



Hu Jintao and the Consolidation of Power

The 16th Communist Party Congress in November 2002 ended with the selection of Hu Jintao as the Secretary General of the CCP. However, the Congress left Jiang Zemin in control of the Central Military Commission, exercising final political authority over the armed forces. For the most part, Hu Jintao has deferred to Jiang on issues ranging from foreign policy to the political transformation known as the “Three Represents.”

The Politburo Standing Committee (PSC) is also dominated by Jiang’s Shanghai Faction allies, with six of the nine members affiliates of Jiang. The 4th generation leaders include Hu Jintao and vice-premier Wen Jiabao. Although this committee’s composition will likely remain set until the next Communist Party Congress in 2007, Hu Jintao has begun moving younger party

members, particularly those from the Communist Youth League (CYL), into positions of power. In particular is the case concerning Li Keqiang. During the 16th Congress, Hu attempted unsuccessfully to have him elevated to the PSC as a representative of the so-called 5th generation. However, on 31 December 2002, Li was appointed as the Communist Party secretary of Henan, the most populous province in China. In addition, several other cadres have achieved ministerial status, such as Zhao Leji, Governor of Qinghai Province and Zhou Qiang, the party secretary of the CYL. Although Hu cannot yet elevate these potential allies into the highest echelons of power, it is likely that he will continue this trend of moving 4th and 5th generation leaders into ranking positions to build his solidify his own power base.

China’s Space Program

On 29 December 2002, China launched its *Shen Zhou 4* spacecraft into orbit. The unmanned craft stayed in orbit until 5 January 2003, leaving its orbital module in orbit as a functioning satellite. This is a significant development especially in light of the success of the *Shen Zhou 3* spacecraft in April 2002. By all indications, China is set to send astronauts or *yuhang yuans* into orbit in the second half of 2003. This is because the *Shen Zhou 3/4* missions seem to be identical to the *Shen Zhou 5* mission with the first Chinese crew. Prior to the launch of the *Shen Zhou 4*, Chinese crews practiced working inside the spacecraft and emergency exits simulating problems on the launch pad.

Orbital reconnaissance of the Jiuquan launch sites has indicated the construction of a second

launch pad. This will probably function as a backup in case of a launch pad accident, but will also enable the Chinese the capability to ready two *Shen Zhou* type spacecraft within a couple days of each other. If China does succeed in placing a crew in orbit, it will be only the third nation, behind the US and Russia, capable of manned space flights. Twelve to fourteen astronauts have been undergoing training in anticipation of the first manned missions. In addition, China ambitiously plans on sending a manned mission to the moon by 2010, barring any complications with its space program. It hopes that the success and technologies derived from the space missions will enhance its bidding for lucrative satellite launch contracts, as well as provide important advances in fields ranging from meteorology to agriculture.

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Donald De Bona

China's Brisk Economic Growth Continues

China's rapid economic growth continues after ascension to the World Trade Organization despite a lackluster global economic situation. Chinese government figures indicate that total Gross Domestic Product in 2002 exceeded 10 trillion yuan (\$1.21 trillion) for the first time in history and GDP growth accelerated to 8 percent from 7.3 percent in 2001. Driving this economic growth has been record foreign direct investment, strong exports, rising production, and heavy government spending. Foreign direct investment hit a record \$52.7 billion surpassing the United States to become the world's top recipient of foreign direct investment. Companies shifted production in order to take

advantage of China's cheap labor, favorable investment climate and huge domestic market.

One industry driving the expansion of industrial production and foreign direct investment is auto production, as competition between foreign automakers for the growing Chinese market heated up. Early investors in domestic production such as Volkswagen and General Motors have seen strong sales and secured a significant market share of the domestic market. Fear of losing footing in a potentially enormous market forced other automakers such as Toyota, Nissan and Ford Motors to switch from exports to local production.

Infrastructure Projects Worsen Budget Deficit

China is in the midst of a spending boom on large national and regional infrastructure projects in order to keep the economy growing quickly. Shanghai just completed the world's first commercial magnetic levitation train that speeds to the new Pudong airport at up to 170 miles per hour, at a cost of \$1.2 billion. The train is just one of many current and planned projects such as the Qinghai – Tibet railroad, the Three Gorges Dam, a high-speed rail link between Beijing and Shanghai, a massive West-East natural gas pipeline, and a \$60 billion project to divert water from the Yangtze to the

Yellow River in the north. All told, state and private spending on infrastructure projects was more than \$200 billion last year. The government justifies such spending as a way to spur growth while consumer spending is still relatively low and to maintain stability by employing migrant workers. The plan appears to be working, as economic growth and foreign direct investment have remained strong, but the budget deficit reached a high of \$37.4 billion this year, amounting to 3 percent of the GDP, considered by many economists to be an alarming level.



JAPAN

Johnny Chen

Kidnapped Japanese Return Home

Five Japanese who were kidnapped by North Korea in the 1970s returned home to Japan on 15 October 2002, and nearly seven months later they still have no clue when they will be re-united with their families who continue to reside in North Korea. The visit,

which was supposed to be short, ended up being a potential diplomatic disaster when Japan refused to return the five kidnapped Japanese to North Korea. Pyongyang has responded by denying their combined seven children from visiting them.

Johnny Chen

Transition to New Financial Leadership

Japan, mired in the last decade by a repressed economy and sluggish economic stimuli from the central banks, recently underwent a shuffling in the cabinet as the outgoing Bank of Japan Governor Masaru Hayami was replaced by former chairman of the Fujitsu Research Institute Toshihiko Fukui. Along with the appointment by Prime Minister Koizumi were two deputy governors Toshiro Muto, a former vice minister of Finance, and Kazumasa Iwata, a director general at the Cabinet Office. All three men have declared Japan's bad debt problem as a crucial component to their upcoming terms, and have targeted Japan's negative real interest rate and deflationary pressures as items to address.

Japan, facing an economic depression which is forcing fickle exchange rates in the yen and a seemingly unstoppable deflation spiral, must turn to its newly appointed Bank of Japan officials for guidance in an increasingly uncertain global economy worsened by the US war on Iraq and multiple corporate scandals. In a nation with one of the highest global savings rates, falling consumer demand, increasing unemployment, rising pensions costs, and a Nikkei index at a 20-year low, fiscal relief such as tax cuts and cutbacks to government spending seem to offer few answers to Japan's economic conundrums.

Governor of Tokyo Re-Elected

The incumbent Tokyo governor Shintaro Ishihara has been re-elected in a landslide, an event which raises the likelihood that he will succeed Junichiro Koizumi as Prime Minister. Running as an independent but supported by the Liberal Democratic Party, Mr. Ishihara

who is now 70 years old earned approximately 70 percent of the votes. Mr. Ishihara has been known to have made controversial remarks regarding the 1930s Nanking Massacre as well as sovereignty disputes over islands in the East China Sea.



KOREA

Georgi Diankov

The Koreas: Hope amid Broken Promises

After several months of provocative declarations, in January 2003 North Korea expelled the arms inspectors of the International Atomic Energy Agency and announced its withdrawal from the Nuclear Non-Proliferation Treaty, as well as the Agreed Framework of 1994. There is speculation over whether the regime of Kim Jong Il used the US preoccupation with Iraq as a cover for its actions, or whether the North Koreans coolly planned the re-start of their nuclear arms program. Evidence suggests that the Stalinist regime has never abandoned its covert desires for the manufacture of nuclear weapons. This would imply that in his January 2002 "State of the Union" speech when President Bush included North Korea in his "axis of evil" he

was not provoking the crisis but accurately assessed the mindset of the increasingly besieged North Korean regime.

For all the danger associated with introducing nuclear weapons on the Korean peninsula, a military solution seems out of the question, even for the hawkish Bush administration, which settled on diplomacy. A tense international environment and the US involvement in Iraq have given North Korea a larger than usual latitude for brinkmanship. A conflict in Korea is the last desire of policy makers in the US and abroad. The current attitude toward North Korea is vastly different from the international reaction in June 1994, when the Clinton administration was close to authorizing hostile actions. In part, this

difference is due to the change in South Korea that President Kim initiated through his "Sunshine Policy." South Korea has distanced itself from its ally the United States and has become more eager to assume greater responsibility in dealing with North Korea. The election of Roh Moo-hyun as President of South Korea bodes well for the continuation of a cautious but forward-looking version of Kim's "Sunshine Policy." It does not bode so well for the future of South Korea's security alliance with the US. While nobody expects a break between the allies, rising negative attitudes toward the US in Korea ensures that the US may no longer have the complete support of Seoul.

Despite the futility of any attempt to read the minds of the inscrutable North Korean regime, it is reasonable to assume that North Korea is both genuinely attracted to the option of possessing nuclear weapons and that it is

brandishing the nuclear threat to extort fuel, food and money from the world community. Contradictions are not new to Pyongyang.

On the economic front, North Korea is continuing its plunge, despite slow changes such as the setting up of two special economic zones, which some say have promise. Food shortages and famine are expected again in 2003. South Korea continued to post impressive gains, with GDP growth of 5.7 percent in 2002. Growth is expected to drop slightly in 2003. Markets are starting to shake off the initial anxiety about a leftist President Roh, weakening big business in the name of populism. President Roh will probably fall in line.

Finally, two celebrations occurred in February 2003 – Mr. Kim Jong Il celebrating his 61st birthday and Mr. Roh assuming post as President. Festivities were muted. The big celebration for all Korean people, on both sides of the border, has been, again, postponed indefinitely.



GREATER EAST ASIA

Johnny Chen

Indonesia targets terrorism

Riots and defiance of authority has wrapped Southeast Asia in turmoil over the past several months. In Jakarta, Indonesian police are troubled by continuous bursts of bombings on the island as authorities continue their investigation into last October's bombing on the island of Bali that killed 192 people, a majority of them foreigners at the popular vacation spot. Islamic extremists and the Jemaah Islamiya group, one which is linked to the Al Qaeda

terrorist network, have been blamed for the attack. The recent capture of the head of the Singapore branch of the Islamic militant group, Mas Selamat Kastari, is reported to be a successful thwarting of the group's attempt to further spread the network to Malaysia, Indonesia, and Singapore. Police are also hunting for perpetrators of a string of bomb attacks that shattered the religious community across Indonesia on Christmas Eve, killing and injuring a score of people.

Thaksin ends Thai Anti-Drug Crackdown

In late April Thai Prime Minister Thaksin Shinawatra officially ended the government's controversial campaign against drug lords and drug dealers. Speaking to reporters on 7 May, Thaksin declared the

campaign a success and claimed that it "had helped the whole world, especially the Western countries." Official statistics from the Thai government indicate that 2,274 individuals had been killed since 1 February.

On 1 February, Thaksin began the anti-drug campaign by presenting Thai provincial governors with a list of 46,177 individuals with alleged links to the drug trade. Provincial governors were then ordered to “reduce” the individuals on the list by a quarter within three months. After some local officials complained that they were being forced to meet body-count quotas, Thai Interior Minister Wan Muhamad Noor Matha warned that governors would be replaced if they did not meet national government targets.

Thailand’s latest attempt to battle its drug problems was widely condemned by human rights groups, foreign governments, and international organizations. On 26 February UN human rights official Asma Jahangir expressed concern over allegations of extra-judicial killings and excessive use of force by Thai law enforcement authorities. Amnesty International condemned the anti-drug campaign as following a “de facto

shoot-to-kill policy.”

While admitting that some innocent individuals might have been killed, Thaksin has vigorously defended the Thai government’s actions, describing them as necessary “eye-for-an-eye” measures to combat the country’s severe drug problems. According to newspaper polls conducted at the height of the campaign, 80-90 percent of all Thais supported Thaksin’s crackdown on drug traffickers. Thailand is the world’s largest consumer of methamphetamines, with about five percent of the population regularly abusing the drug.

The Thai press has been circulating reports that, in order to extract revenge on Thaksin, Thai drug lords have placed a \$2 million bounty on his head. Press reports also indicated that ethnic Wa drug lords in Burma were planning an assassination attempt against the Thaksin, an allegation denied by the Burmese military government.