

Part I

Security Issues of East Asia

Chapter 1

The Terrorist Attacks in the United States and Security in East Asia

On September 11, 2001, the date of the terrorist attacks in the United States, President George W. Bush and his administration responded quickly and embarked on a war against terrorism. Gaining the support of the international community, including countries such as Russia and Pakistan that had traditionally been critical of U.S. foreign policy, the United States attacked the Taliban regime in Afghanistan, which was hiding the apparent mastermind of the attacks, Osama bin Laden. This brought about the collapse of the regime.

The reactions of the countries of East Asia to the terrorist attacks and the U.S. response were sensitive and diverse. While denouncing international terrorism on the one hand, China sought ways in which the anti-terrorism measures could be led by the United Nations. Predominantly Muslim Indonesia, as well as Malaysia, where more than half the population is of the Islamic faith, found themselves in very difficult positions. For the first time ever, Japan dispatched its Self-Defense Forces overseas for the purpose of providing support for a military campaign. Furthermore, antiterrorism measures began through a variety of regional cooperation frameworks.

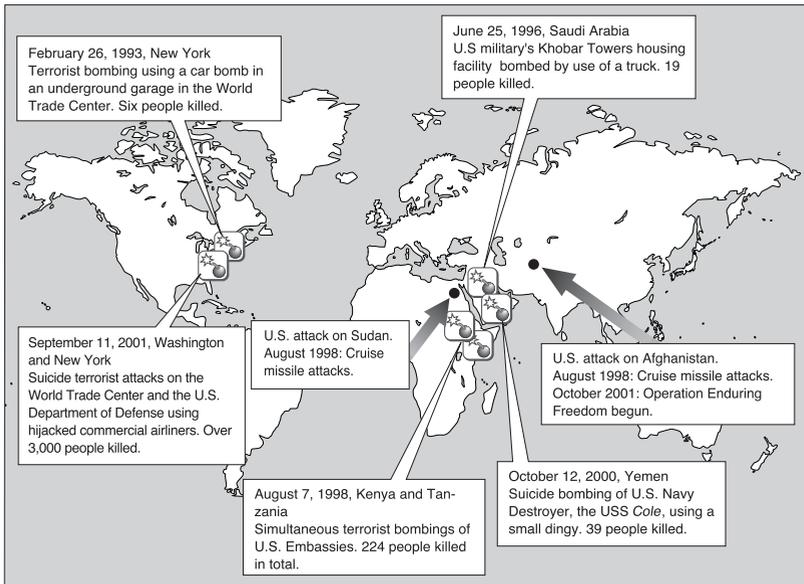
The fact that international terrorism has arisen as one of the unconventional security issues since the end of the Cold War does not mean that the conventional security issues that existed in East Asia have either disappeared or changed to any great extent. Meanwhile, although it is not clear whether the Bush administration will make a radical policy change from unilateralism, in the course of the war against the Taliban, the United States displayed overwhelming power in the political arena.

In the supplement, we considered the economic impact that the terrorist attacks would have on East Asia. In relation to the mid- and long-term security of the region, attention is focused on whether there will be an early recovery of the U.S. economy, as well as the issue of obtaining energy resources that accompanies the reconstruction of Afghanistan.

1. The U.S. Response

The September 11 terrorist attacks were extremely shocking for the United States, in terms of the actual damage and on a symbolic level. This does not mean, however, that an event such as this came as a complete surprise to the United States. Against the backdrop of terrorist attacks carried out by Islamic extremist groups, such as the 1993 bombing in an underground garage at the World Trade Center, the 1995 bombing of the National Guard training center in the Saudi capital Riyadh (5 American fatalities), the 1996 Al-Khobar Towers bombing in the East Province of Saudi Arabia (19 American fatalities) and the 1998 suicide bomb attacks on U.S. Embassies in Kenya and Tanzania,

Chart 1-1. Terrorist Attacks by Osama bin Laden against the United States and U.S. Retaliations



Source: Compiled from the Web site of the U.S. Department of State and other references.

Notes: Prior to the September 11 attacks, Osama bin Laden was suspected of carrying out terrorism attacks throughout the world that targeted the United States. In response to them, the United States had conducted retaliatory attacks in Sudan and Afghanistan.

as well as those not carried out by Islamic extremists, such as the 1997 bombing of the Federal Building in Oklahoma City, U.S. security experts have pointed out that terrorism is a serious threat to U.S. security in the post-Cold War era.

In its Phase 1 Report of September 1999, the United States Commission on National Security/21st Century, composed of influential former politicians and former high-level government officials, had pointed out the danger of an attack on the U.S. mainland in a form that could not be defended against, regardless of U.S. military preeminence. It pointed to terrorists as one of the possible perpetrators of such an attack. Furthermore, in the June 2000 Report of the National Commission on Terrorism, which had been established to evaluate the existing system to prevent and combat terrorism against U.S. citizens, the point was made that the government should prepare for a “catastrophic” terrorist attack.

The shock administered to the United States as a result of the September 11 attacks was all the more significant because the country had not been able to prevent them despite such warnings. The government’s response, however, was rapid. In his speech to the American people on the evening of September 11, President Bush declared that “America and our friends and allies” would together win the “war” against terrorism, and directly after that, vigorous diplomatic work began with the aim of forming the global coalition against terrorism. Over the course of September 12 and 13, Bush made a succession of telephone calls to the leaders of the United Kingdom, France, China, Russia, Japan, Italy, Saudi Arabia and Jordan, as well as to the secretary-general of the North Atlantic Treaty Organization (NATO). U.S. Secretary of State Colin Powell spent from September 12 to 14 on the phone to the secretaries-general of the United Nations and NATO, the British and Israeli foreign ministers, the leaders of Pakistan, Saudi Arabia and Qatar, and the foreign ministers of India, Portugal, Saudi Arabia, Morocco, Tunisia and Japan.

In response to the action by the U.S. government, the international

community also took steps to combat terrorism. The United Nations Security Council (UNSC) adopted Resolution 1368 on September 12. Having stated its determination to combat threats to international peace and security caused by terrorist acts, as well as recognizing the individual and collective right of self-defense against such acts, this resolution unequivocally condemned the terrorist attacks of September 11 and called on all states to work together to bring to justice the perpetrators, organizers and sponsors of the attacks. At a special council meeting convened September 11, NATO declared its solidarity and support for the United States, and then announced the following day that the terrorist attacks would be considered as an action covered by Article 5 of the Washington Treaty, thus enabling collective self-defense against the attacks. The U.S. government confirmed solidarity through summit meetings in the United States, scheduled prior to the attacks, with Australian Prime Minister John Howard (September 14) as well as Indonesian President Megawati Sukarnoputri (September 19). It held talks with French President Jacques Chirac (September 18), British Prime Minister Tony Blair (September 20) and Japanese Prime Minister Junichiro Koizumi (September 25), the leaders who visited the United States in the immediate aftermath of the attacks.

In the meantime, the U.S. government acknowledged that the mas-terminid of the 1998 U.S. Embassy bombings in Kenya and Tanzania, Osama bin Laden, was the prime suspect for the recent attacks. This was officially announced by Powell on September 13 and repeated by Bush on September 15. Talking to the media September 16, Secretary of Defense Donald Rumsfeld expressed the view that the war against terrorism would take a long time, as well as intimating that countries harboring terrorists would be subject to the U.S. campaign.

Of particular note among the U.S. diplomatic activities were its actions in relation to Pakistan and Russia. Pakistan had been subject to U.S. sanctions since both it and India had conducted nuclear testing in 1998. However, the United States needed Pakistan as a base for its military actions against the Taliban regime in Afghanistan that was

protecting Osama bin Laden. Pakistan had recognized the Taliban government and it was clear that the country's Muslims were opposed to the U.S. military action. Nevertheless, Powell was able to declare as early as September 16 that President Pervez Musharraf of Pakistan had pledged his support for the U.S. campaign against terrorism. At the beginning, Musharraf evaded the issue of making a public announcement regarding the provision of bases. After that, however, permission was granted by Interior Minister Moinuddin Haider for the use of two air bases, Pasni and Jacobabad. On September 22, Bush announced his intention to withdraw the sanctions imposed on India and Pakistan after the nuclear tests of 1998.

The United States expected cooperation with Russia in terms of the information Russia had obtained during the Soviet campaign in Afghanistan from 1979-1989, as well as the use of bases in parts of Central Asia that are close to Afghanistan. As early as September 24, intending to use this as an opportunity to improve relations with the United States, President Vladimir Putin announced his intention to allow the U.S. military to use Russian airspace while not speaking out against the possibility of U.S. forces using bases in Central Asian countries.

In an address to a Joint Session of Congress on September 20, Bush demanded that the Taliban deliver to the United States all the al-Qaeda leaders, including Osama bin Laden, release all foreign nationals and close every terrorist training camp in Afghanistan. For the Taliban, the demand was clear: Either they handed over the terrorists or they would share in their fate.

From around that point, the United States was moving toward a military campaign in Afghanistan. On September 19, U.S. fighters and bombers were dispatched to Saudi Arabia, Oman and Diego Garcia. On the same day, the USS *Theodore Roosevelt*, leading a task force consisting of 14 warships, set off from Norfolk Naval Station toward the Persian Gulf. On October 1, the USS *Kitty Hawk* departed from Yokosuka, also heading for the Gulf. Having ordered the deployment

of U.S. troops to Uzbekistan and Tajikistan the following day, Secretary of Defense Rumsfeld set off on a five-day trip to Saudi Arabia, Egypt, Oman, Turkey and Uzbekistan.

On October 7, the United States and Britain began the attack against the Taliban with the use of bombers and cruise missiles. The targets of the attacks were airfields, air-defense systems, terrorist training camps and locations where Taliban forces were concentrated in strength against the Northern Alliance Army.

Announcing the attacks at 1 p.m. (Eastern Standard Time) on the same day, Bush stated that, as a result of diplomatic efforts, more than 40 countries had granted air transit or landing rights to the U.S. and British forces, many more had shared intelligence, and Canada, Australia, Germany and France had pledged military support. The United States continued active diplomacy throughout the military operations. In the middle of October, Powell made back-to-back visits to Pakistan and India. Bush postponed his visit to Japan, South Korea and China that had been scheduled for October. He participated in the Asia-Pacific Economic Cooperation (APEC) forum leaders' meeting held in Shanghai from the 18th of that month, however, and met individually for discussions with President Jiang Zemin of China, President Putin of Russia, Prime Minister Koizumi of Japan and Prime Minister Mahathir bin Mohamad of Malaysia. Early in November, Rumsfeld made a round of calls to Russia, Tajikistan, Uzbekistan and Pakistan. After the use of bombers and cruise missiles for about four weeks, the U.S. and British forces began to insert special operations forces and marines into Afghanistan. Helped by the U.S. and British attacks on the Taliban, the Northern Alliance Army steadily expanded the territory under its control, taking the capital Kabul on November 13. On December 7, the Taliban withdrew from their main stronghold of Kandahar. The Taliban regime had been completely destroyed, and the U.S. and British forces switched their objective to the search for and elimination of al-Qaeda and Taliban leaders.

2. Response of East Asian Countries

(1) China: Insistence on U.N. Role

China responded to the terrorist attacks in the United States quite quickly. From September 11 onward, in a series of communications by wire and telephone, President Jiang Zemin expressed to Bush that the Chinese government strongly condemned and opposed all forms of terrorism, and that it intended, in joint effort with the United States, to exercise strict controls to combat all sorts of terrorist violence. At a news conference September 13, the Chinese Ministry of Foreign Affairs stressed the country's intention to work with all countries to combat international terrorism.

As a result of the September 11 attacks, China was provided with an opportunity to win concessions from the United States in terms of relations between the two countries. These relations had been in the process of being restored after tensions escalated due to the collision between a U.S. Navy EP-3E reconnaissance aircraft and a Chinese jet fighter, and the sale of arms by the United States to Taiwan. Because of this, China decided to place importance on its role as a permanent member of the UNSC. In a telephone conversation with Secretary of State Powell on September 13, Vice Premier Qian Qichen commented that the UNSC had adopted a resolution condemning terrorism, expressing the view that the fight against terrorism needed the cooperation of the international community. He told Powell that China was willing to cooperate through the framework of the United Nations.

China's specific policy to combat terrorism through the United Nations became clearer from September 18 onward. First, in a phone conversation with British Prime Minister Tony Blair on the afternoon of September 18, Jiang Zemin asserted that the role of the UNSC should be brought into play while stressing that the attack on terrorism should have valid evidence and specific targets, and should avoid harming innocent civilians. In successive telephone discussions with French President Chirac and Russian President Putin on the same night,

Jiang repeated China's stance. Around the same time, a spokesman of the Foreign Ministry stated that, (1) the fight against terrorism should be based on concrete evidence and the military operations should have specific targets, (2) innocent civilians should not be harmed and (3) the purposes and principles of the U.N. Charter should be upheld and the role of the United Nations and the UNSC should be enhanced. This stance reflected China's strong dissatisfaction with regards to the aerial bombing of Yugoslavia in 1999, when the United States took military action without the authorization of the United Nations and ignored assertions by China on the issue. In other words, China is concerned about the United States further strengthening its position as the only superpower in a unipolar world order by deciding independently on the use of military force. Furthermore, the assessment that placing importance on the role of the United Nations would probably increase China's influence as a permanent member of the UNSC was also a factor in this stance.

However, these comments and statements did not mention that the United States should apply the UNSC resolution as a condition for its use of military force. There were some reasons for this. The UNSC resolution of September 12 had clearly recognized the right of self-defense against terrorism in accordance with the U.N. Charter. It was also becoming clear that the United States was attempting to base their actions not on the U.N. resolution but as the right of self-defense. China also did not want to risk confrontation with the United States over this issue. By taking such a cooperative line, China expected the United States to demonstrate "understanding and support in the fight against the terrorism and separatism" in Taiwan, Tibet and Xinjiang. The comments of Chinese officials indicated this expectation in the direct aftermath of the attacks. However, as it became clearer that the United States would not answer this call, Minister of Foreign Affairs Tang Jiaxuan did not broach these problems at all during his visit to Washington on September 21-22.

Needless to say, China's position to support the United States in

relation to the terrorist attacks was not based solely on improving its relationship with the United States. As China itself was troubled by Islamic extremist groups that assert the independence of the Xinjiang Uygur Autonomous Region, it had common interests with the United States on the issue of terrorism. There was also no lack of recognition on the part of China that, even before the events of September 11, international terrorism had become a major threat to international security.

China's stance was also reflected in its response to the Afghan refugee issue. On October 1, the Chinese government gave the equivalent of 1 million yuan (\$120,000) in supplies to the United Nations High Commissioner for Refugees (UNHCR) while calling on the international community to properly resolve the issue. Furthermore, at the October 5 Forum on Afghan Refugees and Displaced Populations, held under the joint auspices of the UNHCR and the United Nations Office for the Coordination of Humanitarian Affairs, China repeated its own position and announced that it would make contributions toward relief for Afghan refugees.

After the launch of the military campaign in Afghanistan, the Chinese Ministry of Foreign Affairs commented that the Chinese government was opposed to all forms of terrorism and that it would support antiterrorism measures that were covered in the resolutions of the U.N. General Assembly and the Security Council. It did not condemn the use of force by the U.S. military or the cooperation of other countries in the campaign. Despite the fact that, through the Anti-Terrorism Special Measures Law, Japan was making moves toward the dispatch of its Self-Defense Forces to the Indian Ocean with the purpose of providing rear-area logistic support for the U.S. forces, no official condemnation was made by China. Not long after the terrorist attacks, Prime Minister Koizumi explained Japan's policy of providing support for the U.S. campaign at a Japan-China leadership summit held in Beijing on October 8. In response to this, the Chinese side went no further than to say, "keep in mind the fact that the people of Asia are

in a state of alert” (Jiang Zemin) and that “the expansion of the overseas activities of the Self-Defense Forces should be undertaken prudently” (Premier Zhu Rongji).

Having accepted the U.S.-led military operations, China lost no time in getting to work on anticipatory measures for the future of Afghanistan. At a news conference October 16, the Chinese Ministry of Foreign Affairs made the point that an all-encompassing coalition government should be established in the country. It also stated that, as a permanent member of the UNSC and a neighboring country of Afghanistan, China was paying close attention to the development of the situation there.

In an October 23 telephone conversation with French President Chirac, Jiang Zemin set out five principles for the resolution of the situation in Afghanistan, including (1) ensuring Afghanistan’s sovereignty independence and territorial integrity, (2) allowing the Afghan people themselves to make decisions on solving the problem, (3) establishing Afghanistan’s future government on a broad basis, which can represent interests of all nationalities and get along well with other countries, especially the neighboring ones, (4) ensuring the safeguarding of regional peace and stability, and (5) ensuring a more active role of the United Nations.

Since then, China has been reasserting these principles at every available opportunity. Meeting with Prime Minister Blair on a visit to London on October 29, Vice President Hu Jintao stated that the future government of Afghanistan should be a broad-based coalition administration, represent the interests of various ethnic groups and live in harmony with other countries, especially with its neighboring countries. He also pointed out that the United Nations should have a more active role to play in the political settlement of the Afghan issue. At a summit in China with Chancellor Gerhard Schroeder of Germany on October 31, Zhu Rongji also strongly insisted enhancing the role of the United Nations with respect to the Afghan situation. Furthermore, in telephone conversations with Musharraf and Putin in the middle of

November, Jiang Zemin stressed that the future government of Afghanistan must contain a wide base of representatives, and that the United Nations should play the leading role in resolving the situation.

Such calls by China, while being an attempt to strengthen its position by enhancing the role of the United Nations, were also made with the intent of avoiding the establishment of a pro-Western administration in Afghanistan. Afghanistan and the Central Asian countries adjacent to China form a region that also has close economic ties with that country. In a manner similar to the establishment of the Shanghai Cooperation Organization (SCO), China had been hoping to develop a framework that would curtail the transfer of influence in the region to the United States. In this light, when Russia gave the green light to the former Soviet Central Asian Republics to allow U.S. military forces to use their bases, it must have been an issue of some concern for China. (For more on the SCO, see Chapter 5.)

(2) Russia: Putin's Cooperative Line with the West

The Russian leadership took the terrorist attacks as the perfect opportunity to significantly improve its stagnant relations with the United States and NATO. It also looked upon them as a chance to get across to the West its claim that the actions of the Russian Army in Chechnya were first and foremost to counter the networks of international terrorism. President Putin was one of the first international leaders to telephone Bush, announce support for the United States and work out concrete measures. On September 24, Putin announced a resolution to counter terrorism consisting of five measures. These were to (1) share intelligence with Washington, (2) open Russian airspace to U.S. flights for humanitarian support, (3) give the green light to the former Soviet Central Asian Republics to allow U.S. military forces to stage out of bases there, (4) potentially provide Russian search and rescue support for U.S. combat operations, and (5) provide equipment and military support for the anti-Taliban Northern Alliance. Because of the large amounts of valuable information it had obtained from its

experiences in the Soviet campaign in Afghanistan, as well as its considerable influence over the Central Asian states that border Afghanistan, the range of cooperation that Russia could offer the United States was significant.

After the terrorist attacks, Russia had also been working to establish a system of cooperation against terrorism with NATO. On a visit to NATO headquarters in Brussels at the beginning of October to discuss international terrorism, Putin expressed the view that enhancing the cooperative relationship between Russia and NATO was indispensable. He was also reported as making reference to the possibility that Russia would become a member of NATO in the future. NATO Secretary-General George Robertson expressed the view that “the Kremlin has decided to integrate with the Western security mechanism.” Nevertheless, the possibility cannot be ruled out that the system of cooperation against terrorism between Russia and NATO might come apart as NATO continues its expansion to the east.

What was Russia’s aim in seeking to establish closer relations with the United States and NATO through cooperation against terrorism? First, the Russian leadership thought that if it could successfully become a part of the U.S.-led international coalition against terrorism, it might be able to curb U.S. unilateralism in foreign policy, as well as somehow win concessions in the negotiations over the planned U.S. Missile Defense (MD) system. Second, it was perhaps anticipating that if NATO did deem a coalition with Russia to be indispensable, Russia might be able to deter it from making the enlargement to the east that Russia had been opposing for some time.

Russia decided to take the initiative, even in terms of the problem of establishing a new government in post-Taliban Afghanistan. On October 22, Putin held discussions with Burhanuddin Rabbani, the president of Afghanistan and one of the leaders of the anti-Taliban Northern Alliance, and Emomali Rakhmonov, the president of Tajikistan. In these discussions, he declared that Russia would support the establishment of a new Afghan administration based around the Northern

Alliance, and that there would be absolutely no place for the Taliban in such an administration. Russia was hoping to establish an administration in Afghanistan with the Northern Alliance, to which it had traditionally provided military support, at the helm. Russia aimed to gain political clout in the country and also lessen the military threat to its allies, the former Soviet Central Asian Republics. With the coming of December and the collapse of the Taliban regime, Russian corps conducting humanitarian and support missions were sent into Afghanistan. This was done with a view to increasing Russia's influence in post-Taliban Afghanistan.

However, allowing the United States to increase its influence in Central Asia, which is of vital importance in terms of security, is something that was certainly not beneficial from a Russian perspective. The Russian leadership initially took a negative stance on a U.S. military presence in Central Asia. Central Asian countries, however, and especially Uzbekistan, were thinking along very different lines from Russia on the issue, and were positive from the outset about cooperating with the United States. Besides, Russia had made it clear from the start that it would not participate directly in the U.S. campaign against terrorism since Russia had to meet domestic demands not to stir up tensions among moderate Muslims in the country.

(3) South Korea: A Cautious Response

South Korea's reaction to the terrorist attacks in the United States was to express strong condemnation and take the position that it would spare no effort in terms of provision of support. In practical terms, however, while taking this stance, it also paid close attention to public opinion at home and its relations with Middle Eastern and Arab countries. This meant that it was not so forthcoming in terms of visible forms of support for the United States. On a domestic level, although taking measures to respond to all kinds of terrorism, its awareness that there was a direct threat of terrorism was relatively low. Although it had tried to take up the problem of terrorism at the inter-Korean

talks, North Korea did not respond positively on the issue.

On September 17, about one week after the attacks, President Kim Dae Jung declared them to be “acts of war,” and sent a message to Bush that South Korea would provide all-out support for the United States in its firm determination to stamp out terrorism. On September 24, South Korea announced five support measures to this end. They were to (1) dispatch medical support teams to function as “mobile surgeries,” (2) provide transport means, (3) dispatch liaison officers to facilitate smooth cooperation, (4) actively participate in the global coalition against terrorism and (5) share information with the United States on terrorism. The position taken by the South Korean government was to provide measures that would be on a par with the kind of logistic support that was being given by other countries, namely, Japan. At that moment in time, the dispatch of combat troops had not been considered. On the issue of sending such troops, the government decided to carry out a comprehensive study on (1) the combat situation, (2) the international trends on the issue, (3) requests from the United States, (4) domestic public opinion and (5) relations with Middle Eastern and Arab countries. In October, South Korea decided to send the equivalent of around \$1 million in relief aid to Pakistan in C-130 transport aircraft, as well as to provide the equivalent of \$12 million in emergency support. It also sent a team of government representatives to the Senior Officials’ Meeting on Reconstruction Assistance to Afghanistan that was held in the United States in November, and announced its intention to play an active part in the work of reconstructing Afghanistan.

Despite such a positive reaction on the surface, it is clear that there were voices of concern about the strong response the United States was going to take. These voices were among the people of the country and by extension within the government. For instance, Kim Dae Jung said that, “at the start, I had the impression that the United States was being overly excited in carrying out a wide-ranging military campaign.” However, South Korea’s perception became more favorable over time.

As a result, Kim concluded that “the United States has shown considerable self-restraint, and is carrying out measures that are sensible.” In his October 8 Special Presidential Address, Kim took the position that the U.S. campaign against terrorism was “a war against terrorism to maintain the peace and security for mankind” while expressing support for the campaign. On October 9 at the United Nations, it signed the International Convention for the Suppression of the Financing of Terrorism.

Shortly after the terrorist attacks, the South Korean armed forces and police were placed on high alert. The police were deployed to enhance the security of U.S. facilities in South Korea, namely, the U.S. Embassy and the U.S. Forces in Korea (USFK). The South Korean armed forces and the USFK were put on alert to thwart attacks on military installations across the country and on USFK personnel. With the Korea Police Special Weapons Assault Team (SWAT) deployed at major airports in preparation for violent terrorism or attempted hijacking of passenger airliners, the country went into a state of alert. The Army NBC Defense Command, which has the duty to deal with nuclear, biological and chemical (NBC) warfare, strengthened its system to counter terrorism and carried out training based on a scenario of chemical weapons being used in subway stations. The civilian-government-military joint training that took place in October was different from usual also, with the focus being placed on anti-terrorism measures and protection of city infrastructures. (For more on the establishment of the NBC Defense Command, see Chapter 5, *East Asian Strategic Review 2000*.)

In line with consideration of whether the recent terrorist attacks would extend to South Korea, the country examined cases in which it could be a target for terrorism and the possibility of North Korea deciding to exploit the situation militarily. Since it had not sent combat troops and, therefore, did not have a major involvement in Afghanistan, South Korea decided that the possibility of it becoming a target of terrorism was not high. North Korea, concerned about becoming a

target for international condemnation, was highly unlikely to take advantage of the crisis to launch military provocation against South Korea. Moreover, the United States had taken measures, including sending F-15 fighters to South Korea, out of apprehension that South Korean defense was weakened, which also played a part in dispelling South Korean concerns over the situation.

Terrorism also had an influence on relations between the two Koreas. For instance, immediately before the fifth inter-Korean ministerial talks were held in mid-October, Kim Dae Jung stated that it would be good to announce an antiterrorism joint declaration at the talks. On the issue of an antiterrorism joint declaration, however, the opposition Grand National Party put forward the principle that North Korea should first apologize for the acts of terror it had committed in the past, and only then should the two countries publish any such declaration. As it turned out, however, there was no antiterrorism joint declaration. North Korea regarded terrorism as an issue to be discussed bilaterally between the United States and itself, and not between the two Koreas.

(4) North Korea: Damage-Control Diplomacy

North Korea charted a delicate course on the issue of the terrorist attacks. While also taking the necessary measures to ensure that they did not have a negative influence on U.S.-North Korean relations or on its international position, Pyongyang put up a minimum front as a “revolutionary state” by taking the interpretation that, in terms of the root causes of the attacks, the blame lay on the United States. The United States, meanwhile, used the attacks as an opportunity to put diplomatic pressure on North Korea in terms of the chemical and biological weapons such as anthrax that it is believed to possess. Shortly after the terrorist attacks, North Korea went on heightened alert status. It was also reported that the North Korean Air Force and Navy went on alert on the launching of the U.S. military campaign in Afghanistan.

The day after the terrorist attacks in the United States, the North

Korean Ministry of Foreign Affairs stated the position that North Korea was “opposed to all forms of terrorism and whatever support to it.” This line was nothing new, as it had been expressed in the Joint U.S.-North Korea Statement on International Terrorism of October 2000. However, the fact that North Korea once again stressed this position immediately after the attacks showed the concern that it had about the events of September 11 causing a deterioration in U.S.-North Korean relations as well as in its standing in the international community. Also, in November, the North Korean Ministry of Foreign Affairs stated that the country would sign the International Convention for the Suppression of the Financing of Terrorism and that it had decided to accede to the International Convention Against the Taking of Hostages.

At the same time, however, North Korea suggested that the United States also had some responsibility for the attacks. Several days after the attacks, for instance, the Korean Central News Agency (KCNA) while citing the *Washington Post*, stated that “arrogant foreign policy such as forcing through the missile defense plan has become the cause of U.S. isolation in the international community” and that “Bush’s unilateral foreign policy that prioritizes benefits to the United States alone was the cause of the recent events.” However, just after the United States launched its military operations in Afghanistan, the reaction of the North Korean Ministry of Foreign Affairs was restrained, only going as far as to say that “the action of the United States should not be a source of a vicious circle of terrorism and retaliation that may plunge the world into the holocaust of war.”

The United States, however, was suspicious as to whether North Korea would match its words with concrete deeds. Therefore, regardless of Pyongyang’s stance, the United States interlaced a mixture of carrot and stick in the diplomatic pressure it proceeded to put on North Korea. For instance, on the one hand, in a summit with Kim Dae Jung in October, President Bush commented that the United States expected North Korea to accept the proposal for dialogue between the two coun-

tries. On the other, commenting on the North Korean leader at a news conference held the same month, he stated that he was “disappointed in Kim Jong Il not rising to the occasion, being so suspicious, so secretive.” At a news conference in November, he said: “I made it very clear to North Korea that in order for us to have relations with them, we want to know: Are they developing weapons of mass destruction? And they ought to stop proliferating.” In response to this, the North Korean Ministry of Foreign Affairs issued a warning that it would have no choice but to respond in kind to the U.S. demands, which it described as being “just like a thief turning on its master with a club.”

««Column»»

Japan's measures in response to the terrorist attacks in the United States

- 1 The government of Japan (GOJ) will promptly take measures necessary for dispatching the Self-Defense Force (SDF) for providing support, including medical services, transportation and supply, to the U.S. forces and others taking measures related to the terrorist attacks, which have been recognized as a threat to international peace and security in United Nations Security Council Resolution 1368.
- 2 GOJ will promptly take measures necessary for further strengthening protection of facilities and areas of the U.S. forces and important facilities in Japan.
- 3 GOJ will swiftly dispatch SDF vessels to gather information.
- 4 GOJ will strengthen international cooperation, including information sharing, in areas such as immigration control.
- 5 GOJ will extend humanitarian, economic and other necessary assistance to surrounding and affected countries. As a part of this assistance, GOJ will extend emergency economic assistance to Pakistan and India, which are cooperating with the United States in this emergency situation.
- 6 GOJ will provide assistance to the displaced persons as necessary. This will include the possibility of humanitarian assistance by SDF.
- 7 GOJ, in cooperation with other countries, will take appropriate measures in response to the changing situation to avoid confusion in the international and domestic economic systems.

On the whole, in the sense that they made it politically possible for the United States to take a tough stance on North Korea, regardless of Pyongyang's efforts not to aggravate relations with Washington, the terrorist attacks of September 11 can be said to have put North Korea in a very difficult position indeed. The days of the Clinton era had come to an end before the attacks. After this, when the Bush administration called for dialogue with North Korea, North Korea did not take any bold action to improve U.S.-North Korean relations. North Korea paid dearly for failing to react to the U.S. overtures when it could.

(5) Japan: Casting Off “Checkbook Diplomacy”

On September 12, the Japanese government announced that “Japan will respond in cooperation with the United States and other concerned countries to combat international terrorism.” Then, on September 19, Prime Minister Junichiro Koizumi made a statement in which he listed seven measures the government would take immediately to respond to the terrorist attacks in the United States.

As its basic policy, this statement said that Japan would “actively engage itself” in the fight against terrorism, by regarding the fight as its security matter. Once again, it affirmed the position that “Japan strongly supports the United States, its ally, and will act in concert with the United States and other countries around the world.” As the first of its seven measures, “dispatching the Self-Defense Force (SDF) for providing support, including medical services, transportation and supply, to the U.S. forces and others taking measures related to the terrorist attacks” was listed.

Following this policy, the Japanese government promptly drafted the Anti-Terrorism Special Measures Law, which was enacted in the Diet on October 29. Based on this law, the government decided to dispatch up to 1,500 personnel, six SDF vessels and eight aircraft, to carry out three types of activities: cooperation and support activities for the U.S. forces and others; search and rescue activities; and assis-

tance to displaced persons. This was the first time the SDF would be dispatched overseas to provide support for a military campaign, albeit only logistic support. Therefore, Prime Minister Koizumi visited China and South Korea in advance to ask for their understanding on the issue. (For more on this point, see Chapter 8.)

An SDF supply ship carried out the first refueling of a U.S. warship in the Arabian Sea on December 2. Then, another ship delivered the first relief aid for Afghan refugees to the port of Karachi in Pakistan, and C-130H transport aircraft carried out cargo flights between U.S. military bases in Japan and the U.S. base in Guam.

In the Gulf War of 10 years before, Japan's support did not go beyond the provision of funds. Even though this financial support came to the huge total of \$13 billion, this contribution received very little appreciation and instead was mocked as "checkbook diplomacy." At least two reasons exist why Japan could take the kind of measures it took this time. One is the strong leadership of Prime Minister Koizumi, who enjoyed a high approval rating from the public. The other is that public opinion on security issues had become more realistic in comparison with 10 years ago. An unprecedented level of public support for Prime Minister Koizumi in comparison to past prime ministers seems to come from the fact that the reforms he advocates are necessary to overcome the severe situation Japan faces, even if these reforms are accompanied by some sacrifice on the side. According to one opinion poll, 57 percent of the public supported the Anti-Terrorism Special Measures Law that made it possible for the SDF to be dispatched to the Indian Ocean for the provision of logistic support while 39 percent were in opposition. Incidentally, 63 percent of those polled were in support of U.S. forces carrying out military operations in Afghanistan. The poll also showed that Prime Minister Koizumi still maintained extremely high public support of 73 percent.

Even though Japan's assistance was limited to logistic support, immediately after the enactment of the Anti-Terrorism Special Measures Law, the White House issued a statement welcoming the measure. In

a speech on the 60th anniversary of Pearl Harbor Day on December 7, Bush touched on Japan's support for the U.S. campaign against terrorism, stating that: "Today, we take special pride that one of our former enemies

Japan Maritime Self-Defense Force supply ship *Towada* (left) refuels a British naval vessel in the Arabian Sea.

is now among America's finest friends: We're grateful to our ally, Japan, and to its good people. Today, our two navies are working side by side in the fight against terror." The Bush administration had started its term, strongly emphasizing the importance of alliance relationships in its foreign policy. Japan's cooperation against terrorism, including the dispatch of the SDF, thus, had the effect of further strengthening the relationship of trust between Japan and the United States.

The response to the terrorist attacks was not limited to the dispatch of the SDF. For Japan to fulfill its role as one of the advanced democratic countries, the government studied how to provide support for the Afghan refugees, support for the post-Taliban reconstruction and economic assistance for the countries neighboring Afghanistan. It was also involved in the efforts to develop an international framework aiming to eradicate international terrorism.

3. Response of Southeast Asian Countries

(1) Islam and Terrorist Groups in Southeast Asia

An extremely large number of Muslims live in Southeast Asia, with around 200 million (88 percent of the total population) residing in Indonesia, the largest Muslim country in the world. There are 14 million in Malaysia (60 percent), 4.1 million in the Philippines (5 percent), 2.3 million in Thailand (4 percent), 370,000 in Singapore (15 percent) and 230,000 in Brunei (67 percent). The majority of them are moderate Muslims, tolerant of other religions. However, there are also Islamic extremist groups intervening in separatist and independence movements or carrying out kidnappings. It has been suggested that there is a close link between these extremist groups and the apparent masterminds of the terrorist attacks, Osama bin Laden and the al-Qaeda organization. According to *Jane's Intelligence Review*, the al-Qaeda network spreads over 20 countries and regions in Europe, Africa and Asia. In terms of Southeast Asia, it states that al-Qaeda has strongholds in the Xinjiang Uygur Autonomous Region in China, Malaysia, Myanmar, Indonesia and Mindanao Island on the Philippines. For the predominantly Muslim countries of Indonesia and Malaysia, their governments were put in a very complicated situation by the U.S. campaign against terror. While being opposed to acts of international terrorism in principle, both governments had to stave off an increase in anti-American as well as antigovernment sentiment among the Islamic citizens in their countries. On the other hand, Abu Sayyaf has been carrying out radical activities in the Philippines, where Muslims account for no more than 5 percent of the total population. Abu Sayyaf, however, seems to have close connections with Osama bin Laden and al-Qaeda. President Gloria Arroyo was dissatisfied with the U.S. perception that Abu Sayyaf is a cell of the international terrorist network, but she expressed her support for the antiterrorism operation led by the United States. Furthermore, with the existence of minor extremist Islamic groups like Laskar Jihad in Indonesia and

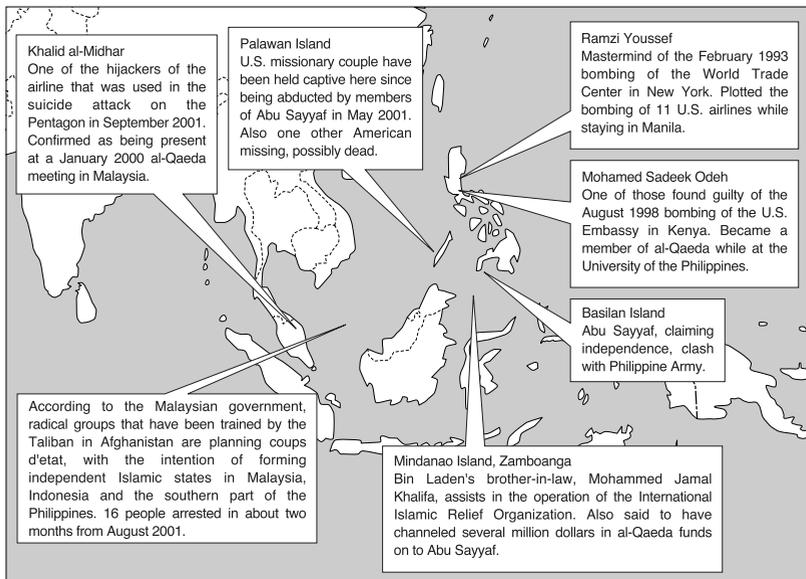
Kumpula Mujahideen Malaysia (KMM) in Malaysia, there were concerns that the U.S. military operation against the Taliban regime in Afghanistan would give rise to radical activities by these groups.

(2) The Philippines: Contradictions Arising from Cooperation

Islamic extremist groups have been intervening in the separatist movements in several regions in Southeast Asia, such as in the special state of Aceh in Indonesia and on Mindanao Island in the Philippines. The most extreme of these groups is Abu Sayyaf, which is based around West Mindanao Island and Sulu Island in the southern part of the Philippines. Led by its founder, Abdurajik Abubakar Janjalani, Abu Sayyaf split from the Moro National Liberation Front (MNLF) in 1991, and started to carry out extremist activities aimed at establishing an independent Islamic state on the islands of West Mindanao and Sulu.

Janjalani spent half of the 1980s studying overseas in Saudi Arabia

Chart 1-2. Bin Laden’s Network in Southeast Asia



Source: Compiled from data in the *Independent*, October 2, 2001.

and Libya. Then, at the end of 1988, he received training from the mujahideen (Islamic militants) in Peshawar in Pakistan to fight against the former Soviet Union in Afghanistan. Returning to the Philippines in 1990, he began activities aimed at founding an Islamic state. Another founding member of the group, Mohammed Jamal Khalifa, is a brother-in-law of Bin Laden, and he seems to have channeled funds from Bin Laden to Abu Sayyaf.

Janjalani died in 1998 and his ideological influence on the group has for the most part disappeared. His younger brother, Khadafy, is currently leading the group, but his links with al-Qaeda and Bin Laden appear to be weak. President Arroyo has stated that the movement of funds from Bin Laden or al-Qaeda to Abu Sayyaf had ceased by 1995. She has also criticized Abu Sayyaf's activities as actions that lack basis in Islamic fundamentalism and amount to nothing more than mere robbery.

Abu Sayyaf has been active in many cities since 1994, carrying out radical movements such as bombings and raids. They abducted 21 tourists, including Europeans, at the Malaysian resort of Sipadan Island in April 2000, and obtained a ransom of \$20 million before releasing their hostages in August of the same year. In July, they abducted three European journalists. In May 2001, they kidnapped 20 tourists, including three U.S. nationals, on Palawan Island in the Philippines. Abu Sayyaf carried out each of these international kidnapping incidents, and has been using the ransom money it obtained as funds for its activities. With this as the background, it would seem likely that Bin Laden and al-Qaeda have either limited or completely stopped the flow of funds to Abu Sayyaf. The fact that former President Joseph Estrada did not take concrete measures to respond to these incidents would seem to have encouraged the activities of Abu Sayyaf. In contrast, Arroyo gave the order for the army to attack Abu Sayyaf in response to the May 2001 kidnapping incident. As a result, however, many of the hostages were either killed or have gone missing, and two of the Americans are still being held captive. Because of this,

Arroyo's tough measures have become subject to criticism, and this might have been a major failure for the newly-inaugurated administration.

Under these circumstances, the Philippines made a positive response to the U.S. campaign against terrorism, as a part of the Association of Southeast Asian Nations (ASEAN). In a letter to Bush shortly after the terrorist attacks, Arroyo pledged that the Philippines would "give whatever assistance is necessary." During her visit to Japan, she also announced that she had information indicating a link between the antigovernment Islamic movements in the Philippines and Osama bin Laden and al-Qaeda, and that she intended to strengthen information sharing with the United States. On the issue of the use of military force by the United States, she said, "we are open to this so long as it is used only when necessary and is combined with all other possible steps." She went on to announce that the Philippines would provide logistic support and information sharing for the United States, that it would allow the use of its airspace, and that it intended to reopen former U.S. bases Subic and Clark.

However, there was criticism among the people of the Philippines against such a stance by its government. On the issue of reopening former U.S. bases Subic and Clark, some members of the Lower House of Parliament pointed out that "the president cannot make such decisions on her own. The approval of Parliament is necessary." Concerned that "all-out support" would include the dispatch of Philippine troops, labor unions and citizens' groups also made their voices heard, claiming that, "we should not sacrifice our people for the sake of the United States." Protest rallies came in quick succession.

At the same time, Arroyo was expecting to receive support from the United States to mop up Abu Sayyaf. In response to this, the United States, which had placed the Bin Laden network in Asia as a target, sent a military advisory group to the Philippines at the end of October. Arroyo stated that the cooperation of the U.S. advisory group would be limited to technical support and training. Furthermore, Arroyo de-

cided to moderate the stance of cooperation with the United States that it had taken at the outset, such as by announcing that she could no longer prove the financial connection that she had earlier suggested between Bin Laden and Abu Sayyaf. This was because Arroyo, as a newly-inaugurated president, had to avoid the censure of the people while also feeling a real need to end the conflict with that group. Furthermore, the support from the United States was indispensable for Arroyo in breaking Abu Sayyaf and reconstructing the economy, although she was reluctant to have Abu Sayyaf regarded in the same light as al-Qaeda. In this political context, Arroyo was put in a position where she was being forced to make a very difficult choice.

On November 20, Arroyo and Bush made an agreement to expand military cooperation to stamp out international terrorism. Bush announced that the United States would provide around \$100 million, which would include financial support from the U.S. administration for economic recovery as well as funds to cover measures for maintaining security in the country. This would be provided to help the Arroyo administration in its fight against the Abu Sayyaf group.

In the early hours of November 27, in Zamboanga, Mindanao Island, an MNLF unit abducted around 60 people from their homes and barricaded themselves and their hostages in a stronghold outside the city. In an attempt to rescue the hostages, the army attacked the stronghold with helicopters and bombers. One person died and 11 were injured in the ensuing battle. In Arroyo's response to this incident as well as the hostage incident in May, a trend of taking tough measures was becoming apparent. Tough measures can temporarily bring anti-government forces under control, but it is difficult for them to close the political and economic disparities that are the root causes of the problem.

(3) Indonesia: Walking a Tightrope

Indonesia, the country with the largest Muslim population in the world, also displayed a complex response to the September 11 terror-

ist attacks. Deciding lightly to cooperate with the U.S. actions against terrorism would have caused a backlash among the approximately 90 percent of the population that are Muslim, further fomented social unrest, as well as shaken the Megawati administration and impeded economic reconstruction. Along with giving due consideration to the thoughts and opinions of the vast majority of the population, the Megawati administration had to avoid reactions by radical groups, as well as find solutions to the issues of separatist movements and religious and ethnic conflicts. In this sense, the administration was faced with a very difficult situation.

There are several radical Islamic groups in Indonesia, such as Laskar Jihad, the Front to Defend Islam (FPI) and the Islamic Youth Movement (GPI). Religious conflicts are continuing in areas such as Maluku and Kalimantan. Among all of these, the most extreme is Laskar Jihad, which seems to have links with al-Qaeda. However, Laskar Jihad denies any connection with the Taliban regime in Afghanistan or Osama bin Laden. The existence of the group came to the forefront when it became involved in a dispute between Muslims and Christians at the beginning of 2000 in Maluku. Although their base is Java Island, the activities of Laskar Jihad have become focused on regional cities outside of Java where the security situation is loosely controlled, such as Maluku and Poso. While stirring up these disputes in local areas, it is pushing to expand its influence in Java.

On the occurrence of the September 11 terrorist attacks in the United States, the Indonesian government immediately announced its condemnation of them as “savage, indiscriminate attacks.” From the outset, however, Indonesian Vice President Hamzah Haz cautioned the United States against “rashly” putting the blame on Islam. Bush, however, made a point of stressing that the war against terrorism was not a war against Islam, and when President Megawati became the first Asian leader to visit Washington after the attacks September 19, she announced Indonesia’s support for the United States. Contrastingly, the Muslim backlash against the United States became severe after it

carried out preparations to use force against the Taliban regime in Afghanistan. For a period around the end of September and beginning of October, the country saw the unfolding of violent anti-American demonstrations, centered in Jakarta. Student protests took place at the U.S. Embassy in Jakarta and the U.S. Consulate in Surabaya. On September 28, there were large-scale anti-American demonstrations by Muslims in towns and cities throughout Indonesia, with around 3,000 people protesting in Jakarta. Islamic groups such as the FPI and GPI also held protest demonstrations.

On September 23 in Surakarta, Central Java, an incident occurred in which a radical Islamic group visited hotels in the city to search for Americans staying there. Faced with such a situation, the U.S. government issued evacuation instructions for U.S. nationals in Indonesia. Meanwhile, the GPI began to recruit volunteers to participate in a "Jihad" (holy war) in Afghanistan, announcing at the end of September that over 1,000 people had registered. Megawati called for calm and denounced the Islamic radical groups threatening U.S. citizens. Furthermore, the armed forces commander, Adm. Widodo announced that if Indonesian police deemed it necessary, the military was prepared to dispatch a battalion to ensure the safety of foreign nationals. The situation did not calm down, however, and on October 8, with the commencement of the U.S. military campaign on Afghanistan, the police fired warning shots, tear gas and used water cannons on the 500-700 demonstrators gathered at the U.S. Embassy and the Parliament and surrounding areas.

Against the backdrop of these events, Vice President Hamzah Haz and the Speaker of the House of Representatives Akbar Tanjung, criticized the U.S. attacks on Afghanistan. Minister of Defense Matori Abdul Jalil also stated that an announcement opposing the U.S. attacks should be made in the name of the Parliament. In a speech October 14, Megawati stated that "it is unacceptable that someone, a group or even a government – reasoning that they are searching for perpetrators – attack a people or another country." While avoiding any direct

reference, this was clearly a criticism of the United States. Cabinet ministers as well as Islamic groups belonging to Nahdatul Ulama (NU) were seen to take the opportunity afforded by the U.S. use of force in Afghanistan to incline toward an anti-American perspective. Megawati, however, considered financial assistance from the United States for economic reforms to be indispensable. She was put in a position where she could neither directly criticize the United States nor be clearly seen to support it, despite agreeing with the campaign against terrorism. In fact, the Indonesian government prohibited its citizens from participating in the "Jihad" that was taking place in Afghanistan. On October 19, the Bank of Indonesia refused a request from the United States to freeze bank accounts with suspected links to Osama bin Laden. At the request of the United Nations, however, the Attorney General's Office ordered the Bank of Indonesia to freeze such accounts. Furthermore, the government announced that, if the United Nations decided to dispatch a peacekeeping force to Afghanistan, Indonesia would support such a decision, and that, if requested to do so by the United Nations, it intended to send troops as part of this force. The Indonesian government can be seen to have taken the reaction of its citizens into consideration, and coordinated its actions in accordance with requests from the United Nations rather than from the United States.

Future concerns for Indonesia are about the possibility of the activities of domestic Islamic radical groups becoming militant, as well as social unrest becoming more pronounced. In particular, extremist activities of Laskar Jihad have been taking place, such as the abduction in Ngawi, Yogyakarta, of a local Muslim leader as well as that of the head of the Indonesian Democratic Party for Struggle (PDI-P) chapter in the town, and the attacks on Christians in and around Poso in Central Sulawesi. On November 25, in order to bring about peaceful resolutions in areas of conflict, Coordinating Minister for Political and Security Affairs Susilo Bambang Yudhoyono announced the dispatch of 50 battalions from the army and police forces to such un-

stable areas, with special focus on Aceh and Irian Jaya. This is said to be the largest deployment of its kind in the history of the Indonesian Army.

(4) Malaysia: Counterterrorism and Anti-American Sentiment

Malaysian Prime Minister Mahathir announced his support for the U.S. campaign to capture the perpetrators of the September 11 terrorist attacks. When the U.S. decided to attack Afghanistan, however, he took a critical position, stating that “war is not a solution to solve terrorism.” While maintaining his position of opposition to the U.S. military campaign on the one hand, and emphasizing the point that this war had placed terrorists as the opponents, he attempted to contain the activities of Islamic extremist groups in Malaysia on the other. Anti-American feeling runs high in Malaysia, even in comparison with Indonesia, and the country expressed a stance of clear opposition to the U.S. attacks on Afghanistan. In response to a U.S. request to freeze the funds of suspected terrorists, it stressed that “such funds have never existed.” Furthermore, Minister of International Trade and Industry Rafidah Aziz commented that “the United States attacked Afghanistan, but the terrorists are not there,” and went on to conclude that the operation was an “error of judgment on the part of the United States.” Mahathir and Bush had bilateral talks at the APEC summit held in Shanghai, but both stated that they had “come to the agreement that agreement could not be reached.”

However, the government tightened controls over Islamic extremist groups. Under the National Security Law, there were 10 arrests in September and a further six in October, of people that belonged to Islamic militia groups and had received military training in Afghanistan. Among those arrested were members of the Islamic militia group KMM. The existence of KMM first came to light in May 2001, when some of the nine people arrested for a bank robbery in Petarinjaya claimed to be members of the group. Some of the members of KMM

have received military training in Afghanistan, and it appears that there is some connection between Osama bin Laden and this group. This group was also involved in the murder of State Parliament member Joe Hernandez in the state of Kedah as well as attacks on Christian churches and Hindu temples in 2000.

Meanwhile, Malaysia's largest opposition party, the Parti Islam SeMalaysia (PAS), denounced the United States as "criminal" for its use of force in Afghanistan, and called for a "Jihad" in support of that country. On October 12, around 2,000 supporters of PAS demonstrated at the U.S. Embassy in Kuala Lumpur.

Since the arrest of Deputy Prime Minister Anwar Ibrahim in September 1999, there have been continuing activities by Islamic groups in Malaysia. Furthermore, the government maintains that the movements of extremist groups would be further stimulated by the September 11 incident, which forced it to consider a review of the National Security Law.

(5) Other Responses in Southeast Asia: More Diversity

In Thailand, with its small Muslim population, there were attempts to protest against the U.S. attack on Afghanistan by boycotting American products. The Central Islam Committee of Thailand took a neutral stance on the issue, however, and there were no major occurrences in this regard in the country.

The three countries of Indochina – Vietnam, Laos and Cambodia – all denounced the terrorist attacks. At the same time, the force being brought to bear on Afghanistan by the United States probably brought back memories of the Vietnam War era, and there were some discrepancies in the strengths of their announcements while each of them expressed concerns about damage to civilians.

4. International Cooperation in East Asia

As mentioned above, there were cases of terrorist attacks by Islamic extremist groups in East Asia even before the events of September 11. Because international links among terrorist groups had manifested, international cooperation on the issue of measures against terrorism has likewise manifested. In August 2001, Malaysia, Indonesia and the Philippines reached an agreement to strengthen cooperation and exchange information on terrorist groups. The September 11 terrorist attacks have led to the further promotion of international cooperation around the regional organizations.

Of the international organizations in East Asia, the ASEAN Regional Forum (ARF) was the first to publicly express its reaction to the terrorist attacks of September 11. This was announced in the statement given by the Chairman Prince Mohamed Bolkiah, the foreign minister of Brunei, on October 16. After Brunei prepared a draft at the request of the United States, it was announced after coordination with all the member countries. This action was based upon the “Enhanced Role of the ARF Chair” paper that had been adopted at the ARF Ministerial Meeting in July.

The statement holds that the terrorist acts of September 11 resulted in the murder of citizens from ARF member states and other countries, and were an attack on civilization itself as well as “an assault on all of us.” It goes on to state that the governments of member states “undertake to use all necessary and available means to pursue, capture and punish those responsible for the attacks, and to prevent additional attacks.” It further states that the ARF will discuss ways and means to cooperate in the fight against terrorism.

Several days after the statement was announced, the APEC summit began in Shanghai. In addition to the usual declarations by leaders on economic issues, an APEC Leaders Statement on Counter-Terrorism was adopted October 21. This statement reflects a delicate balance between the differing positions of the member countries. First of all, it

does not limit the acts of terrorism to be condemned only to acts by Islamic extremist groups. By employing the phrase “in all forms and manifestations,” it demonstrates consideration for the positions of Indonesia and Malaysia. Furthermore, it defines terrorism as “a direct challenge to APEC’s vision of free, open and prosperous economies, and to the fundamental values that APEC members hold.” Reflecting the position of the chair country, China, it affirms that the United Nations should play a major role in combating terrorism. It makes no reference, however, to the U.S. military operations in Afghanistan, be it in the form of support or a request for limitation. As specific measures for cooperation to counter terrorism, the statement points to (1) financial measures to prevent the flow of funds to terrorists, (2) adherence by all economies to relevant international requirements for the security of air and maritime transportation, (3) strengthening of activities to protect critical sectors, including telecommunications, transportation, health and energy, and (4) limiting the economic fallout from the terrorist attacks.

The 2001 ASEAN Declaration on Joint Action to Counter Terrorism was adopted at the ASEAN summit that took place in Brunei from November 4 to the morning of the following day. This was for the most part identical in content to the APEC Leaders Statement on Counter-Terrorism. There was no reference whatsoever to the U.S. military campaign in Afghanistan in this declaration either, due to discord between supporting countries of the campaign, namely the Philippines and Singapore, and the countries calling for its cancellation, mainly Indonesia and Malaysia. However, the declaration was different from the APEC Leaders Statement in the sense of stressing that cooperative efforts to combat terrorism should be employed at the regional level in line with specific circumstances in the region and in each member country while in accordance with the U.N. Charter. Furthermore, the declaration affirmed that ASEAN had established a regional framework for fighting transnational crime and fully approved the initiatives of the Third ASEAN Ministers Meeting on Transnational

Crime (AMMTC) held in October to focus on terrorism and deal effectively with the issue.

In the summit meeting of the cooperative framework between ASEAN and Japan, China and South Korea, the ASEAN Plus Three Summit, countries such as Japan, South Korea and the Philippines pushed for adopting a counterterrorism declaration while those such as China and Malaysia opposed. In the end, no such declaration was adopted. Afterward, however, in the media statement by the chairman of the 7th ASEAN Summit and the 5th ASEAN Plus Three Summit, roughly the same objective was stated in the section about ASEAN Plus Three as the 2001 ASEAN Declaration mentioned above. That the United Nations should play a major role in combating terrorism is once again stressed, but at the same time, reference is also made to the importance of enhancing regional competitiveness. Furthermore, in the part of the statement about ASEAN itself, leaders expressed their concern over the deteriorating quality of the welfare of innocent people as a result of the military action in Afghanistan.

5. Security of East Asia

Although it is still too early to judge with certainty what influence the response of the international community to the terrorist attacks will have on the security of East Asia, there is no doubt that some notable developments have been observed. It is not yet clear whether the efforts to form the global coalition against terrorism mean a fundamental departure from the noticeably unilateral approach taken by the Bush administration. The United States, however, has clearly demonstrated the overwhelming influence it has over international politics in the course of developments in the campaign against the Taliban. There has certainly been an increase in the momentum of cooperation among the international community as a whole based on measures to counter terrorism. However, depending on the development of the Afghanistan problem and the conflict between Israel and Palestine, which

had once again intensified since the end of November, the possibility cannot be ruled out that the antipathy among Muslims toward the United States will intensify, leading to certain limitations on the influence of the United States, and serious challenges will emerge in the structure of the international community.

U.S. and Russian leaders hold a joint news conference (November 15, 2001, Crawford, Texas).
(Reuters-Kyodo)

Whatever the case, the U.S. diplomatic efforts had the effect of accelerating the rearrangement of strategic relations evolving at a slow pace until that point. Among these, the most significant is the change in the diplomatic position of Russia.

In the course of negotiations with the United States on the missile defense issue, Russia had begun to indicate the possibility that it would accept modification of the Treaty on the Limitation of Anti-Ballistic Missile Systems (ABM Treaty). This process was accelerated after the terrorist attacks. As already mentioned, Putin quickly expressed his support for the U.S. response to the terrorist attacks, including support for a military campaign against the Taliban. During Rumsfeld's visit to Moscow at the beginning of November, the missile defense issue had also been included on the agenda. At the summit in the middle of November, the two countries reached an agreement on a drastic reduction of their strategic nuclear weapons. One month later, when the United States announced its withdrawal from the ABM Treaty, Russia criticized it as a "wrong decision." Not perceiving the U.S. decision as a threat to its security, however, it expressed willingness to enter into negotiations on the formation of the new strategic relationship between the two countries.

Countering the formation of a unipolar order with the United States,

China and Russia formed a strategic partnership in the second half of the 1990s, aiming at bringing about a multipolar world order. This led to a gradual deepening of cooperative relations between the two. The Shanghai Cooperation Organization was established in June 2001 on the initiative of both countries. In July of the same year, the China-Russia Treaty of Friendship, Good-Neighborliness and Cooperation was concluded. Nevertheless, it is clear that the difference in the degree and speed of improvement in the relations with the United States after the terrorist attacks is becoming a constraining factor in strengthening relations between the two countries in the future. Depending on how the situation develops, it could lead to the emergence of a fissure in China-Russian relations.

In Asia, India and Pakistan's relations with the United States have noticeably improved. Both countries had been subject to U.S. sanctions since their nuclear tests of 1998. However, by joining the global coalition against terrorism, they had these sanctions lifted. Meanwhile, for the United States, which had been looking for a way to move closer to India and Pakistan since around the end of the 1990s, the terrorist attacks provided a good opportunity for it.

U.S.-China relations became tense due to U.S. arms sales to Taiwan and the midair collision between a U.S. Navy EP-3E reconnaissance aircraft and a Chinese jet fighter in April. However, relations began to improve, due for the most part to a moderate stance on the part of China. Furthermore, on Powell's visit to China in July 2001, the United States also took a position of pursuing a "constructive relationship." China's announcement of support for the United States against the terrorist attacks further reinforced this trend. In his meeting with Jiang Zemin in October in Shanghai, Bush affirmed that China was a "great power" and expressed that the United States desired a constructive relationship with China. At the same time, however, the Quadrennial Defense Review Report (QDR01) published at the end of September describes Asia as a region of significance in light of U.S. national interest, and states that the possibility exists that a "military competi-

tor with a formidable resource base” will emerge in the region. Although it does not actually name China, QDR01 expresses a sense of caution about the country. China had been expecting that the United States would understand China’s measures against the dangers of “terrorism, religious extremism and separatism.” In Shanghai, however, Bush cautioned that “the war on terrorism must never be an excuse to persecute minorities.” The incident seems to bring about only improvement in the general atmosphere of U.S.-China relations.

Another change to be noted is that China and South Korea did not engage in serious condemnation on the issue of Japan’s military support. However limited it may have been, the lack of serious condemnation from both countries was a significant development.

Through alliances with the United States and multilateral dialogues, the core mechanisms of the plural and multilayered security structure that exists in the Asia-Pacific region came into play in response to the terrorist attacks. Based on alliances with the United States, Australia immediately expressed its intention to participate in any military actions. South Korea also announced a plan to provide support in areas including medical treatment and logistics. Stating that they would “go every step of the way with the United States,” the Philippines announced not only that it would provide intelligence and logistic support, and allow the United States to use its airspace, but also that it would strengthen cooperation with the U.S. military in terms of information and supply for measures against terrorism in the Philippines itself. Thailand and Singapore also approved use of their facilities by the U.S. military. Japan’s response also, although slow in comparison to these countries, came at exceptional speed. On September 19, it announced seven measures in response to the terrorist attacks. These included taking steps to dispatch the SDF for carrying out support activities in the areas of medical services, transportation and supply. To this end, the Anti-Terrorism Special Measures Law was enacted at the end of October.

Multilateral cooperation mechanisms also came into play. That year’s

ARF had finished in July. Based on the new enhanced role of the ARF Chair, however, a Statement by the Chairman of the ARF was published without delay. As well as condemning the terrorist attacks, the statement announced the intention of the forum to consider measures to respond to terrorism in its future deliberations. In October, the APEC Leaders Statement on Counter-Terrorism also denounced the attacks and provided for concrete measures, centering around prevention of the flow of funds to terrorists. The ASEAN summit produced a declaration to counter terrorism and stressed the importance of regional mechanisms, with a special focus on enhancing countermeasures against transnational crime.

There are disputes as to the compatibility of the systems of alliance with the United States and the multilateral cooperation frameworks that are both at play for security in the region. However, as far as the response to the September 11 terrorist attacks was concerned, it is reasonable to say that both functioned in complementary fashion. The systems of alliance worked effectively in the military operations against al-Qaeda and the Taliban while the multilateral cooperation mechanisms, by countering terrorism, obtained results in that they gave shape to cooperative measures in a nonmilitary sphere and reaffirmed solidarity among the various participants. Countering terrorism should be conducted on a variety of levels, and nonmilitary contributions such as international cooperation on the issue of preventing the flow of funds to terrorists that APEC aims to achieve are extremely important. However, the necessity of military action also cannot be denied. Whether conscious or unconscious, the response of the international community to the terrorist attacks in the United States is likely to play an important role in the process of forming the post-Cold War international order. The relationship between military power and other elements of national strength will also be re-examined in the process.

In spite of such important changes, the variety of security problems that have existed in East Asia since before the terrorist attacks have not disappeared. The impact of September 11 on these problems is

not uniform. The problems of the Korean Peninsula and the Taiwan Strait, which reinforced the reality of a potential danger of armed conflict in the 1990s, were barely affected by the terrorist attacks. After the inter-Korean summit, progress in the Korean Peninsula had stalled from around the end of last year. However, with South Korea accepting North Korea's call September 5, ministerial talks were held September 15 as scheduled. On the other hand, North Korea did not respond to President Kim Dae Jung's call for cooperation on countermeasures against terrorism. As for cross-strait relations, there was a threat that the situation would become unstable. This was because Taiwan was uneasy that the United States, needing the cooperation of China for its antiterrorism measures, might compromise with Beijing on issues including the export of arms to Taiwan. These concerns were dispelled when the United States categorically refused to negotiate with China on these issues. In the short term, cross-strait relations will be more influenced by the political developments after the Legislative Yuan election of December 1 and actions in the run up to the 16th Communist Party Congress in 2002 than by the terrorist attacks.

The problem of the proliferation of weapons of mass destruction became more serious after the end of the Cold War. Now, with the possibility of these weapons getting into the hands of terrorists, it is clear that the seriousness of this problem is increasing even more.

The internal political instability of Indonesia has the possibility of having a serious impact on regional security. There is also no denying that this instability may have been aggravated by the course of international affairs in the wake of the terrorist attacks. The issue of piracy, worsening for several years, must be watched closely in connection with terrorism. Furthermore, the necessity for effective ways to deal with problems, namely, drug and human trafficking, problems related to what is known as "human security," is becoming more heightened, because they are an important means of providing funds for terrorists. Although it must be pointed out that these illegal means are of course not the only means by which funds are supplied for terrorism.

The issue of international terrorism has become recognized as one of the future unconventional security problems in the post-Cold War era. In the East Asia region, the issue of finding resolution for the conventional security problems that had existed has not been greatly changed even after the terrorist attack. At the same time, because of the fact that it has become linked with various conventional security problems, it is fair to say that the issue of international terrorism has had the effect of increasing the complexity and seriousness of security issues in the region.

Supplement: Economic Impact of the Terrorist Attacks

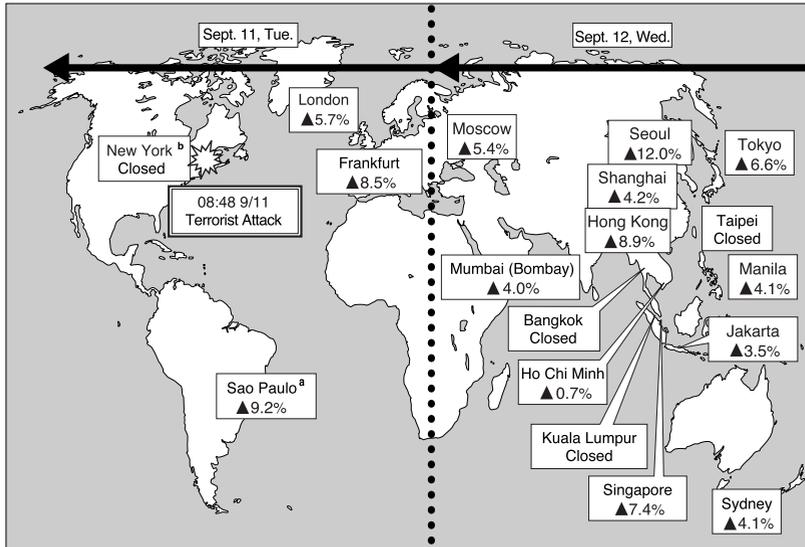
1. Short-Term Impact of Terrorist Attacks

The Asian financial crisis of 1997-1998 went beyond the economic issue. It cast a shadow on the security environment by destabilizing the political situation in the region and by deteriorating arms imports by the countries of East and Southeast Asia. Though when the financial crisis occurred there were concerns about the future of the East Asian economy, especially about that of Southeast Asia, it recovered faster than expected. This quick recovery was driven by exports, which were boosted by the U.S. economic boom and the global growth in demand for information technology (IT). Although the Japanese economy has been stagnating, it contributed to the recovery of the East Asian economy by the increase of imports accelerated by the rise of the yen since early 2000. However, the U.S. economy entered recession in the third quarter of 2000 while IT-related investment slowed in the following quarter and the value of the yen dropped. In other words, most of the factors that facilitated the recovery of the East Asian economy had been removed by about the end of 2000. This was the situation of the East Asian economy when the September 11 terrorist attacks took place.

The September 11 terrorist attacks had an immediate effect on the world financial markets. The attacks on the center of financial transactions in the United States gave rise to psychological shock throughout the world, resulting in a temporal steep fall of share prices in Tokyo, New York and other major markets. Financial market disruptions, in particular, will not be limited to a certain area but will spread through markets across the world, as observed in the Asian financial crisis.

On September 13, two days after the terrorist attacks, G-7 finance ministers and central bank governors issued a statement demonstrat-

Chart 1-3. Reactions of Major Stock Markets' Key Indices after September 11
(closing basis, compared to the previous business day)



Sources: Compiled from *JETRO Daily*, "Vietnam Economy" Web site, and newspaper reports.

^a Closed in the afternoon

^b Reopened September 17. Dow Industrial Average: ▲7.1%; NASDAQ: ▲6.8% (Compared to September 10)

ing their readiness to take actions as necessary.

The monetary authorities in Japan, the United States and Europe immediately cut interest rates to minimize the disruption on the financial markets. Moreover, to eliminate the possibility of a dollar shortage for transaction settlement, the Federal Reserve of the United States supplied \$38.25 billion of short-term money to the market on September 12. This amount is 10 times larger than normal levels. On September 13, a \$50 billion swap line was established between the European Central Bank and the Federal Reserve Bank of New York. On the following day, a similar credit line of \$30 billion was formed between the Bank of England and the Federal Reserve Bank of New York. On September 18, the Bank of Japan (BOJ) also announced that it would raise the target balance of commercial banks' current account deposits at the BOJ to over ¥6 trillion, which had been raised from ¥4 tril-

Table 1-1. Lowering of Interest Rates and Open Market Operations by Monetary Authorities of Japan, the United States and Europe after the September 11 Terrorist Attacks

	Bank of Japan	Federal Reserve Bank	European Central Bank	Bank of England
Key Interest Rate	Official Discount Rate	Intended Federal Funds Rate	Minimum Bid Rate	Repo Rate
Before the terrorist attacks (Date of implementation)	0.25% (3/1)	3.50% (8/21)	4.25% (8/31)	5.00% (8/2)
After the terrorist attacks (Date of implementation)	0.10% (9/19)	3.00% (9/17)	3.75% (9/18)	4.75% (9/18)
End of December 2001	0.10%	1.75%	3.25%	4.00%
Amount of liquidity supplied on Sept. 12 (\$ billion)	16.72	38.25	63.23	—

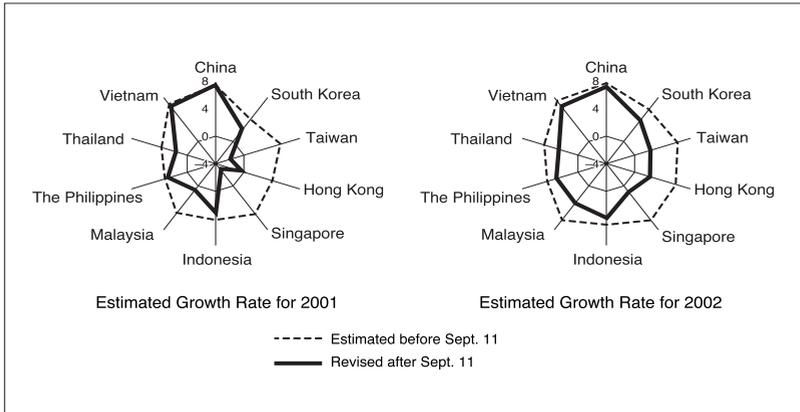
Source: Compiled from the Web site of each bank and newspaper reports.

lion to ¥5 trillion in March 2001. Because the war situation after the launching of military action by the United States and the United Kingdom was one-sided, such market disruption as occurred shortly after the terrorist attacks did not happen again.

2. Mid- and Long-Term Impact, and Concerns for the East Asian Economy

As the East Asian economy depends heavily on exports, its performance is usually subject to the business trends of Japan and the United States, its largest trading partners. The impact of the September 11 terrorist attacks on the East Asian economy is limited to an indirect one, experienced through the influence the attacks had on the U.S. economy. Since Japan shows no sign of recovery from its stagnation and is not expected to attain positive growth again in 2002, East Asian economies have become less dependent on exports to Japan, whereas their level of exports to the United States has been increasing since the Asian financial crisis.

The Asian Development Bank (ADB) forecasted that the growth rates of East Asian economies would decline in 2001 due to the U.S.

Chart 1-4. Outlook of Growth Rates in East Asia after September 11

Source: Compiled from ADB, *Asian Development Outlook 2001 Update*.

recession and drop in global demand for IT goods in 2000. However, as a result of effective interest rate cuts by the Federal Reserve Board (FRB) and the tax cuts with rebates implemented in July, which were President Bush's campaign pledge, the U.S. economy indicated signs of recovery. Consequently, the East Asian economy was expected to recover just before September 11. After the terrorist attacks, the ADB revised downward the prospects of East Asian countries. The trend of the East Asian economy hinges on how quickly the U.S. economy can recover from the downturn caused by the dwindling confidence of private businesses and consumers.

Another long-term concern is whether the United States can retain the capacity for fiscal and monetary policy that is necessary to avoid a large-scale recession. The Federal Funds Rate, which stood at 6.5 percent at the start of 2001, has been lowered to revive the lulled economy. It has been cut four times since September 11, standing at 1.75 percent as of December 2001. It is at its lowest level since it began to be announced in 1995. Additionally, the U.S. Congress approved \$40 billion for emergency government spending, including

reconstruction costs, as well as \$15 billion assistance for the aviation industry, including debt guarantee.

In August 2001, the U.S. Congressional Budget Office estimated the fiscal surplus for fiscal year 2002 would be \$176 billion. In October, however, this was revised downward to \$52 billion. Responsible for this revision is not only the emergency expense, but the decline in tax revenue due to the falloff in corporate activity. According to the U.S. Department of Commerce, retail sales, which account for two-thirds of economic activity, dipped by 3.7 percent in November from the month before. The November *Economic Outlook* of the Organization for Economic Cooperation and Development (OECD) projected that the U.S. economy would experience negative growth for the first half of 2002 (annual basis real growth rates: minus 0.6 percent for the second half of 2001; minus 0.1 percent for the first half of 2002).

However, it went on to say that the economy would record positive growth in the second half of 2002 (3.8 percent). The United States should restore the capability for fiscal and monetary policy. For this purpose it is desirable that it raises interest rates during the economic recovery period and refrains from further tax cuts other than the campaign pledge (\$1.32 trillion over 10 years). This is not just for the U.S. economy but for the long-term stability of East Asia.

3. Impact on Defense Expenditure and Arms Trade of East Asian Countries

It is not likely that the September 11 terrorist attacks will have any impact on the defense expenditure or arms trade of the countries of East Asia. At the height of the Asian financial crisis, the value of some Asian currencies had dropped by from 30 percent to 40 percent (Thai baht, Korean won, Malaysian ringgit and Philippine peso) to up to 70 percent (Indonesian rupiah) against the U.S. dollar. This caused a crash in the economies of East Asian countries, which resulted in the reduction of defense expenditure and cancellation or suspension of arms

imports by Korea, Thailand and Malaysia (See Chapter 1 of *East Asian Strategic Review 1998-1999*). As East Asian countries have no direct involvement with the September 11 attacks and the ensuing U.S.-led military operation, however, it was possible to minimize the financial market confusion that arose there. Apart from the shock in the tourism and transport industries, which will continue to be felt for some time, the overall recession of East Asia is mainly due to the Japanese economic slump, the slow recovery of the U.S. economy and the contraction of IT exports that had been apparent since before September 11.

The difference in the economic situations between the Asian financial crisis and the September 11 terrorist attacks is reflected in the impact on defense expenditure and arms trade. At the time of the financial crisis, the financial markets responded immediately, with drastic cuts in fiscal expenditure required by Asian economies to prevent an outflow in foreign currency from their countries. This time around, however, financial markets (foreign exchange and stock markets) reacted calmly and no foreign currency outflow was triggered by the September 11 attacks. In other words, there seems to be no necessity for East Asian countries to cut defense expenditure and reduce arms imports. Nevertheless, due to the September 11 terrorist attacks, the Philippines, Indonesia and Malaysia may increase defense expenditure to reinforce the counterterrorism capability of their armed forces.

4. Elimination of Terrorist Funding in East Asia and Its Limits

Funding is vital for terrorist organizations to carry out large-scale operations. Accordingly, freezing the money supply to terrorists is crucially important as a measure to counter terrorism. Until September 11, the basic framework for antimoney-laundering efforts had been primarily aimed at preventing the illegal revenue of drug syndicates and smuggling rings from being invested in the financial markets, thus draining their sources of funding. However, since September 11,

the debate on how to dry up terrorist financing has become more vigorous.

After their telephone conference September 25, G-7 finance ministers issued a statement displaying their resolution to tackle the problem of freezing the assets of terrorists. In this statement, they also call upon the Financial Action Task Force (FATF), an intergovernmental body to develop international cooperation for combating money laundering, to play a vital role in fighting the financing of terrorism. On September 28, UNSC Resolution 1373 requested all states to freeze the financial assets and economic resources of terrorists. In October, G-7 and G-20 finance ministers and central bank governors released action plans on terrorist financing that included implementation of international standards to suppress terrorist funding and multilateral cooperation for technical assistance to combat money laundering. Simultaneously, each country undertook to freeze any assets that were linked to al-Qaeda. By the end of September, bank accounts with a total value of £61 million had been frozen in the United Kingdom and \$6 million in the United States. In Japan, three bank accounts were frozen, with a total balance of ¥103,000.

APEC leaders showed their determination to take appropriate action to prevent the flow of funds to terrorists in the APEC Leaders Statement on Counter-Terrorism announced in October 2001. The promotion of intelligence exchange about terrorist funding was also mentioned in "Joint Action to Counter Terrorism" released at the ASEAN summit in Brunei in November. The Asia/Pacific Group on Money Laundering (APG) was established in 1997 in Australia to ensure the adoption, implementation and enforcement of internationally accepted antimoney-laundering standards in the Asia-Pacific region. However, Indonesia, Myanmar and the Philippines are included among the 19 countries that the FATF specified as noncooperative countries or territories (as of July 2001).

Three large problems exist in blocking funds to terrorism, as represented by the prevention of money laundering. First, terrorists are some-

times financed with legally raised money. It is difficult to expose such cases, since exposing money laundering depends mainly on keeping track at the counters of financial institutions. As long as it is legally raised, it is hardly possible to identify that the deposited money is for terrorists.

Second, various kinds of cooperation between organizations of different natures is necessary. Especially, in order to expose transnational terrorist financing activities, collaboration is required among all those from the monetary authorities and the banks in the countries concerned to the whole spectrum of private-sector financial institutions right down to nonbanks. However, terrorists hold accounts in multiple financial institutions in each of these countries, and transfer money between such accounts not by bank remittance but by cash transporting, to avoid being traced by officials. So, when the rank-and-file members of these networks do business over their counters, there is no way for the financial institutions to assess whether an individual customer is a terrorist or member of a terrorist-related organization. For example, foreign exchange bureaus within the United Kingdom are not controlled under financial transaction regulations. However, according to the British government, 65 percent of the £4 billion that leaves the United Kingdom annually from these bureaus is related to criminal activities (legal exchange by tourists accounts for a mere 8 percent). In developing countries, regional financial activities rely on informal, unorganized finance, and crony business is widespread, so the authorities cannot have a true figure of unorganized financial activity.

Third, there are some developing countries that are reluctant to tighten financial regulations. As these countries are generally short of domestic savings, they are apt to relax financial regulations to attract foreign capital with a view to developing their financial markets and supply funds for investment. Should a strict financial monitoring system be put in place, therefore, there are concerns that foreign capital, which had originally been attracted by the relaxed regulations, would move to another country that offers more relaxed controls on finan-

cial transactions.

In light of such circumstances, there are currently limits to countermeasures against terrorism in terms of the funds and financing aspect. These problems stem from efficiency in financial supervision and the ethics of private-sector financial institutions or the monetary authorities. After the Asian financial crisis of 1997-1998, the countries badly damaged by the crisis (South Korea, Indonesia, Malaysia, the Philippines and Thailand) engineered a centralization of financial supervision functions, fostered autonomy of their central banks and introduced legislation through cooperation with the International Monetary Fund (IMF). However, in countries where politics has strong influence over economic management, the results of this strengthening of financial supervision could not be attained. It is doubtful, therefore, that such countries can successfully implement measures against terrorism, including the prevention of money laundering.

5. Afghanistan Reconstruction and Energy Security

An issue for the time to come is the provision of humanitarian support and support for the reconstruction of Afghanistan. With a per capita GDP of \$300 or less, Afghanistan is one of the poorest countries in the world. In addition, as of September 10, 2001, the day before the terrorist attacks, there were 3,700,000 refugees and 960,000 displaced people in the country. During the following two-month period, the UNHCR estimated that 135,000 people crossed the border into Pakistan alone. In June 2001, the World Food Programme (WFP) announced that there were over 5 million people in Afghanistan in need of food support (approximately one in four of the total population). Though it estimated that 390,000 tons of food was needed per year to feed them, the Food and Agriculture Organization (FAO) of the United Nations assessed that cereal production in the country in 2000 only came to 1.82 million tons. This is 44 percent less than the 1999 level, and 53 percent less than that

of 1998. Stricken by drought for three consecutive years, Afghanistan is a country where this support is urgently required on a humanitarian level. The Japanese government decided upon \$3.3 million of assistance for UNHCR to start its operation and \$36.85 million of support through international organizations such as the WFP. Other than that, it also provided around ¥1.7 billion in support to countries neighboring Afghanistan (Pakistan, Tajikistan), as well as supplying support to NGO that act on-site.

A large amount of financial support is required for the reconstruction of Afghanistan. In November 2001, United Nations Development Programme (UNDP) Administrator Mark Malloch Brown announced that it would cost more than \$6.5 billion to reconstruct Afghanistan, over the course of five years. One of the obstacles to reconstruction in Afghanistan is land mines. The cost to defuse and remove one land mine is between \$300 to \$1,000. While an estimated 10 million land mines are scattered throughout Afghanistan, no record remains as to where they lie. According to the United Nations Office for the Coordination of Humanitarian Assistance, only 183,547 land mines were destroyed in the 1990-1998 period.

Meanwhile, from a long-term perspective, support for the mining of energy resources and the building of pipelines will be vital for rebuilding Afghanistan, since it will provide the means to obtain foreign currency. In January 2001, the U.S. Energy Information Administration (EIA) estimated Afghanistan's natural gas reserves at up to 3.5 trillion cubic feet. Although this is not a significant amount compared with major suppliers, Afghanistan supplied 70 percent-90 percent of its natural gas output to the Soviet Union's natural gas grid via a link through Uzbekistan at its peak in the late 1970s. In the early 1990s, Afghanistan also discussed possible natural gas supply arrangements with Hungary, Czechoslovakia and several Western European countries, although nothing came from these talks in the end. First and foremost, it is necessary to reconstruct the production facilities for gas.

Furthermore, Afghanistan also plays an important role as a route for oil and natural gas transport from the Caspian Sea region. Adjacent to Afghanistan, the Caspian Sea region has an abundance of oil and gas fields. According to EIA figures, the proven reserves of oil in the Caspian Sea region are from 17.5 billion to 34 billion barrels (China has 24 billion barrels, the largest proven reserves in East Asia; Indonesia, second, has 5 billion). The region also possesses from 234 trillion to 248 trillion cubic feet in proven natural gas reserves (Malaysia has 82 trillion cubic feet, the largest reserves in East Asia; Indonesia, second, has 72 trillion).

Afghanistan is a potential route to transport this oil and natural gas to Pakistan or to the Indian Ocean. Some routes have been proposed to export the oil and gas produced in the Caspian Sea region. One is from Azerbaijan, through Turkmenistan, via Russia and on through the Mediterranean Sea or Black Sea. Another is through Iran to the Persian Gulf. There is also a route from Kazakhstan or Uzbekistan and on through China. All of these routes require passing through politically unstable regions.

However, the United States, China and Russia are all working to secure energy resources in this region. In 1997, during the second term of the Clinton administration, Deputy Secretary of State Strobe Talbott stated that the United States would actively participate toward resolving the disputes in Central Asia and the Caucasus, from the standpoint of energy security. In military exercises that took place two months later in Uzbekistan and Kazakhstan, the United States sent in airborne troops through nonstop air transport by air refuelling. Meanwhile, in September 1997, China came to an agreement with Kazakhstan on the development of oil and gas fields, and the construction of a pipeline bound for China. Li Peng, then premier of China, described the deal as a new page in China-Kazakh relations. President Nursultan Nazarbayev of Kazakhstan stressed its implications, calling it the contract of the century. In 1997, an international consortium planned the construction of a pipeline from Turkmenistan through

Chart 1-5. Pipelines in the Regions around Afghanistan

Source: Compiled from U.S. EIA Web site.

southern Afghanistan, which has many relatively lowland regions, and on to Pakistan. The core firm of the consortium was a U.S. company (Unocal Corp.), financially backed by enterprises from Japan, Russia and South Korea. (However, due to civil war in Afghanistan, the plan was halted in 1998.) Though there are concerns that building a pipeline through largely mountainous Afghanistan will not be profitable, the profitability is subject to the market price of oil and natural gas. Moreover, laying multiple pipeline routes, including those routes that pass through Afghanistan, diversifies the risks of transport in the po-

litically unstable regions.

When the newly established government of Afghanistan takes up projects like this, foreign investment will be vital to make up for the shortage of capital in the country. Private capital investment is desired for projects that could be profitable. For example, to avoid risks, private-sector financial institutions can establish co-financing schemes with the Japan Bank for International Cooperation, insuring their lending with the trade insurance offered by the Ministry of Economy, Trade and Industry (The trans-Black Sea natural gas submarine pipeline construction project signed in 2000 utilizes this method). Projects like this would diversify the supply source of oil and natural gas. They could be beneficial for Japan's security and provision of a stable means for Afghanistan to obtain foreign currency.

