian Army and aide to the President of India.

Which in your opinion is the more imminent danger, North Korea or Iraq? One question.

Number two question, is looking at the spread of al Qaeda and also in George Tenet's words that al Qaeda is far more stronger before 11/9 [sic] than it was? Now it is much stronger. And considering this statement, the strike in Bali spells what? Why Bali? Your comments.

MR. O'HANLON: First I've already given a general sense of my belief on Iraq versus North Korea. So very quickly I think Iraq is more dangerous.

In the short term I don't believe either one is all that dangerous, frankly, and I think containment can work reasonably well in Iraq, but I think the President has a strong case to be made and does make its case that Iraq with a nuclear weapon is a different kettle of fish and we really want to prevent that world from coming into being, that kind of Iraq from coming into -- Actually Ken Pollack at Brookings makes that argument more effectively than the Bush Administration. [Laughter] But to my mind that's --

MS. BRAINARD: I was going to say, we have both sides of the spectrum represented here.

QUESTION: Is it because Iraq has oil and North Korea doesn't?

MR. O'HANLON: Both regions are absolutely critical to the United States for its security. In that regard we have to view both these regions as critically important. You might have talked about South Asia and how that factors in compared to these other two, and there I think it's clear the United States does have somewhat more distant interest. Important, but not quite as vital. But Northeast Asia and the Persian Gulf are both up there just behind North America and up there with Europe as areas of critical importance to the United States. So I don't think that's the reason. I think the reason has to do with the last ten years of how Iraq has behaved, the last 25 years of how Saddam has behaved versus

the evolution in North Korean behavior and how I think it has generally improved and the way the diplomatic process offers us some hope for the future despite the basement bomb program. Others may disagree, but that's my basic view.

On the al Qaeda threat, first of all I don't believe the Director of the CIA said that al Qaeda is stronger today. I think he said the risk is comparable today, and we see as much activity today as we did in the weeks and months before 9/11. I tend to believe, however, that we've actually made some progress. Depriving them of a sanctuary in Afghanistan, putting their leaders on the run, and the Bali attacks show both the strength and the weakness of this remaining organization. The organization was largely done by a regional affiliate of al Qaeda, JI, and it was done against a very soft target in a country where security precautions had not yet been taken to the extent they should have been or to the extent they have been in the United States.

So I actually think, if what you're trying to say is this organization has been eviscerated, to pick up a word that was used a year ago in an unfortunate way in regard to the Taliban a little prematurely by an American military officer, no, that would be going too far. But to say that they are as strong as they were before 9/11, that's also wrong. It's somewhere in between. And if I had to quantify it, it's a silly game to play to try to quantify it, but it's going to be somewhere in the ball park of 50 percent of its original strength.

QUESTION: [inaudible] George Tenet was wrong?

MR. O'HANLON: What I heard him say was that the threat today --

QUESTION: -- coming after us.

MR. O'HANLON: No, that's not what he said. He said they're coming after us. He did not say they're much stronger. And the kinds of attacks they have been carrying out underscore both their continued strength and their continued weakness because these are small attacks against, for example, the oil tanker, the French oil tanker in the Persian Gulf region, and the bombing in Bali against quite a soft civilian target. So again, these are not the sort of attacks they carried out on 9/11. It's still a very real worry but it's not as bad as it was before 9/11.

QUESTION: Thank you. In order to reinforce your [inaudible] about concentration of [inaudible] in North Korea I'd like to put some more questions on this topic.

MS. BRAINARD: Can you identify yourself, please?

QUESTION: Yes. Sorry. It's Mireza Maghiar with the Romanian Embassy in Washington.

First of all, the first question would be what is the relevance of the Agreed Framework in the current situation with North Korea? And if the non-security issues in the dialogue of North Korea with

Japan and South Korea will diminish or be slowed down compared to the security issues, given the fact that the U.S. Administration is trying to have a strong coordination with its allies, China and Russia a well, on how to approach North Korea.

MR. OBERDORFER: On the first question, the Agreed Framework. I think there's been a lot of misinformed or, by my lights, not correct reporting on this.

The Agreed Framework almost completely pertains only to the facilities, the plutonium facilities at Yongbyon which were stopped and where there are IAEA inspectors there every day now.

There is one clause in the Agreed Framework which says the North Koreans will observe an agreement that they made with the South Koreans, a non-nuclear agreement. So you could say well they violated that because they're not observing the thing with South Korea, but it's a kind of indirect, it's not a clear violation of the Agreed Framework as it would be if they were to start up the facility which the Agreed Framework was all about. It may be a violation, but you have to sort of go at it through associated agreements and so on.

Clearly it's a violation of the Nonproliferation Treaty which North Korea is a signatory to. So it really, I guess it really doesn't matter that much but the Agreed Framework is still there.

The New York Times reported on Sunday that the Administration had decided to get out of the Agreed Framework. But Secretary Powell and Condoleza Rice did not say that later on Sunday when they were interviewed on the television talk shows. And my understanding is they haven't decided to get out of the Agreed Framework. I think it would be a very dangerous thing to get out of the Agreed Framework because if you do you have no more constraint with the North Korea on this much bigger nuclear facility at Yongbyon. However how they're going to handle that is something that, as far as I can tell, hasn't really been decided.

Your question of whether this will affect the other non-nuclear or even non-military processes with Japan and with others, South Korea, of course it inevitably will affect it. But how it will affect it, exactly what posture those countries are going to take I expect is going to be something that will be discussed at the APEC meeting and I don't know what the result will be.

QUESTION: Nabe Watanabe, CSIS.

I have a question about Japan. The U.S. Administration, the attitude in APEC on Japan.

Dr. Lincoln commented, expressed some hope for the Administration to push hard on Japan's economic things, especially the bad loan things. So far Bush Administration's strategic priorities are security rather than the economy. Probably this time more need for Japan's cooperation will be expressed, political support for the attack on Iraq and also the cooperation on North Korea. Plus I think dealing with bad loans may put more economic instability in Japan and probably political instability

like the resentment against the U.S. if the U.S. puts too much pressure on Japan's policy.

So I don't know, it's so much things, but I think is very unlikely the Bush Administration to shift their position on Japan on the economic and economy and strategy of Japan. So how do you think?

MR. LINCOLN: Let me start by saying that I don't think that Japan's going to be much of a topic bilaterally or at the broader APEC meeting simply because probably the important bilateral is the one with President Jiang this time because President Bush met with Prime Minister Koizumi just in September up in New York. So they've had a very recent person-to-person talk about various issues, many of the things that you speak of.

So I don't think there's going to be anything new or different that comes out between Japan and the United States during the APEC meeting.

Somewhat more broadly, there has been some difference in approach of the U.S. government and the Japanese government toward APEC in general. That is that the Americans for the last five or six years had been wanting to move forward with trade liberalization as the principal objective of APEC. The Japanese government has said no, we should work on maybe trade facilitation, but also on using APEC as a mechanism for providing technical assistance to other countries. And in fact Japan has on the table at this meeting an offer for increasing the training of Customs officials in Japan to try to upgrade the quality and seeing that as a contribution to increasing things like security. You need to have better trained Customs officials. So the approaches have been a little different and that has created a little bit of conflict between the two countries within APEC.

Again, at the moment I don't see that as very serious because trade liberalization is not really going anywhere in APEC and things like Japan's initiative on training fits in with what the Bush Administration wants to do.

So I think the U.S.-Japan relationship will be a very subdued topic at this meeting.

MS. BRAINARD: Can I just say that for all of the APEC meetings there is a part of the agenda which is about the world economy, which is an opportunity for all the leaders to put on the table concerns they have about the sort of general macroeconomic environment and to put the best face on their own policies. I have no doubt that Prime Minister Koizumi is going to want to have an intervention where he explains his plan for getting the Japanese economy back on track, because the feeling of failed leadership on the part of Japan in the region is so palpable and APEC is a perfect stage for that to manifest itself.

In that same discussion no doubt President Fox will talk about the terrible turmoil in financial markets in Latin America and no doubt President Bush is going to want to explain the strengths in the U.S. economy and talk a little bit about the year ahead on that. So I think there will be a broad

exchange but it will not be a bilateral exchange.

QUESTION: Bob Deans with Cox Newspapers.

With the UN Resolution sort of hanging in the balance, we don't know yet whether there will be one by the time Bush goes to Los Cabos. It may be premature. But I'm wondering if there's any sort of groundwork the President can be doing in terms of coalition building among the APEC members. If it's premature, if this is just not the forum for it, or whether he can do that on a selective basis. And if so, what APEC members would you see as having something to contribute, whether they elect to do so or not?

MR. BUSH: The most important one is China because it's a Permanent Member of the Security Council, but we have been engaging in continuing dialogue with them about the nature of the resolutions and they are not in the same sort of camp right now as the United States and UK, but neither are they in the same camp as France and Russia. So I think that the Summit will give President Bush and President Jiang an opportunity to sort of check signals and make sure that China doesn't have any specific problems in the way things are going.

I confess I don't know who the other members of the Security Council are besides the Permanent Five, but any current members of the Security Council who happens to be a member of APEC I think is going to come in for some sort of persuasion and conversation at the meeting.

MR. O'HANLON: To pick up on that point, Cohen Powell this week made the same argument, that it's time we pay attention also to the non-Perm Five, and I think he's feeling some pressure from the non-aligned movement and some other people who have been saying hey, what about us? We're part of this debate too. So I agree with Richard's point.

I'll add one sort of non-sequitur point, just my crazy idea for the day which is that if we wind up going to war against Iraq, and I very much hope we still won't, and I hope the President reiterates his preference to avoid it at the APEC meeting. I would like to see Japan seriously consider playing a larger role in post-conflict operations whether it's in Iraq or in Afghanistan where the Bush Administration has now publicly stated the ISAF force is not big enough, and yet we don't have any ideas how to make it any bigger or better. So we're in this position where we actually need a lot of military help from our allies for stabilization operations at least in one place, Afghanistan, and possibly in a second, Iraq, should we go to war there.

Germany has gone through a tremendous evolution in the last ten years, granted under NATO constraints and auspices, using its forces in a way that would have seemed unthinkable 15 or 20 years ago. So Germany has begun to emerge from the shackles of World War II and the legacy of World War II.

I realize it's a more complex calculation for Japan and it's an issue where there's no NATO to

help it along and do it through a multilateral context, but I still think it's time that Japan started considering this sort of security cooperation, sending regular ground force units overseas as a small piece of a broader multilateral operation in stabilization efforts. Not in combat, but in stabilization efforts. I hope that it's an idea that begins to become seriously considered inside of Japan. I'm skeptical but hopeful that this is the sort of idea, this would be a good time to begin the debate at a bare minimum.

MR. OBERDORFER: They did in a small way in Cambodia.

MR. O'HANLON: Ten years ago, and then they decided they didn't like it very well and haven't done anything since, including in East Timor where the contribution was trivial.

MS. BRAINARD: Thank you very much.

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