
C. NOTABLE DEVELOPMENTS IN THE INTERNATIONAL COMMUNITY

1. Middle East Peace Process

(a) Overview

The current Middle East peace process—initiated in 1991 with the Madrid Middle East Peace Conference—is currently stalled with the breakdown of the Palestinian, Syrian, and Lebanese negotiation tracks. Despite the efforts of the international community, the year of 2001 produced no concrete results toward the resumption of negotiations.

(b) Developments in the Middle East Peace Process

The current hostilities between the Israelis and Palestinians, which began at the end of September 2000, showed no signs of calming. The vicious cycle of violence continued after the inauguration of the Sharon administration in Israel in March 2001. In an effort to bring the situation under control, the Fact-Finding Committee established at the Sharm el-Sheikh Summit in October 2000 submitted the Mitchell Report⁴ (Final Report by the Sharm el-Sheikh Fact-Finding Committee) to the U.S. government in May 2001, spurring separate visits to the region by U.S. Secretary of State Colin Powell and CIA Director George Tenet. As a result, the Israelis and Palestinians agreed to engage in security cooperation (the

4. At the Sharm el-Sheikh Summit, which was held in October 2000, it was agreed to establish a fact-finding committee on the clash between Israel and Palestine. The committee was headed by George J. Mitchell, former member of the U.S. Senate, and also comprised Warren B. Rudman, former U.S. Senate member, Suleyman Demirel, former Turkish president; Thorbjørn Jagland, Norwegian foreign minister; and Javier Solana, high representative for the European Union (EU) Common Foreign and Security Policy. After several visits to the region, the committee produced a report laying out a path for stopping the violence and restoring peace as a way to get the negotiations back on track. Both the Israeli government and the Palestine Authority announced their agreement in principle to the report, which was also widely supported by the international community. It remains the only framework for providing a potential breakthrough to the current situation.

Tenet Plan)⁵ and to implement the Mitchell Report as a means of halting the violence, but cross-border violence continued and the report was not implemented.

Following the September terrorist attacks in the United States, Palestine Liberation Organization (PLO) Chairman Yasser Arafat declared a cease-fire, leading Israeli Prime Minister Ariel Sharon to call for the suspension of preemptive attacks and withdrawal of Israeli troops from Palestinian Autonomous Areas. Talks were also held between Chairman Arafat and Israeli Foreign Minister Shimon Peres, who reaffirmed that the Tenet Plan and the Mitchell Report would be implemented. These temporary signs of hope were extinguished when tension returned in October with the assassination of Israeli Minister of Tourism Rechavam Ze'evy by a member of the Popular Front for the Liberation of Palestine (PFLP), an extremist Palestinian faction. Israel retaliated with military incursion into major Palestinian cities in the West Bank.

The United States became concerned that the breakdown of the Middle East peace process would affect the solidarity of the international community in the fight against terrorism; and in a foreign policy address in November, Secretary of State Colin Powell expressed commitment by the U.S. to be actively involved in the peace process. Special envoy Anthony Zinni and Assistant Secretary of State William J. Burns were subsequently sent to the Middle East to engage in mediation efforts toward ending the violence. However, at almost the same time as they arrived in the region, the Palestinian extremist factions Hamas and the Palestinian Islamic Jihad (PIJ) launched a string of suicide bombings, spurring attacks by Israeli forces against Palestine Interim Self-Government Authority (PA) facilities in the West Bank and Gaza. Israel also designated the PA as an organization that supports terrorism. The Israeli decision not to engage in dialogue with Chairman Arafat and other developments even threatened the survival of the Oslo Process,⁶ which seeks resolution through negotiations between the Israeli government and the PLO.

In mid-December, Chairman Arafat responded to strong pressure from the United States and the international community by calling on the Palestinian people to cease armed warfare and strengthening measures to crack down on those elements acting in defiance of this appeal. However, terrorist attacks by Palestinian extremists continued, while Israel retaliat-

5. Through the mediation of CIA Director George Tenet, both parties agreed to a three-stage action plan aimed at security cooperation and a complete cessation of violence. The plan calls for Israel to cease military action in the autonomous areas, lift closures, and freeze settlement activity, while Palestine is to apprehend terrorists, prevent terrorist attacks, and stop incitement. Security and political consultations are to be held according to the progress in implementation of this plan.

6. The framework for the negotiations between the Israelis and the Palestinians that began with the Oslo Accord in 1993. Under this framework, the parties are to engage in peace negotiations toward a final agreement, while the scope of Palestinian territories in the West Bank and Gaza is to be expanded accordingly.

ed with military action and other hard-line measures. The situation remained extremely tense.

Negotiations with Syria resumed for the first time in some four years in December 1999, with talks in Washington between Israeli Prime Minister Ehud Barak and Syrian Foreign Minister Farouk Al-Sharaa, but those subsequently broke down. There has been no sign of negotiations resuming, even following the assumption of leadership in July 2000 by President Bashar Al-Assad (second son of the late president).

On the Lebanese track, Israeli forces engaged in a unilateral withdrawal from southern Lebanon in May 2000; the United Nations (UN) then issued a Security Council Presidential Statement confirming the withdrawal, in line with UN Security Council Resolution 425. However, Israel and Lebanon remain at a standoff over issues such as the return of the Shebaa farms area, and skirmishes are still occurring between Israeli forces and the Hezbollah, armed resistance fighters based in southern Lebanon.

(c) Japan's Efforts

Recognizing that the Middle East peace issue is directly linked with the peace and stability of not only the Middle East but the world as a whole, Japan has been playing an active economic and political role in supporting the achievement of a just, lasting, and comprehensive peace. In response to the Israeli–Palestinian hostilities, letters were sent from Prime Minister Junichiro Koizumi, while Foreign Minister Makiko Tanaka engaged in a number of telephone conversations with Israeli Foreign Minister Peres, Chairman Arafat, and PA Minister of Planning and International Cooperation Nabeel Shaath. Senior Vice-Minister for Foreign Affairs Seiken Sugiura also visited the Middle East in August. Japan seized the opportunity on those occasions to press both parties to end the cycle of violence and engage in tenacious efforts aimed at the resumption of negotiations as soon as possible. Consultations were also held between Japan and other countries in the Middle East as to how progress could be made toward peace.

Viewing the promotion of Palestinian self-reliance as vital to the stability of the region, Japan has provided the Palestinians with a total of over US\$600 million in aid since 1993. And in particular since the clash erupted at the end of September 2000, Japan has provided US\$50 million in aid in response to emergency needs in terms of medical care, food, and job creation to alleviate the hardships that the Palestinians face.

Since 1996, Japan has also been making personnel contributions, including the dispatch of personnel to the United Nations Disengagement Observer Force (UNDOF) in the Golan Heights.

2. India–Pakistan Situation

(a) Heightened Tensions in India-Pakistan Relations

Although the relations between India and Pakistan had remained tense since the 1999 armed conflict in the Kargil area of Kashmir,⁷ in July the first summit meeting in approximately two and a half years took place. While no major progress toward the improvement of bilateral relations was made at the meeting, it was agreed to continue summit-level dialogue. In the wake of the September 11 attacks in the United States however, a shooting attack took place at the state assembly building in Indian-administered Kashmir⁸ in October, amid the international community's continued fight against terrorism. It was followed by another attack on the Indian Parliament in December.⁹ India responded strongly against the attack on the Parliament building, which is a symbol of democracy. India concluded that the attack was carried out by some Kashmiri extremists¹⁰ and demanded that Pakistan take firm measures against the perpetrators. Diplomatic measures were also undertaken, including the recalling of the Indian ambassador to Pakistan. In addition, India launched a heavy deployment of troops along the Line of Control in Kashmir and along the border with Pakistan. Pakistan responded by putting its forces in a state of high alert, and the situation became extremely tense. The heightened tension in South Asia is of major concern for the international community. Japan, the United States, the United Kingdom, and other major powers have been pressing for the de-escalation of tensions through visits by key figures to both India and Pakistan and through telephone conversations with both leaders.

(b) Japan's Efforts

Believing that the escalation of tensions between India and Pakistan into an armed clash would severely impair the stability of South Asia, Japan has worked closely with the United States, the United Kingdom, and

7. In Kargil, close to the Line of Control in Kashmir, insurgents crossing the Line of Control into Indian-administered Kashmir clashed with Indian troops. India launched an aerial attack to clear the area of the insurgents, while the Pakistani military shot down an Indian military aircraft.

8. On October 1, Kashmiri extremists engaged in a suicide attack on the Jammu and Kashmir State Assembly building in Srinagar in Indian-administered Kashmir, killing at least 38 people.

9. On December 13, five gunmen stormed the Indian Parliament. In the ensuing shootout, all the gunmen and seven Indian security personnel died.

10. Lashkar-e-Toiba (LeT) and Jaish-e-Mohammad (JeM); Japan has frozen the assets of both groups.

other countries in sustained diplomatic efforts to reduce bilateral tension. To ensure Pakistan's cooperation in the international community's fight against terrorism and Pakistan's medium- to long-term development in collaboration with the international community, Japan welcomed such measures taken by Pakistan as the freezing of the bank accounts of extremist groups based in Pakistan following the September 11 attacks, and urged Pakistan to continue to cooperate actively with the international community in the fight against terrorism. In regard to India, Japan conveyed to India that it held a common position on terrorism as noted in the Japan–India Joint Declaration and urged India to continue to pursue diplomatic efforts for the de-escalation of tensions in its relations with Pakistan.¹¹

3. Balkan Situation

(a) Overview

Throughout 2001, the Balkan situation showed an overall trend toward stabilization despite factors of instability that lingered in some areas. The Federal Republic of Yugoslavia (FRY) achieved democracy in October 2000, and at the end of June 2001, that country extradited former President Slobodan Milosevic, the greatest destabilizing factor in Southeast Europe over the last decade, to the International Criminal Tribunal for the Former Yugoslavia, where he will be tried by an international court. The peace process in Kosovo saw progress, with peaceful parliamentary elections held in November to establish a provisional self-government, which was finally inaugurated in March 2002.

At the same time, factors of instability were still evident, including the Macedonian situation, the question of independence for the Republic of Montenegro, from the FRY, the Kosovo problem, and activities in southern Serbia by the ethnic Albanian insurgents.

(b) Japan's Position on the Balkan Situation

Japan has taken an active approach to the Balkan conflict for the following reasons: (1) the Balkan conflict is an issue that impacts not only on

11. Following the shooting attack on the Indian Parliament, Japan called on India and Pakistan to reduce the tension between them. The Ministry of Foreign Affairs' press secretary released a series of press statements on the issue. Foreign Minister Tanaka had telephone consultations with her counterparts of both countries. Prime Minister Koizumi had telephone meetings with both Indian Prime Minister Atal Bihari Vajpayee and Pakistan President Pervez Musharraf.

Europe but also on the international community as a whole; (2) efforts in regard to the Balkan conflict contribute to the participation of Japan in the formation of new disciplines and mechanisms by the international community; (3) strengthening relations from a long-term perspective with the Balkan countries as potential members of Europe is a valuable exercise in terms of future Japan–Europe relations; (4) efforts in regard to the Balkan conflicts lead to the strengthening of Japan–Europe cooperation, and also open the door to promoting European efforts in regard to Asian issues (the idea of cross-support). Japan has participated actively in international conflict resolution efforts by the G8, the United Nations, and other organizations, providing more than ¥100 billion in economic cooperation over the fiscal years 1992 to 2000. Personnel contributions have also been made through, for example, the dispatch of election observers.

In 2001, Japan took the opportunity provided by the Federal Republic of Yugoslavia Donors' Conference held in Brussels at the end of June to pledge up to US\$50 million in grant aid to support reforms in the FRY, which had achieved democracy the previous year. Given the importance of the FRY for stability in the Balkans, Japan also agreed during the Paris Club meeting in November to a 66 percent reduction in the FRY's debt, in order to lighten the economic burden placed on the FRY as it strives to reform. High-level bilateral efforts were also made, including the February visit to Japan by the FRY Foreign Minister Goran Svilanovic and the July visit to the FRY by Foreign Minister Makiko Tanaka, where issues such as the FRY reforms and the Kosovo and Montenegro issues were discussed.

(c) Macedonia

Beginning at the end of February 2001, ethnic Albanian insurgents from the National Liberation Army (NLA) repeatedly attacked the Macedonian police, demanding that the status of ethnic Albanians be improved. Fierce clashes between Macedonian government security forces and the NLA occurred in the northwest in particular, and at one point, the NLA drew close to the outskirts of the capital of Skopje. This conflict has produced around 130,000 refugees and internally displaced persons of both Albanian and Macedonian ethnicity. In March, the United Nations (UN) Security Council strongly condemned extremist violence, terrorism included, and unanimously adopted Resolution 1345 on the Macedonian situation. Japan also sent letters to the Macedonian foreign minister and the foreign ministers of the surrounding countries deploring violence and noting Japan's opposition to terrorism and violence, and announcing that the international community would take concerted action to resolve the situation in Macedonia.

In May, a broad coalition of national unity was formed among the four main parties, including both Macedonians and ethnic Albanians. On July 5, mediation by the North Atlantic Treaty Organization (NATO) and the European Union (EU) resulted in the first national ceasefire agreement

between the Macedonian government and the NLA, and political dialogue was launched.

On August 13, President Boris Trajkovski and the leaders of the four main parties making up the coalition signed the Framework Agreement, which included measures to improve the status of ethnic Albanian citizens such as amendments to the Constitution and the Law on Local Self-Government. Based on the Framework Agreement, NATO dispatched troops, which collected the weapons voluntarily given up by the NLA. The NLA later announced its voluntary dissolution, but because the situation remained unstable, the UN Security Council unanimously adopted Resolution 1371 on granting powers to NATO troops to protect Organization for Security and Co-operation in Europe (OSCE) and EU monitors stationed in Macedonia.

The procedures for amending the Constitution and the Law on Local Self-Government that were stipulated under the Framework Agreement met with strong resistance from Macedonian political parties and were significantly delayed. However, the Constitutional changes were eventually approved in November, with changes to the Law on Local Self-Government coming into effect in January 2002. At the same time, attacks by ethnic Albanian insurgents continue, and civil order remains unpredictable. While significant progress has therefore been made toward a permanent peace due largely to the efforts of the international community, many issues and factors of instability remain.

Recognizing that the stability and development of Macedonia are crucial to the stability of all Southeast Europe, Japan—working in close cooperation with the EU and the U.S.—is actively supporting the building of a multiethnic society in Macedonia based on political dialogue. At the Macedonia Donors' Meeting sponsored by the World Bank and the European Commission and held on March 12, 2002, Japan extended US\$10 million in grant aid to Macedonia. Other countries and organizations also made funding pledges, resulting in support totaling more than 300 million euro.

(d) Kosovo

In Kosovo, conflict between ethnic Albanian insurgents and the FRY authorities intensified from the end of February 1998, but the conflict ended through NATO air strikes against the FRY, followed by UN Security Council Resolution 1244, adopted in June 1999. Since then, the United Nations Interim Administration Mission in Kosovo (UNMIK) has been leading the way in the implementation of the brokered peace. In May 2001, UNMIK promulgated a Constitutional Framework for Provisional Self-Government in Kosovo, and parliamentary elections were accordingly implemented based on this framework and UN Security Council Resolution 1244. Citizens of all communities, Serbs included, participated in the elections of the 120 assembly members, and the elections were democratic and

fair. As a result of the elections, the ethnic Albanian moderate faction headed by Ibrahim Rugova won 47 seats to take first place, trailed by the ethnic Albanian radical faction led by Hashim Thaci with 26 seats, and the Povratnik, the only Serb election coalition, which took 22 seats. After more than three months of wrangling over power-sharing, a provisional self-government dominated by ethnic Albanians was finally established in March 2002, laying the foundations for a democratic, multiethnic society.

Based on the International Peace Cooperation Law, Japan dispatched more than 10 election observers to the Kosovo parliamentary elections. Since 1999, Japan has also provided a total of around US\$240 million in Kosovo-related assistance (including aid to the surrounding countries), including US\$77 million in humanitarian assistance for refugees and internally displaced persons, and around US\$100 million in reconstruction assistance, primarily for public broadcasting, housing, electricity, and education.

4. Korean Peninsula Situation

(a) Overview

Compared to 2000, which was marked by the inter-Korean Summit and senior officials' visits between the United States and North Korea, 2001 produced few major developments.

The Bush administration reviewed U.S. policy on North Korea following its inauguration. The review was completed in early June, whereupon the United States called on North Korea to resume consultations, but North Korea rejected the proposal due to the inclusion of the conventional weapons issue on the agenda. In terms of South–North relations, inter-Korean Ministerial Talks were resumed in September but have not been held since the sixth session ended in November. Japan and North Korea resumed Japan–North Korea normalization talks in 2000, meeting three times, but no talks took place in 2001.

On the other hand, General Secretary Kim Jong Il of the Korean Workers' Party paid an official visit to Russia in August during which he held talks with Russian President Vladimir Putin. In September he met with Chinese President Jiang Zemin in Pyongyang. These movements on the side of North Korea gave the impression at home and abroad of its close ties with China and Russia. North Korea also engaged in vigorous diplomacy with Europe in 2001, establishing diplomatic relations with many European countries, while several leaders of European Union (EU) member countries visited North Korea.

Since the September 11 terrorist attacks, however, the U.S.-led international community has strengthened its solidarity in counter-terrorism areas, and North Korea's isolation from the international community has deepened.

Japan will continue to persevere with Japan–North Korea normalization talks, in close coordination with the Republic of Korea (ROK) and the United States, and will work to resolve security and humanitarian issues with North Korea through these efforts.

(b) Japan–North Korea Relations

Japan’s basic course in terms of its policy toward North Korea is to make efforts to redress abnormal postwar relations with North Korea in close coordination with the United States and the ROK, in a manner that can contribute to the peace and stability of the Northeast Asian region.

In April 2000, Japan–North Korea normalization talks were resumed for the first time in around seven and a half years, and in the talks in Beijing in October 2000, it was agreed that the next negotiations would be held when both sides completed their preparations. Negotiations, however, have not been held as yet.

Japan provided 500,000 tons of rice aid through the World Food Programme (WFP) to North Korea, which continues to face severe food shortages. In addition to humanitarian considerations, the assistance was extended from the broader perspective of peace and stability for the region. In September, a monitoring mission sent to North Korea to gauge the situation in regard to the distribution and use of rice aid given to North Korea confirmed that Japan’s rice aid was being distributed as intended at the various places observed. The North Korean institutions accepting the aid and those places the mission observed expressed gratitude for Japan’s assistance.

In response to a series of collapses in November of North Korean-affiliated financial institutions in Japan and the problems of illicit financing by these institutions, Japanese investigative authorities conducted a search of the General Association of Korean Residents in Japan. North Korea reacted strongly, heightening criticism of Japan.

Regarding cases of suspected abductions of Japanese nationals by North Korea, the Red Cross Society of North Korea announced in December that it would completely suspend the project to investigate the situation of the “missing persons” requested by Japan. In response, Japan expressed regret over North Korea’s suspension of the investigation. Since the suspected abductions are an important issue involving the lives of the Japanese people, the government of Japan intends to persistently request North Korea to earnestly address the issue.

(c) South–North Korea Relations

Since President Kim Dae Jung took office in February 1998, the ROK government has been pursuing an engagement policy toward North Korea based on the following tenets: (1) it will not tolerate any armed provoca-

tion that will destroy peace; (2) it will not attempt to seek unification by absorbing North Korea nor harm North Korea; and (3) it will actively promote reconciliation and cooperation between the two Koreas.

In terms of South–North relations, the first-ever inter-Korean Summit Meeting was held in Pyongyang in June 2000, producing the South–North Joint Declaration. In 2001, however, no major progress was achieved. North Korea unilaterally notified the ROK of postponement of the Ministerial Talks scheduled for March, and South–North relations temporarily stalled. In September, North Korea proposed resumption of this dialogue, and the fifth inter-Korean Ministerial Talks took place on September 15–18 in Seoul. Ministers reached agreement on an exchange of visits by separated families, reconnection of Seoul–Shinuiju Railway (the Gyongui Line),¹² and a sixth session of the Ministerial Talks. However, friction arose between South and North when North Korea subsequently postponed the exchange of visits and also proposed that the sixth session of the Ministerial Talks be held at Mt. Kumgang. The sixth Ministerial Talks were held at Mt. Kumgang on November 9, but North Korea argued that the emergency security measures that the ROK had taken in response to the terrorist attacks in the United States were hostile measures targeting North Korea, and insisted that lifting the security measures was a prerequisite to fulfilling matters already agreed to between North and South. Discussion deadlocked as a result, and despite an extension of the meeting schedule, the meeting ended without any agreement.

In regard to the Mt. Kumgang Tourism Project, which was one of the items agreed to at the inter-Korean Summit Meeting, ministers agreed at the fifth Ministerial Talks in September to consult on and resolve issues involved in building Mt. Kumgang tourism, including overland tourism. As a result of that agreement, consultations were held at Mt. Kumgang on October 3–5 between North and South authorities aimed at stimulating the Mt. Kumgang Tourism Project. The discussions, however, stalled over the overland tourism sought by the ROK and have not been held since.

(d) U.S.–North Korean Relations

Following the inauguration, the Bush administration undertook a review of U.S. policy toward North Korea in consultation with Japan and the ROK. When the review was completed on June 6, the basic position announced by the administration was that the United States was prepared to engage in dialogue with North Korea without any conditions, at any time, and at any place. North Korea responded that the conventional weapons issue could not be discussed before U.S. troops in the ROK had been withdrawn, and also insisted that compensation for the electricity loss that resulted from the delay in light-water reactor construction be posi-

12. A railway line linking Seoul in the ROK and Sinuiju in North Korea.

tioned as a priority issue. North Korea has consequently refused to resume consultations.

On September 12, immediately after the terrorist attacks in the U.S., North Korea announced that it opposed all forms of terrorism. Subsequently, it pursued a counter-terrorism stance, which included conclusion of the International Convention Against the Taking of Hostages and the signing of the International Convention for the Suppression of the Financing of Terrorism in November. North Korea nevertheless has continued to criticize the United States on issues such as U.S. military operations in Afghanistan.

(e) Other Foreign Policy Moves by North Korea

While no particular progress occurred in North Korean relations with Japan, the ROK, or the United States in 2001, North Korea did engage in vigorous diplomacy with the European countries. In 2001, North Korea established diplomatic relations with the Netherlands, Belgium, Spain, Germany, Luxembourg, Greece, and the EU. A May visit to North Korea by an EU mission headed by Prime Minister Göran Persson of Sweden, the EU Presidency at the time, produced some results, including a pledge from General Secretary Kim Jong Il to freeze missile launches until 2003.

Turning to North Korean relations with Russia, General Secretary Kim Jong Il used the Trans-Siberian Railway to cross the continent overland on an official visit to Russia from July 26 to August 18. Talks with President Putin led to the signing of the Moscow Declaration, and friendly and cooperative relations between the two countries were reaffirmed. Leaders also agreed to promote a project to link the Trans-Korean Railway to the Trans-Siberian Railway.

In relations with the People's Republic of China (PRC), General Secretary Kim Jong Il visited Shanghai at the beginning of the year, and in early September, PRC President and General Secretary of the Communist Party of China (CPC) Jiang Zemin made an official visit to North Korea. This event marked the first visit to North Korea in nine years by a Chinese president, dating back to PRC President Yang Shangkun's trip in April 1992, and 11 years in the case of a CPC general secretary, namely General Secretary Jiang Zemin's visit in March 1990.

(f) North Korean Domestic Politics

General Secretary Kim Jong Il appeared to be investing considerable energy in army inspections and pursuit of "military-first policy" in 2001. The economic situation remains grim, however, with power shortages particularly severe. In terms of the food situation, the Food and Agriculture Organization of the United Nations (FAO) and the WFP have indicated that rainfall from mid-June through August and international aid in the form of fertilizer and other goods boosted the 2001 cereal production volume by 38 percent compared to the previous year.

However, production still fails to match demand. Around 5.01 million tons of cereal are needed between November 2001 and October 2002 against an expected production volume of 3.54 million tons, and even with the addition of commercial imports, a shortfall of some 1.36 million tons is predicted. At the end of November, the WFP appealed for 610,000 tons of emergency food aid for North Korea, and in December, the United States responded by announcing that it would provide 105,000 tons of food aid to North Korea, while the ROK indicated that it would extend 100,000 tons.

The reference to “new thinking”¹³ in a joint new year editorial of newspapers at the beginning of 2001, suggested that North Korea might embark on an economic reform program. Nevertheless, there has still been no sign of implementation of full-scale economic reform.

(g) Korean Peninsula Energy Development Organization (KEDO)

Korean Peninsula Energy Development Organization (KEDO) is an international organization established by Japan, the United States, and the ROK in March 1995 in accordance with the “Agreed Framework” concluded by the U.S. and North Korea in 1994. It aims to finance and supply light-water reactors and interim energy alternatives in return for North Korea freezing its nuclear development program.

As regards the light-water reactor project, KEDO and the Korea Electric Power Corporation (KEPCO) signed a turnkey contract, accompanied by a loan contract between KEDO and the Export-Import Bank of Korea. In 2000, a further loan contract was signed between KEDO and the Japan Bank for International Cooperation (JBIC). As a result, the turnkey contract went into effect, taking the project forward into the actual construction phase. In September 2001, North Korea issued a construction license, and excavation work began.

Recognizing KEDO as the most realistic and effective framework for preventing North Korea from developing nuclear weapons, Japan has been an active participant in KEDO’s policy-making as a member of the Executive Board. Personnel have also been dispatched, including the KEDO deputy director as well as policy staff and nuclear power experts. In addition, Japan has contributed approximately US\$47 million as of the end of 2001 to cover administration expenses and other costs. Based on a financing agreement made with KEDO in 1999, Japan has also provided a total of around ¥31.738 billion (approximately US\$277 million) through the JBIC for the light-water reactor project, as well as contributing some ¥747 million to date to cover interest payments on the above loans.

13. It was observed that, “In line with the demands of the new century, our top priority is to undertake fundamental and resolute reforms in terms of our ideological approach, way of thinking, and fighting spirits.”

5. Indonesia and East Timor

(a) Indonesia

Since experiencing the economic impact of the 1997 Asian currency and financial crisis, and the consequent collapse of Suharto's long-term administration, Indonesia has been working on reforms in a variety of areas. However, it continues to face many political and economic difficulties, such as the deterioration of several local situations due to separatist and independence movements. In terms of domestic politics in 2001, the corruption suspicion linked to President Abdurrahman Wahid and problems regarding his political stance deepened the political confrontation between the president and parliamentary factions; and on July 23, a special session of the People's Consultative Assembly (MPR) decided to remove President Wahid in favor of Vice-President Megawati Sukarnoputri. On August 16, in her first policy speech following her appointment, President Megawati spoke about overcoming the political crisis. Her comprehensive address included reference to further reforms, efforts toward democratization, maintaining territorial integrity, and the work program of the new administration.

Local situations remained unstable, and in February, a new conflict broke out among residents in the town of Sampit in Central Kalimantan Province. There is also no immediate likelihood of resolution to the separatist and independence movements in Aceh Special Province and in Papua (Irian Jaya) Province, or the conflict among residents in the Maluku region. In December, however, reconciliation was achieved in the conflict among residents in the district of Poso in Central Sulawesi, with the conflict now moving toward resolution.

On the economic front, Indonesia is on the path to recovery from the economic crisis; and in 2001, the real gross domestic product (GDP) growth rate reached 3.3 percent, underpinned by robust domestic consumption. However, Indonesia still has weak credibility on the market and will need to move forward with reform in various areas if it is to institute a full-fledged economic recovery.

Recognizing the stability of Indonesia as essential to regional stability and prosperity, Japan has been supporting Indonesia's reform efforts. In 2001, two summits and one foreign ministers' talks were held between the two countries. Japan took advantage of these occasions to reiterate its basic position and also, as a friend based on a relationship of mutual trust, to advise Indonesia's efforts to address the various issues it faces. For example, at the September summit, when President Megawati visited Japan, Prime Minister Junichiro Koizumi strongly commended the president's stance on reform efforts, expressed support for Indonesia's territorial integrity, and noted that Japan was considering a flexible approach to debt rescheduling. He also indicated the importance of international cooperation against terrorism. Prime Minister Koizumi also noted that Japan's basic policy for economic cooperation with Indonesia would comprise the three pillars of (1) support for eco-

conomic stabilization, (2) support for the promotion of various reforms, and (3) response to urgent needs such as elimination of economic bottlenecks.¹⁴

On November 7–8, the Consultative Group Meeting for Indonesia (CGI) was held in Jakarta, Indonesia, where various issues were discussed such as Indonesia's economic situation and the state of structural reforms. Member governments and international institutions called on Indonesia to work on further structural reforms and also announced that a total of US\$3.14 billion in assistance would be provided to help Indonesia fulfill its FY 2002 budget requirements. Japan also announced that despite its stringent domestic fiscal circumstances, it would provide assistance to Indonesia not just for the FY 2002 budget but also from a medium- to long-term perspective in recognition of the importance of supporting Indonesia's reform efforts.

(b) East Timor

In East Timor, nation-building efforts by the East Timorese moved toward independence on May 20, 2002, under the rule of the United Nations Transitional Administration in East Timor (UNTAET).

Under its basic policy of extending as much assistance as possible to East Timor in pursuit of its independence and nation-building, Japan held the first Donors' Meeting on East Timor in Tokyo in December 1999 and pledged assistance of around US\$130 million over three years, the largest package to be provided by any single donor country. Japan has since been actively promoting reconstruction and development assistance, deciding to extend US\$120 million to East Timor by January 2002. At the fifth Donors' Meeting on East Timor, held in Oslo in December 2001, Japan indicated its basic policy on further assistance for East Timor, which comprises the three pillars of (1) assistance in realizing a sustainable socio-economy, (2) assistance for peace-building, and (3) assistance to celebrate independence. In response to a request from the UN, Japan also dispatched 680 Ground Self-Defense Force personnel in an Engineer Group and 10 Peacekeeping Forces (PKF) headquarters personnel in March 2002 to engage in the UN Peacekeeping Operations (PKO) in East Timor. Japan will continue to work with the international community and provide all possible assistance toward the self-sustained development of East Timor.

A number of visits were also made to and from East Timor by prominent members of both countries, including Parliamentary Secretary for Foreign Affairs Yoshio Mochizuki in April 2001, and Senior Vice-Minister for Foreign Affairs Seiken Sugiura in August, the latter to observe the Constituent Assembly elections. In December, Chief Minister and Minister of Economy and Development of the East Timor Public Administration Mari Bin Amude Alkatiri and Senior Minister for Foreign Affairs and Cooperation Dr. Jose Ramos-Horta visited Japan, followed by a January

14. Issues in specific areas that could impede overall economic development if left unresolved.

2002 visit by former President of the National Council of Timorese Resistance (CNRT) Xanana Gusmao, firming the foundations of friendly relations between post-independence East Timor and Japan.

Steady progress was made toward East Timor's independence, and on August 30, 2001, Constituent Assembly elections were held peacefully under the surveillance of Japan and other countries. The elections produced a heavy turnout of 91.3 percent, and the vote-count revealed that Fretilin¹⁵ had taken a majority of 55 out of 88 seats. On September 15, the first Constituent Assembly was convened, and Fretilin president Lu Olo was selected as parliament president. On September 20, the East Timor Public Administration (ETPA) was launched as the first cabinet to comprise only East Timorese, and Chief Minister and Minister of Economy and Development Mari Bin Amude Alkatiri and others were appointed. After adoption of the Constitution and the April 14, 2002, presidential elections, East Timor is scheduled to become independent on May 20. The international community will, however, have to continue cooperating with and extending assistance to East Timor even after independence for realizing a self-sustaining state.

The issue of the East Timor refugees in West Timor, who have been there since the violence of 1999, is being addressed through the June 2001 registration of refugees, the establishment of the Commission for Reception, Truth and Reconciliation spearheaded by Xanana Gusmao, former CNRT president, and other efforts to progress dialogue and reconciliation between former militia who support integration with Indonesia and those East Timorese who support independence. Japan is actively striving to support a comprehensive resolution of the refugee issue, and when the Indonesian government and international institutions issued a joint appeal in December 2001, Prime Minister Koizumi responded by announcing during his January 2002 visit to Indonesia that an additional US\$5.39 million would be extended for the repatriation and resettlement of refugees from West Timor, in addition to the humanitarian assistance of around US\$30 million that has already been provided. East Timor expressed high expectations and gratitude in regard to the proffered assistance.

6. Africa

(a) Overview

In 2001, the African countries showed signs of moving toward political integration as a means of increasing their voice in the international community. On the economic development front, dynamic steps were taken

15. A political party spearheaded by the groups that played a central role in the fight for independence after East Timor was annexed by Indonesia.

toward political and economic integration, including the formation of Africa's united plan.

(b) Transition to the African Union (AU) and Creation of the New Partnership for Africa's Development (NEPAD)

In the political realm, it was decided at the 2001 Organization of African Unity (OAU) Assembly of Heads of State and Government that the OAU would be transformed into the African Union (AU) over the year leading up to the 2002 summit. The OAU was established in 1963 with a view to promoting African union and solidarity and strengthening cooperation and efforts to boost the quality of life of the African people. The AU, modeled on the European Union, will set up new institutions such as the Pan-African Parliament and the Court of Justice in addition to the Assembly of the Union and the Executive Council already established by the OAU. The African Central Bank and other regional financial institutions will also be established with a view to future African economic integration. Although it is still unclear whether the AU Commission will become a powerful policy-implementation organization matching the European Commission, the issue should be carefully observed as a key point in forecasting the prospects of the AU. The AU aims for stronger African cohesion by creating a stronger decision making mechanism than that of the OAU. For example, the Constitutive Act of the AU includes a provision that prohibits those countries that do not abide by decisions made by the AU from obtaining the floor.

In terms of economic development, the New Partnership for Africa's Development (NEPAD), a comprehensive African development strategy, was launched by combining African development plans that were created by several countries as blueprints for African development. NEPAD, created by the leadership of the African countries themselves, aims to prevent Africa's peripheralization, reduce poverty, secure sustainable growth and development, and integrate Africa into the world economy in the current globalization process. Japan will support NEPAD, the first comprehensive African development plan created by Africa for Africa, as a manifestation of self-help efforts by the African countries. To date, NEPAD has been promoted at the summit level among the key African countries such as South Africa, Nigeria, Senegal, Algeria, and Egypt. It is vital that the plan be understood and accepted in all African countries down to the citizens' level. Furthermore, it is being watched with keen interest whether or not the stronger institutional cohesion prompted by the shift from the OAU to the AU facilitates the smooth implementation of NEPAD.

(c) Interest in Africa Grows among the International Community

These developments in Africa have attracted interest from the international community. The major developed countries are in the process of

strengthening their involvement in Africa. The G8 Genoa Summit supported African countries' efforts for resolving African problems through their own initiatives and created the Genoa Plan for Africa, which stated that the G8 welcomes the NEPAD initiative. Based on the Genoa Plan, the G8 Africa Action Plan will be formulated in the lead-up to the 2002 Kananaskis Summit with a view to supporting Africa-led development efforts. As a follow-up to the 2000 Africa–Europe Summit, the EU held the Africa–Europe Ministerial Conference in October 2001, affirming that cooperation between Africa and the EU would be strengthened. The United States has also strengthened cooperative relations with Africa, pursuant to the African Growth and Opportunity Act, which aims to promote trade with African countries, and held the U.S. Sub-Saharan African Trade and Economic Cooperation Forum in October 2001.

(d) Japan's Efforts

Japan recognizes that the international community should address African issues and seeks to play a role commensurate with its status as a key member of the international community. To this end, Japan considers that it should actively engage in African issues. Based on the recent positive trends in Africa, Japan held the Tokyo International Conference on African Development (TICAD) Ministerial-level Meeting in December 2001 together with the United Nations and the Global Coalition for Africa (GCA) as well as the World Bank, which joined the group of co-organizers in 2001. As many as 400 participants attended the meeting, including representatives from 52 African countries, and as development partners, representatives from Asia, Europe, the United States, international organizations, and regional institutions. The meeting reviewed TICAD II, held in 1998, and concentrated on NEPAD, the development initiative by African people themselves. Furthermore, broad-ranging discussion also took place on the focal areas (strengthening the foundations of development, investing in people, reducing poverty through economic growth) and the focal approaches (South–South cooperation, regional cooperation, Information and Communications Technology [IT] for development).

The TICAD Ministerial-level Meeting was appreciated for its timeliness in terms of reaffirming the importance of tackling African issues while the international community faced the urgent need to fight terrorism. It was also the first occasion that the international community as a whole exchanged views on NEPAD. A broad range of participants shared the view that the underlying spirit and goals of NEPAD were consistent with the TICAD basic principles of ownership and global partnership, and that development partners need to support NEPAD by strengthening the TICAD process. The meeting affirmed the Tokyo Declaration on African Development and the Tokyo Agenda for Action as appropriate initiatives, and reaffirmed the value of the TICAD process. Development partners and African countries will continue to follow up the TICAD process and proceed to prepare for TICAD III, which is scheduled for the latter half of 2003.