

Chapter III

PRINCIPAL REGIONAL CONDITIONS

A. ASIA AND THE PACIFIC

1. China and Neighboring Countries and Regions

(a) Overview

During 2001, China sought sustainable economic growth through active fiscal policy and continued to attach importance to social stability in its domestic administration. Over the course of the year, China achieved major results on the international stage, including the July decision that awarded the games of XXIXth Olympiad Beijing 2008 to China, the successful hosting of the Asia–Pacific Economic Cooperation (APEC) Economic Leaders’ Meeting in October in Shanghai, and the accession to the World Trade Organization (WTO) in December. Given the fact that major government leadership personnel changes are expected at the 16th National Congress of the Communist Party of China scheduled for autumn 2002, China is expected to run its government even more cautiously, giving priority to domestic stability.

(b) Domestic Politics

While China has maintained comparatively stable political administration, problems concerning the bribery and corruption of the Communist Party of China (CPC) and of government leaders accompanying the advance of the market economy remain severe. In response, along with harsh prosecution of offenders regardless of their rank, the government has developed “Three Emphases” education¹ and the “Three Represents” study movement² nationwide, tightening ideology within the CPC, and has worked to secure stability within and outside the CPC and the government.

In particular, “Three Represents” was re-emphasized and was thereby established as key ideology for future party building by the General Secretary of the 15th Central Committee of the CPC Jiang Zemin at a grand gathering in July 2001 marking the 80th anniversary of the founding of the CPC. In his speech on that occasion, General Secretary Jiang also announced a new policy whereby private-sector entrepreneurs would become eligible for CPC membership.

Meanwhile, the Chinese government intensified prosecution of the “Falun Gong,”³ which they branded as an “illegal organization” and a “cult” in July 1998, and of independence movements in the Xinjiang Uygur Autonomous Region, which they labeled as “terrorist forces” in October 2001.

In other developments related to China’s policy toward minority peoples, in November 2001 the Information Office of China’s State Council issued its fourth Tibet white paper, *Tibet’s March Toward Modernization*. Emphasizing the need for dramatic regional development and for the preservation of traditional culture, the paper criticized the Dalai Lama.

(c) The Chinese Economy

In March 2000, the Chinese government officially approved a report concerning China’s 10th Five-Year Plan at the Fourth Session of the Ninth National People’s Congress. This plan aims at achieving annual economic growth on the order of 7 percent over the five-year period. Following the 8 percent economic growth realized during 2000, the

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1. “Three Emphases” is the education about the importance of studying, being political-minded, and being honest and upright. This educational campaign has been vigorously implemented nationwide since March 1999, with the goal of improving the quality and morality of party and government officials.
 2. “Three Represents,” which was announced by General Secretary of the 15th Central Committee Jiang Zemin in February 2000, state that the CPC “must always represent the development trend of China’s advanced productive forces, the orientation of China’s advanced culture, and the fundamental interests of the overwhelming majority of the people in China.”
 3. Falun Gong is a qigong and religious promotion group which has been gaining strength by providing a psychological foundation to individuals who find it difficult to adjust to the new order, and the Falun Gong movement has been irritating the Chinese government authorities.

Chinese economy continued to achieve steady domestic-demand driven growth during the first half of 2001, expanding at an annualized rate of 7.9 percent. From the autumn of 2001, however, Chinese exports turned flat under the influence of the global slowdown centered around the U.S. economy, dropping the growth rate for the full year to 7.3 percent. At a December meeting, the Central Economic Working Conference confirmed that the government would continue its economic administration centered around domestic-demand expansion policies. China is facing a number of difficult economic policy issues, including reforming State enterprises, rectifying the disparities between coastal and inland areas, addressing problems concerning agriculture and farm villages, and establishing a social security system.

China's accession to the WTO was approved on November 11, 2001, at the Fourth WTO Ministerial Conference held in Doha, Qatar (Taiwan's accession was approved the following day). China then promptly notified the WTO of its acceptance of the WTO Agreements, and formally became a WTO member on December 11. China's accession to the WTO is expected to promote its policy of openness and reform, and to enhance transparency, legal predictability, and stability in relation to the international economy surrounding the Chinese market.

(d) Foreign Relations

A peaceful international environment and favorable economic cooperation with individual countries are critical for China to maintain economic development, which is the country's highest priority. In pursuit of those ends, China is vigorously pursuing an omni-directional foreign policy. Following the September 11 terrorist attacks in the United States, China expressed that it would support the U.S. in combating terrorism. China has also emphasized its position that it hopes to strengthen deliberations and cooperation at the United Nations Security Council.

China's relations with the United States worsened temporarily following the collision of a U.S. Navy patrol plane and a Chinese jet fighter over the South China Sea in April,⁴ but the relations improved following U.S. Secretary of State Colin Powell's July visit to China, Foreign Minister Tang Jiaxuan's September visit to the U.S., and the U.S.–China Summit meeting held in Shanghai in October. Nevertheless, there are various concerns between the U.S. and China. These include China's opposition to the U.S. Missile Defense (MD) and to the U.S. selling arms to Taiwan, and U.S. apprehension regarding China's human rights record and proliferation of missile technologies.

4. On April 1, 2001, a U.S. Navy patrol plane collided with a Chinese jet fighter over the South China Sea and then made an emergency landing on Hainan Island. The 24 crew members of the U.S. plane returned to the U.S. on April 12. The U.S. and China reached a basic agreement on the return of the U.S. plane on June 6, and the return was completed on July 3.

Relations between China and Russia are growing increasingly close. For example, at the “Shanghai Five” Summit meeting⁵ in June, the leaders of China and Russia expressed their joint opposition to the U.S. MD. Additionally, during President Jiang’s July visit to Russia, the two countries signed the Treaty on Good-Neighborliness, Friendship and Cooperation and issued the Moscow Joint Statement. During the “Shanghai Five” Summit, the group admitted Uzbekistan as a sixth member, renamed itself the Shanghai Cooperation Organization (SCO), and deepened its wide-ranging regional cooperation in combating international terrorism.

Bilateral relations between China and North Korea also advanced during 2001, as General Secretary of the Korean Workers’ Party Kim Jong Il made an unofficial visit to China in January (following a similar visit in May 2000), and Chinese President Jiang Zemin visited North Korea in September.

China also played a major role as the host country for the Asia–Europe Meeting (ASEM) Foreign Ministers’ Meeting held in Beijing in May and for the APEC Economic Leaders’ Meeting held in Shanghai in October. On the whole, China continued to actively develop its multilateral diplomacy, including the agreement reached, in principle, at the November ASEAN+3 (Association of Southeast Asian Nations and Japan, China, and the ROK) Summit meeting to conclude an ASEAN–China Free Trade Agreement within 10 years.

(e) Hong Kong

Hong Kong became a Special Administrative Region (SAR) of China following its return to China on July 1, 1997, and it has basically been functioning smoothly under China’s “one country, two systems” principle.⁶ While the Hong Kong economy recovered from the downturn caused by the Asian currency and financial crisis, it was then affected by the U.S. economic slowdown and other factors, and it posted an economic growth rate of 0.1 percent during 2001. The present economic issues include reviving the real estate market, countering the deflationary trend, and lowering the high unemployment rate. In March 2001, Chief Executive of the Hong Kong SAR Tung Chee Hwa visited Japan, paid a courtesy call on Prime Minister Yoshiro Mori, and held talks with Minister for Foreign Affairs Yohei Kono. In December 2001, Chief Executive Tung Chee Hwa visited Beijing and made the decision to start talks on Mainland/HK Closer Economic Partnership Arrangement.

5. The first “Shanghai Five” Summit meeting took place among the leaders of China, Russia, Kazakhstan, Kyrgyz Republic and Tajikistan in 1996 in Shanghai, and additional Shanghai Five Summit meetings have been held annually ever since. The group was originally launched to advance military confidence-building measures for border areas, but from 1998 the Shanghai Five expanded its scope to encompass wide-ranging deliberations regarding political, security, economic, cultural and other issues.

6. The “one country, two systems” principle is a system providing Hong Kong with a high degree of autonomy, except in the areas of diplomacy and defense.

(f) Taiwan

Democratic Progressive Party (DPP) leader Chen Shuibian assumed office in May 2000 as the head of a minority government holding approximately 30 percent of the seats in the Legislative Yuan (Taiwan's parliament). "President" Chen therefore continued to face a difficult political situation in 2001. In February 2001, under pressure from the National Party, or the Kuomintang (KMT), which then held approximately 50 percent of the seats in the Legislative Yuan, "President" Chen was forced to reverse an earlier decision to freeze the construction of Taiwan's fourth nuclear power plant. The general election of December 2001 provided the DPP with an opportunity to rectify its numerical inferiority in the Legislative Yuan, and was marked by harsh political fighting among the DPP; the National Party, which was trying to retain its top position in the Legislative Yuan; the People First Party (PFP), which was seeking to make major advances; and the recently established Taiwan Solidarity Union (TSU), which enjoys the support of Mr. Lee Teng-hui. KMT lost resoundingly, and DPP, PFP, and TSU all realized major gains.

During 2001, Taiwan's economic conditions, which had remained favorable for more than two decades, suddenly worsened as a result of the U.S. economic slowdown and other factors. The economic growth rate for 2001 was minus 1.9 percent, and the unemployment rate rose above 5 percent. Taiwan's accession to the WTO was approved in December together with China's, and Taiwan formally became a WTO member on January 1, 2002. Regarding the relations across the Taiwan Strait, there is still a major gap between the interpretations of "One China" by China and Taiwan, and no major political advances were achieved in this area during 2001. Meanwhile, cross-Strait trade, investment, and other economic activities greatly advanced. At the August 2001 meeting of the Economic Development Advisory Conference, newly established by "President" Chen, decisions were reached to shift from the former policy of restricting investments to the Chinese mainland to the new policy of vigorously liberalizing and effectively managing investments.

(g) Mongolia

In the May 2001 presidential election in Mongolia, sitting President Natsagiin Bagabandi nominated by the Mongolian People's Revolutionary Party (MPRP) won re-election by a wide margin over his main challenger, former State Great Hural Chairman Radnaasumberiin Gonchigdorj of the Mongolian Social Democratic Party. With this election, the MPRP gained control of the presidency, the State Great Hural, and the government, resulting in political stability. In 2001, Prime Minister Nambaryn Enkhbayar paid official visits to Japan in February and to the United States in November.

2. Korean Peninsula

(a) Overview

During 2001, the government of the Republic of Korea (ROK) faced harsh economic conditions due to the U.S. economic slump and the terrorist attacks in the United States. Furthermore, the year 2001 was a year in which President Kim Dae Jung was forced to run domestic politics under difficult conditions. The president, who had enjoyed exceptional popular support at the beginning of his administration, saw his approval ratings plunge due to the downturn in domestic economic conditions and to the criticism regarding the president's North Korea policy. In diplomatic affairs, while no major progress was achieved in relations with North Korea, the ROK strove to strengthen its relations with its neighbors, China and Russia.

(b) ROK Domestic Politics

For the Kim Dae Jung administration, which passed the middle point of its term, the year 2001 was one of great difficulties. The Kim administration did enjoy a phenomenal approval rating of approximately 70 percent upon assuming office, but that popular support suddenly plunged in reaction to the deterioration of the domestic economy, regionally biased allocation of political posts,⁷ and criticism of President Kim's approach to North Korea as an appeasement policy. In April 2001, the Kim administration's approval rating fell to under 30 percent. In the midst of these developments, in January 2001 President Kim re-established the coalition government that had been dissolved in February 2000 between his Millennium Democratic Party (MDP) and the United Liberal Democrats (ULD), led by Honorary President Kim Jong Pil. Then, in a cabinet shuffle in March, President Kim appointed National Assembly member Han Seung Soo of the Democratic People's Party (DPP) to the important post of Minister of Foreign Affairs and Trade, and thus established a system for cooperation with both the ULD and the DPP and gained a narrow majority in the National Assembly. In September, however, the ULD supported a resolution submitted by the opposition Grand National Party to dismiss Unification Minister Lim Dong Won for his policy toward North Korea, and the coalition between the MDP and the ULD was dissolved once again. Consequently, the MDP was forced into a difficult political situation as leader of a minority government.

Moreover, in the October by-election the Grand National Party, which leads the opposition, gained all three of the seats being contested. This

7. Politicians from the Cholla Province, birthplace of the president, were assigned to key posts.

resounding defeat of the ruling MDP, which could not gain even one seat, left the Grand National Party just one seat short of a majority in the National Assembly. This failure sparked growing calls for the reform of the MDP, especially by young MDP reformist members, and resulted in an internal party confrontation between the reformers and the mainstream members close to President Kim. In November, President Kim resigned his post as MDP president.

In preparation for the December 2002 presidential elections, the struggle for support among potential candidates is intensifying within the ruling and the opposition parties. Moreover, a fierce battle between the ruling and opposition camps to seize control of the next government is now likely to unfold.

(c) The ROK Economy

From the summer of 2000, the slowdown in the ROK economy became increasingly pronounced in reaction to skyrocketing crude oil prices, the U.S. economic slump, and the sluggish Information and Communications Technology (IT) industry. The downturn was then exacerbated by the aftereffects of the September 11 terrorist attacks in the United States. While the ROK gross domestic product (GDP) expanded by 9.3 percent for all of 2000, this growth rate was just 1.8 percent during the July–September quarter due to worsening consumer sentiment and weak capital investment. However, private consumption turned firm and posted more than 3 percent growth during the second half of the year, and the GDP growth rate for 2001 was 3 percent. Although the inflation rate was 2.6 percent as of the end of January 2002, it was 4.3 percent for the year 2001, surpassing the government’s target level of 4.0 percent. The unemployment rate rose to 4.0 percent in January 2001 but showed signs of improvement beginning in April, and it subsequently moved lower. The unemployment rate in January 2002 was 3.7 percent.

The Kim Dae Jung administration has been advancing economic structural reforms to address the economic crisis that emerged at the end of 1997, focusing on the four main areas of finance, enterprises (*chaebol* conglomerates), the public sector, and labor; and in November 1999, President Kim issued a declaration to the effect that the currency crisis had been overcome. Yet the administration’s enterprise reforms have met with stiff opposition from the *chaebol* and have failed to deliver the expected results. Additionally, the effort to dispose of delinquent enterprises, through liquidation or sale to domestic or foreign capital, has not been moving forward. Amid these conditions, the ROK government is still taking an active stance toward the reforms—for example, by injecting public funds into financial institutions and promoting their mergers, and by accelerating the legal disposition of firms that have no prospects for recovery.

(d) ROK Foreign Relations

The ROK has firmly maintained its three-country liaison with Japan and the United States in its policy toward North Korea, while also striving to reinforce its ties with its major diplomatic counterparts including China, which has huge future economic potential, as well as Russia and the ASEAN members. The ROK took over as chair of the 56th Session of the United Nations General Assembly beginning in September 2001, and when the United Nations was awarded the 2001 Nobel Peace Prize, Minister of Foreign Affairs and Trade Han Seung Soo attended the award ceremony together with Secretary-General Kofi Annan, in his capacity as president of the 56th Session of the UN General Assembly.

3. Southeast Asia

(a) Association of Southeast Asian Nations (ASEAN)

With the addition of Cambodia in 1999, Association of Southeast Asian Nations (ASEAN) expanded into the ASEAN 10 and has developed into a regional cooperation body embracing all Southeast Asia. This growth, however, has led to difficulties arising from the differences in the members' political systems, and it has highlighted the disparities in their economic levels. In fact, with the rapid advance of globalization, the intra-regional economic disparities have widened further. For ASEAN, the key challenges will now be finding ways to maintain its coherency and further strengthen its unity as a group.

At the 34th ASEAN Ministerial Meeting held in July 2001 in Hanoi, ASEAN foreign ministers welcomed the progress of the Initiative for ASEAN Integration (IAI) and adopted the Hanoi Declaration on Narrowing Development Gap for Closer ASEAN Integration, which calls for closer integration in such fields as infrastructure, human resource development, and Information and Communications Technology (IT), as well as for the advance of regional economic integration.

At the Seventh ASEAN Summit, which was held in November 2001 in Brunei, ASEAN leaders engaged in frank deliberations on terrorism, regional integration, and other issues based on a shared recognition that ASEAN is facing its greatest challenges since it was first founded, including the global economic slowdown and international efforts to combat terrorism. The summit adopted the 2001 ASEAN Declaration on Joint Action to Counter Terrorism, demonstrating ASEAN's commitment "to counter, prevent, and suppress all forms of terrorist acts in accordance with the Charter of the United Nations and other international law, especially taking into account the importance of all relevant UN resolutions." The ASEAN leaders at the summit also adopted the Seventh ASEAN Summit Declaration on

HIV/AIDS to prevent the spread of communicable diseases, which have been very severe in the region, demonstrating ASEAN's determination to advance regional cooperation in this field as well.

(b) Individual ASEAN Countries⁸

During 2001, new administrations took office in Indonesia, Thailand, and the Philippines. As a country whose own safety and prosperity is highly dependent on the stability and prosperity of the entire international community, Japan realizes the particular importance of maintaining and further developing amicable relations with the ASEAN countries, which are located in close geographical proximity to Japan and which have close economic ties with Japan. Based on this understanding, Japan is positively advancing its cooperative relations with ASEAN and its bilateral relations with individual ASEAN countries.

In Thailand, the administration of Prime Minister Thaksin Shinawatra was established in February 2001 with overwhelming popular support, and it has maintained stable political administration thanks to its huge majority in the House of Representatives. The Thaksin administration established a new national-assets management corporation, declared a moratorium on farmer debt, and implemented a "One Village, One Product" movement and other economic policy measures. Prime Minister Thaksin made an official working visit to Japan in November 2001 and engaged in a frank exchange of opinions with Prime Minister Junichiro Koizumi regarding bilateral relations and Japan–Thailand cooperation in regional efforts.

In the Philippines, former Vice-President Gloria Macapagal–Arroyo became president as the successor to former President Joseph Estrada in January 2001. In an effort to restore public order, President Arroyo resumed peace negotiations with domestic Islamic and communist anti-government forces; these had been halted during the prior administration. Following the September 11 terrorist attacks in the United States, however, sweeping military operations against the Islamic fundamentalist Abu Sayyaf group were initiated on the southern island of Mindanao. In economic developments, the government drafted a medium-term national development plan (2001–2004), placing the highest priority on anti-poverty measures and stipulating concrete measures toward modernizing the agriculture and fisheries sectors, developing the southern island of Mindanao, promoting the IT industry, and fighting corruption. President Arroyo visited Japan in September 2001, and Vice President and Secretary of Foreign Affairs Teofisto Guingona visited Japan in November.

In Vietnam, the Communist Party of Vietnam held its Ninth National Congress in April 2001 (the congress meets once every five years). The congress confirmed that Vietnam will uphold its socialist system and continue

8. See Chapter I,C-5 for information regarding Indonesia and East Timor.

with the national *Doi Moi* (reform) effort; National Assembly Chairman Nong Duc Manh was elected general secretary (paramount leader) of the Communist Party.

In Laos, the Lao People's Revolutionary Party held its Seventh Party Congress in March 2001 (the congress meets once every five years). The congress confirmed that Laos will retain its reform and market-opening policy, and at the Seventh Session of the National Assembly Fourth Legislature, Bounnhang Vorachit was selected as the new prime minister.

In Myanmar, direct dialogue was initiated in the autumn of 2000 between the ruling State Peace and Development Council (SPDC) and National League for Democracy (NLD) leader Daw Aung San Suu Kyi. In the wake of those talks, the government has released more than 220 political prisoners since January 2001, including approximately 60 members of the parliament from the NLD. Nevertheless, the outlook for the dialogue remains uncertain. In liaison with the international community, Japan is continuing to encourage the Myanmar government to advance democratization. In November 2001, Prime Minister Koizumi met with SPDC Chairman Senior General Than Shwe on the occasion of the ASEAN+3 (Japan, China, and the ROK) Summit meeting.

During 2001, Japan's relations with Cambodia were advanced through mutual visits by prominent members of both countries. In June, Prime Minister Hun Sen visited Japan to attend the Fifth Consultative Group Meeting for Cambodia, and in the same month Prince and Princess Akishino became the first members of the Japanese imperial family to pay an official visit to Cambodia. In December, an inauguration ceremony was held in Cambodia to celebrate the opening of the Kizuna Bridge, which is the first to span the Mekong River in Cambodia and was constructed with Japanese grant aid.

4. South Asia

(a) Overview

In South Asia, India, Asia's leading democracy, has been boosting its global presence thanks to its recent solid economic growth. Meanwhile, the region still embraces elements of instability for the international community such as the dispute between India and Pakistan over Kashmir, which is the issue of greatest concern in South Asia, and the nuclear non-proliferation issue. Moreover, Sri Lanka and Nepal continue to suffer from volatile domestic conditions. Following the September 11 terrorist attacks in the United States, both India and Pakistan provided support for the international fight against terrorism. In particular, Pakistan changed its policy toward Afghanistan and successfully improved its previously isolated diplomatic standing in the international community.

Japan has been actively working toward the realization of peace in South Asia in order to achieve stability and prosperity throughout the international community, which provides the basis for Japan's own peace and security. In 2001, the leaders of Japan exchanged visits with leaders of India and also Pakistan. With India, Japan issued the Japan–India Joint Declaration. Furthermore, Japan provided Pakistan, which is fighting terrorism, with economic assistance.

(b) Situation in South Asia

Working toward forming closer relations with the United States and other major powers in the political, security, and economic fields, India has further enhanced its presence in the international community. Following the terrorist attacks in the United States, India expressed its strong support for the battle of the international community including the U.S. against terrorism. At the same time, India actively engaged in its diplomatic activities, including efforts to draw the attention of the international community to terrorist activities taking place in India.

Making clear its policy of cooperating with the global fight against terrorism, Pakistan radically changed its policy toward Afghanistan of supporting the Taliban administration. In the past, Pakistan had faced severe economic conditions and had been somewhat isolated from the international community after the military coup d'état of October 1999. Pakistan's above-mentioned radical change of policy was welcomed by the international community, and Pakistan received various support and aid from the major powers, including economic assistance from Japan, and thereby successfully ended its isolation. In Pakistan, sporadic demonstrations by certain religious political parties broke out in reaction to the aerial bombing and other military activities in Afghanistan by U.S. and other forces. Nevertheless, domestic public order was maintained overall, and these demonstrations stopped almost completely following the collapse of the Taliban administration. In domestic political developments, Chief Executive Pervez Musharraf assumed the office of president in June 2001 and announced a road map for the country's return to democracy, including the holding of national elections by October 2002.⁹ (See Chapter I, C-2 for information regarding the India-Pakistan situation).

In Sri Lanka, the conflict between the government and the Liberation Tigers of Tamil Eelam (LTTE), a group that is calling for a separate and

9. Specifically, the road map stipulated the following four-stage process.

Phase 1: devolution of power to the local level by August 14, 2001.

Phase 2: preparation for elections from October 1, 2001 to June 30, 2002.

Phase 3: election process from July 1 to October 12, 2002.

Phase 4: transfer of power from October to November 2002.

Phase 1 has already been virtually completed, with the exception of certain regions.

independent state and is based in northern and eastern regions, continued until the end of 2001. The LTTE, however, announced in December a unilateral ceasefire following the dissolution of the National Assembly in October and the general election in December.¹⁰ The government responded positively, resulting in a de facto, unofficial ceasefire.¹¹

In Nepal, many members of the Royal family, including King Birendra and Queen Aishwarya, were killed in a shooting incident at the royal palace in June 2001, shocking people both within and beyond the country's borders.¹² The late king's brother, Prince Gyanendra, subsequently acceded to the throne. Thereafter, Nepalese Maoists¹³ temporarily intensified their activities. Nevertheless, the armed conflict between the government and the Maoists ceased following the July 2001 inauguration of the new administration led by Prime Minister Sher Bahadur Deuba, and negotiations were held between the two sides. From November, however, the Maoists resumed their armed conflict, and the Nepalese government declared a state of emergency and mobilized the military for combat operations, which are still ongoing.

In Bangladesh, the eighth general election was held in October 2001, and a four-party coalition including the Bangladesh Nationalist Party (BNP) resoundingly defeated the ruling Bangladesh Awami League, leading to the first change in government in five and a half years. Consequently, BNP Chairman Khaleda Zia assumed office as prime minister and took charge of the new government.

(c) Relations with Japan

In Japan's relations with India, diplomatic efforts toward building a cooperative bilateral relationship that is suitable for global partners were steadily advanced based on the results of Prime Minister Yoshiro Mori's

10. From June the political situation became unstable, in part due to opposition to the government led by President Chandrika Kumaratunga. President Kumaratunga dissolved the National Assembly in October, and a general election was held in December. The election resulted in a victory by the opposition United National Party (UNP), and UNP leader Ranil Wickremesinghe was appointed prime minister. Consequently, President Kumaratunga's People's Alliance (PA) party became an opposition party, and the president remained in office presiding over a cabinet comprised of ministers from parties opposed to the PA.

11. The ethnic conflict between the majority Sinhalese and the minority Tamils is still continuing. The antagonism between these two groups intensified following Sri Lanka's independence from the U.K. in 1948, when Sinhalese was adopted as the only official language. It subsequently developed into a large-scale armed conflict between the government and the LTTE, which is a radical Tamil organization calling for a separate and independent state in northern and eastern regions of Sri Lanka.

12. A government investigation later concluded that Crown Prince Dipendra had carried out the shootings.

13. The Nepalese Maoists are an extreme leftist organization calling for the abolition of Nepal's constitutional monarchy system, the establishment of a republic, and the liberation of the working class and underprivileged population via a people's war (which was launched in February 1996).

August 2000 visit to India. The two countries expanded exchanges and bolstered cooperative relations, primarily in the Information and Communications Technology (IT) field. These efforts included the holding of a Japan–India IT Summit¹⁴ and the launch of a Japan-India IT Eminent Persons’ Group, both in September 2001. Moreover, the increase in bilateral political and security field exchanges during the year was particularly noteworthy. In July, Japan and India held their first formal security dialogue as well as formal consultations between the defense authorities of both countries. Meanwhile, broader private-sector exchanges were made, including the meeting of the Japan–India Eminent Persons’ Group for the 21st Century, which submitted proposals in November to the prime ministers of both Japan and India. Amid these developments, Prime Minister Atal Bihari Vajpayee visited Japan in December, which was the first such visit by an Indian prime minister in about nine years, Prime Minister Junichiro Koizumi and Prime Minister Vajpayee issued a Japan–India Joint Declaration, which provides a guideline for the further development of bilateral relations in the 21st century. In addition to addressing economic issues, the Joint Declaration calls for expanding bilateral political and security exchanges, building up comprehensive dialogue and cooperative relations, and implementing cooperative efforts to address terrorism, disarmament and non-proliferation, and other various issues from a bilateral, regional, and global perspective. Following the large-scale earthquake that hit western India in January 2001, Japan provided government and private-sector aid to the earthquake victims and support for reconstruction efforts. India expressed its gratitude for this assistance.

Pakistan clearly expressed its firm intention to cooperate with the international community in the fight against terrorism following the September 11 terrorist attacks in the United States. Recognizing the importance of Pakistan’s development as a moderate and modern state for the realization of peace and stability in Asia and the rest of the world, Japan provided Pakistan with approximately US\$40 million in emergency economic assistance in September 2001, ahead of the other leading countries, and this assistance was highly valued by the international community. Later that month, Senior Vice-Minister for Foreign Affairs Seiken Sugiura visited Pakistan as Prime Minister Koizumi’s special envoy, and in October Prime Minister Koizumi held a telephone conference with President General Pervez Musharraf. In October, Finance Minister Shaukat Aziz visited Japan as President Musharraf’s special envoy, and Foreign Minister Makiko Tanaka visited Pakistan in November. Also in November, Japan announced that it would provide US\$300 million in grant aid to Pakistan, including the above-mentioned US\$40 million in

14. The Japan–India IT Summit was held based on the Japan–India IT Promotion and Cooperation Initiative (for the further development of Japan’s IT sector via cooperation with India, which is a leading IT country) proposed by Prime Minister Mori in August 2000. At the IT Summit, Minister for IT Policy Heizo Takenaka and Minister of Information Technology Pramod Mahajan held discussions regarding Japanese and Indian IT policies, and concerning the current conditions, present issues, and future direction for Japan-India IT cooperation.

emergency economic assistance, over approximately two years thereafter, as well as other additional economic support measures. These measures have been steadily implemented. In December, as one of the major creditor countries, Japan actively contributed to the discussions at the Paris Club, where Pakistan and its creditors agreed on generous terms of rescheduling of Pakistan's public debt.

Japan had implemented a series of measures on both India and Pakistan in response to their nuclear tests in 1998.¹⁵ These were discontinued in October 2001 based on a comprehensive evaluation of various factors such as the judgment that the measures had obtained due achievement in that progress was made by both countries in the nuclear disarmament and non-proliferation fields; the need to provide medium- and long-term support to Pakistan; and the need to actively engage in relations with India. Regardless, Japan will continue to strongly urge both countries to make progress in the field of nuclear non-proliferation, including signing of the Comprehensive Nuclear-Test-Ban Treaty (CTBT).

The year 2002 marks the 50th anniversary of the establishment of diplomatic relations between Japan and India, Japan and Pakistan, and Japan and Sri Lanka, as well as the 30th anniversary of the establishment of diplomatic relations between Japan and Bangladesh. Numerous commemorative events are scheduled to take place in Japan and all four countries to deepen mutual understanding at the citizens' level. These events are expected to further advance the friendly and cooperative relations between Japan and these four countries in the 21st century in a wide range of areas.

5. Oceania

(a) Overview

In 2001, the ruling coalition government won the federal election in Australia, and the administration of Prime Minister Helen Clark maintained stable government in New Zealand. While developments in the Pacific island countries continued to warrant careful monitoring, there were some developments toward stability. During 2001, Japan actively worked to strengthen its relations with the Pacific island countries based on a recognition of their rising presence at the United Nations and other international frameworks, and of the need to address the common issues facing these countries in light of the advance of globalization.

15. As economic measures in response to the nuclear tests conducted by India and Pakistan in May 1998, Japan decided to cease all new grant aid (except for emergency and humanitarian assistance and grant aid to grassroots groups) and all new yen loans to both India and Pakistan.

(b) Outlook in Oceania

Australia celebrated the Centenary of Federation in 2001, and the biggest political event of the year was the federal election held in November. Initial projections called for an Australian Labor Party win, but foreign events greatly influenced the election, and the ruling coalition achieved victory.

At the end of August, an Indonesian vessel carrying 433 asylum seekers was rescued by the Norwegian freighter *MV Tampa* in international waters nearby Australia. The Australian government, which was facing an illegal migration problem, refused to allow the *MV Tampa* to enter Australian waters. The asylum seekers were eventually screened in New Zealand, Nauru, and at other locations. Then in September, following the terrorist attacks in the United States, the Australian government applied the security treaty governing the U.S., Australia, and New Zealand to the fight against terrorism. Australia, exercising the right of collective self-defense, positively supported U.S. military efforts, and showed its determination to combat terrorism. The government's stance on those issues had the strong support of the Australian people, and in the federal election held on November 10, the ruling coalition government led by Prime Minister John Howard won a majority in the House of Representatives, and the third Howard administration was launched on November 26.

In New Zealand, Prime Minister Clark maintained a stable administration and a high approval rating. On national defense, the government decided to give top priority to modernizing the army in accordance with the national defense expenditures plan, to emphasize the transport, patrol, and other non-combat roles of the air force and navy, and to disband its offensive air force units. In response to the terrorist attacks in the United States, New Zealand provided food aid to Afghanistan and decided to dispatch special force units and to provide other types of assistance. On the economic front, growth turned positive as export-related industries enjoyed favorable conditions thanks to the depreciation of the New Zealand dollar that had started in the latter half of 2000, and the unemployment rate fell to a low level (5.6 percent) for the first time in 12 years. Moreover, the Agreement between New Zealand and Singapore on a Closer Economic Partnership came into effect in January 2002.

In the Pacific island countries, which saw repeated political turmoil during 2000 in Fiji and the Solomon Islands, there were developments toward stability in 2001, but the situation continues to warrant careful monitoring. Fiji returned to democratic rule with the general elections held in September. However, the constitutionality of the current government is being contested via the judiciary because new Prime Minister Laisenia Qarase excluded all members of the Fiji Labour Party, led by former Prime Minister Mahendra Chaudhry, in forming his cabinet. In the Solomon Islands, the general elections were peacefully carried out in December, but the surrender of weapons and other stipulations under the peace agreement signed by rival militia groups from Guadalcanal and Malaita islands in October 2000 are not proceeding as expected. Meanwhile, in Papua New

Guinea a peace agreement was reached to resolve the Bougainville conflict based on the three main pillars of an arms collection plan, the establishment of an autonomous Bougainville government, and the right to hold a national referendum on the final political status of Bougainville.

(c) Relations with Japan

During 2001, there were positive developments toward the further strengthening of Japan's bilateral relations with Australia. In April, government and private-sector representatives and eminent persons from both countries gathered at the Australia–Japan Conference for the 21st Century in Sydney to discuss bilateral relations in the 21st century, and the conference adopted the Sydney Declaration for Australia–Japan Creative Partnership, which speaks of building even closer cooperative relations in political, security, economic, social, cultural, scientific, technological, and other fields.

As for Japan's relations with Fiji and the Solomon Islands, Japan dispatched 10 election observers to the September general elections in Fiji as United Nations volunteers and five election observers to the December general elections in the Solomon Islands to support the implementation of fair and democratic general elections.

In August, Parliamentary Secretary for Foreign Affairs Toshio Kojima attended the Post-Forum Dialogue Partners Meeting with the Pacific Islands Forum (PIF) countries in Nauru, and reiterated Japan's intention to further promote the Pacific Common Frontiers Initiative advocated by Japan at the Pacific Island Leaders' Meeting (PALM 2000).

In September, former Prime Minister Yoshiro Mori visited the Federal States of Micronesia, the Republic of the Marshall Islands, and the Republic of the Fiji Islands. In Fiji, former Prime Minister Mori attended an international symposium jointly sponsored by the Japan International Cooperation Agency (JICA), the Japan External Trade Organization (JETRO), and the PIF as a follow-up to PALM 2000.