

JAPAN

Osaka's bid to attract foreign investment bearing fruits

MONZURUL HUQ *writes from Tokyo*

OSAKA is still considered the second most important Japanese city despite the fact that in terms of population the city has seceded its previous position to Yokohama. Japan's 1400-year old city Osaka has always been an important business center. Located in the western part of country's main Honshu island, the city has since ancient time been the destination point of busy river and sea routes from China and Korea as well as from other parts of Japan. Long considered a center for thriving business dealings and culture, Osaka has its distinct historical characteristics. People of Osaka feel proud of this distinctive nature in which the unabashed hospitality and fun-loving attitude of the inhabitants occupy a prime position.

The old settlement of Osaka developed into a city in the 16th century and expanded its proximity after warlord Hideyoshi Toyotomi united the country and built Osaka Castle in 1583. In the 17th century the city became a center of distributive trade and it was during this period that Osaka attained its basic form and characteristics, which it has retained throughout the early modern and modern periods. During Japan's Edo period (1603-1867) Osaka thrived primarily on commerce and finance and came to be known as 'the marketplace of the whole country' where 70 percent of country's wealth said to have been located. In the early twentieth century the city and its adjacent areas rapidly industrialized. The key industry of the area during that period was textile.

Presently Osaka is considered the center of a nucleus of commerce, industry and finance of the Kansai region, the second largest economic block of Japan with a GNP exceeding that of Canada or Spain. A vital metropolis with a population of 2.6 million, Osaka is also located approximately at the center of Japan and easily accessible from any part of the country by all existing means of transportation. In 1999 Osaka City was listed as 3rd in Fortune magazine's ranking of best cities in Asia and in January 2000 'Nikkei Personal Computing' magazine ranked Osaka 1st in

the "e-cities listing", which ranked major cities in Japan by indexes related to IT infrastructure, business environment and living standard.

But as Japan's economic health in recent years is showing increasing signs of decline, Osaka also could not remain immune from the effect of that trend. In fact, as one of the principal industrial and trading centers of Japan, Osaka suffered more than many other places. A short stroll through city's main streets can painfully show that reality. Osaka has the highest number of homeless people in Japan and most of them are living in make-shift plastic tents erected at public places. Those blue plastic tents have now become a common sight of the city, reminding visitors of the severity of economic situation that Osaka is facing now.

During a recent visit to Osaka with a delegation of Tokyo based foreign journalists, the most common sight that I came across was of those blue tents, seemed to be ubiquitous. Everywhere in the city their presence was felt, be it the prime tourist spot of the Osaka Castle or the fashionable riverside streets near the mint. As a result, the unemployment situation of Osaka came out prominently in most of the press briefings and other discussion meetings that we have attended.

At a press briefing for Tokyo based foreign journalists, the Mayor of Osaka, Takafumi Isomura, pointed out reasons behind the increasing number of homeless population in the city and outlined various plans and proposals the city administration is considering to implement with the aim of solving the problem.

Osaka's agony, as that of the any other big cities of Japan, started with the collapse of country's artificial bubble economy in early 1990s. The economic downturn that accompanied the collapse is continuing for a relatively longer period, resulting in bankruptcy and closing down of business organizations on a regular basis. In addition to that, as cost of living index is showing an ever increasing trend, a large number of companies have simply decided to move out of the region to ensure that whatever they produce would find a competitive edge over their rivals.

AFGHANISTAN

Battles yet to come

"I CAME, I saw, I conquered," Julius Caesar's famous boast about Gaul, seemed just as apt a description of America's military intervention in Afghanistan. Afghan fighters had defeated Soviet forces after years of bloody conflict. But resistance seemed to crumble in a matter of weeks to a combination of devastating American bombing, high-tech warfare, assistance from Afghan forces on the ground and coalition-building among Afghan allies. The abrupt collapse of the Taliban regime caught almost everyone, not least the Americans themselves, by surprise. But now, months after victory seemed secure, American troops have found themselves involved in their biggest land battle of the war, facing a determined and apparently well-equipped foe.

On March 6th, American officers claimed that they had killed up to 500 al-Qaeda and Taliban opponents, about half of the force that they have faced over the past five days, they believe. Several hundred were killed, they claim, by rocket-propelled grenades and mortars as they headed towards the battle as reinforcements. American and Afghan troops were reported to be within 100 metres of bands of al-Qaeda foes during the battle, which has already claimed eight American lives and wounded some 40 American soldiers and 35 Afghans. On Monday America lost its first aircraft to enemy fire when a transport helicopter was shot down during the battle, killing seven American soldiers.

The battle began early on Saturday, when American soldiers led a combined allied force, including pro-government Afghans, against a

pocket of al-Qaeda and Taliban fighters in a mountainous region about 90 miles south of Kabul. The battle has not gone smoothly. American and Afghan soldiers were stalled by an unexpected counter-attack on the first day of the battle, when one American soldier was killed. American military officials now claim to have sealed off escape routes from the remote Shah-e-Kot valley near the Pakistani border south of Gardez, where the al-Qaeda and Taliban fighters are said to be based, and rebel positions have been pounded by American bombers, fighters, gunships and helicopters for the past four days.

Details of the fighting are sketchy and confused. Estimates of the number of al-Qaeda and Taliban fighters have ranged from 450 to 4,000. The American military now seems to believe that they have been facing a force of about 1,000 fighters, although recent claims that these were being reinforced from mountainous regions over the Pakistani border could mean that much larger numbers are involved, or ready to become so.

The al-Qaeda and Taliban fighters were reported to be hiding in a warren of man-made caves built into the mountains during the Soviet occupation. Many of them were said to have escaped from Kabul when the American-backed Northern Alliance took the capital last November. Others were said to have come from Kandahar, the Taliban's spiritual capital in the South. In fact, no one seems to know for certain who they are, although journalists talking to villagers in the area report that the fighters came from a range of Arab countries, and seemed well-supplied with weapons and cash.

The allied force assembled to

attack them includes about 1,000 American military personnel, including for the first time regular-army troops in addition to special-forces fighters and air crews. In addition, there are contingents from Australia, Canada, Denmark, France, Germany and Norway. French Mirage jets are reported to be accompanying American fighters and bombers in attacks on rebel positions. Most of the ground force, however, as in previous actions, are Afghans, some specially trained beforehand by American special forces.

The discovery of so many well-armed and determined al-Qaeda and Taliban troops, months after victory in Afghanistan had seemed largely assured, raises many questions. Why has it taken so long for American military leaders to discover their existence? How many others are there in the country or along the Afghan-Pakistan border? Where are Osama bin Laden and other senior al-Qaeda leaders who have, as far as is known, escaped American efforts to find or kill them? For that matter, where is Mullah Omar, the former Taliban leader? Most significantly of all, how secure is the interim Afghan government established by a United Nations (UN) conference in Bonn last year?

The current battle may force a change in America's assessment of its military and financial commitment to Afghanistan. Until recently, American officials had been reluctant to make any long-term promises, and were eager to move on to the next phase of their war on terrorism. But on Monday Donald Rumsfeld, America's defence secretary, warned that this week's battle "will not be the last such operation in Afghanistan. I think we

have to expect that there are other sizeable pockets, that there will be other battles of this type."

In the latest battle American tactics seem to have changed, following the failure to kill or capture many top al-Qaeda and Taliban leaders in the Tora Bora mountains in December. In that battle, the United States deployed only small teams of special-forces soldiers and left most of the ground fighting to local Taliban commanders after intense bombing by American planes. This minimised American casualties. But the local Afghan militias had little incentive to risk their own lives trying to root out their enemies in the mountainous cave complex. Many al-Qaeda and Taliban fighters seem to have escaped, perhaps including Mr bin Laden and his top lieutenants.

New tactics

This time, America has committed a sizeable contingent of its own regular-army troops to the ground attack to fight alongside their Afghan allies, and seems to have prepared the offensive much more carefully. However that did not stop its being caught off guard by the scale and ferocity of the resistance, if reports from the area can be believed. Some local Afghan militia leaders have accused the Americans of incompetence. Others have complained that the Americans would not listen to their warnings that al-Qaeda fighters were appearing in the area.

One reason for this may be that local Afghan leaders have sometimes been untrustworthy informants. Not only have they often been at loggerheads with each other, but they have frequently told Americans what they believe they want to hear, or what suits their own purposes. Many claimed to be involved in fierce fighting during the Tora Bora battle, for example, when they were doing little. And there have been persistent reports that the mistaken bombing of one Afghan convoy, which killed a large group of Afghan elders, was initiated by Bacha Khan, a local warlord who falsely identified them to American spotters as Taliban. Mr Khan also made an abortive attempt to seize the governorship of Paktia province by force, resulting in gun battles that cost dozens of lives. Despite this, Mr Khan claims that his troops are now participating in the latest battle in the Shah-e-Kot valley.

Mr Khan's antics are just one example of the wider problem of security which continues to plague

Afghanistan. After more than 20 years of constant fighting, the country is in chaos. Warlords have divided up most of the country. The remit of the UN-backed interim government of Hamid Karzai does not extend beyond Kabul, and even there its control is shaky. One of Mr Karzai's ministers was killed last month in murky circumstances. Clashes between rival warlords continue. So far, Mr Karzai's pleas for more short-term aid, and an expansion of the international peacekeeping force to cover the entire country, not just Kabul, have fallen on deaf ears.

Hesitation by the Americans and the rest of the international community is understandable. Foreign troops in Afghanistan have usually been bitterly resented and fiercely resisted. Disarming the many armed groups in the country would be difficult and dangerous. Dismantling the fiefdoms that were established immediately after the Taliban's collapse prerequisite to establishing true stability would require the co-operation, or at least the acquiescence, of Afghanistan's meddling neighbours, and probably a shoot-out with at least some of the warlords. Deploying peacekeeping troops throughout the country would inevitably incur casualties, and involve some friction with the local civilian population.

But leaving Afghanistan to slip back into anarchy, which it seems in danger of doing, would be even worse. It would make a mockery of America's original war aim: to destroy a safe haven for international terrorism. It would be a disaster for the Afghans themselves, many of whom are close to starvation. Two UN reports late last month reported that a wealth of anecdotal evidence indicates that desperate Afghans are returning to the planting of opium poppies on a large scale, making their country the dominant force in the world's heroin trading America and its allies, the chief recipients of these drug exports, another reason to care about Afghanistan's fate.

Failure to secure stability in Afghanistan would also raise serious doubts about America's plans for pursuing its war on terrorism anywhere else.

This piece appeared in the current issue of the Economist of London.

GEORGE BUSH IN ASIA

Trading insults doesn't help

JOHN LARKIN *in Seoul*

THERE WAS SOMETHING refreshing about United States President George W. Bush's steely expressions of revulsion for North Korea during his recent trip to Seoul. After all, few would dispute his description of North Korean leader Kim Jong Il's regime as "despotic." And who would argue with his call for the "Dear Leader" to start caring about his miserably put-upon people?

But Bush might have done more harm than good to chances of getting North Korea to change its ways. Bush called for talks as part of a strategy predicated on a belief that North Korea has no choice but to engage. But his vision for a democratic Korean peninsula makes it highly unlikely that Pyongyang will approach Washington any time soon, or hold substantial contacts with South Korea.

North Korea experts say it sets the scene for a stalemate as Pyongyang waits for a more inviting offer, and risks a crisis if either side miscalculates. "A military conflict would be a total disaster," says Ed Baker, assistant director of the Harvard-Yenching Institute in the U.S. "It's not a realistic option, but I wouldn't count it out."

For four years South Korea has glossed over the unpleasant nature of the North Korean regime in an attempt to sweet-talk it into dialogue. Bush's February 20 summit with South Korean President Kim Dae Jung marked an important shift. Rather than climb down from his grouping last month of North Korea with Iran and Iraq in an "axis of evil," Bush sought to justify his controversial rhetoric in a way that actually turned up the heat on Pyongyang. "I'm troubled by a regime that tolerates starvation," Bush told a joint press conference with a stone-faced Kim Dae Jung. "I know what

Moreover, land price in Osaka is presently down by up to 76 percent from the 1990s pick and back to 1986 level. These lower rates and charges would give any possible investor the same access to the whole Japanese market, which the city government considers crucial in deciding where to invest. To disseminate this kind of basic information and to help investors in deciding where to locate their enterprises, Osaka city launched the Business Innovation Center Osaka in January 2001, where seminars and forums are held regularly to promote entrepreneurship; and financial, technical and managerial assistance is offered to business ventures.

One of the most successful joint venture enterprises that Osaka could attract in recent years is the Universal Studios Japan (USJ). It is the first Universal Studios theme park located outside the United States and the decision to locate it in Osaka was reached after a careful evaluation of potential sites all over the world. Even in Japan's recession time USJ is doing thriving business and creating much needed new job opportunities for the people of a region that suffered badly due to country's economic downturn.

Historically Osaka has always been adoptable to any changing situation and the city responded very quickly to the demands of time. According to Mayor Isomura, the new initiatives taken by the city government to attract investment from overseas has once again proved that Osaka is always ready with innovative ideas to tackle any problem that might arise. Despite a relatively higher proportion of homeless population there are obvious signs of positive outcome of those measures, which are reflected in jobless rates and other indicators.

As a result, even a disappointing attempt to bring the 2008 Olympic games to the city also failed to make any dent on the confidence of local officials and the Mayor and his team are hopeful that Osaka would once again prove its worthiness as one of the leading business friendly cities of the world.

can happen when people are free. I see it right here in South Korea."

In calling for "freedom" at the Demilitarized Zone between the two Koreas, Bush echoed Ronald Reagan's historic plea in 1987 for Mikhail Gorbachev to "tear down" the Berlin Wall. But he couldn't have chosen a word more hateful to Kim Jong Il: It challenged Kim's very legitimacy while offering no incentive to improve his regime's record on weapons proliferation and human rights. Bush promised not to invade the North, but suggested he wants democracy to prevail there.

To Pyongyang, invasion and democracy mean the same thing: capitulation. Agreeing to talk on those terms would amount to surrender for a regime whose top priority is keeping power, something it has shown itself willing to pursue at the cost of possibly millions of lives. North Korea angrily branded Bush a "politically backward child" intent on overthrowing its government, and dismissed his call for dialogue.

"We're in for a bit of a stalemate," says Gordon Flake, executive director of the U.S.-based Mansfield Centre for Pacific Affairs. "We're moving away from a blackmail-based relationship, but the danger now is this administration has gone a step further by saying 'take it or leave it, and let us insult you while we're at it.'"

The most pressing question for South Koreans living within the range of North Korean artillery is whether a looming stalemate could develop into a crisis. An attention-getting missile test by Pyongyang or resumption of its nuclear weapons programme can't be ruled out.

A more plausible crunch could come over international inspections of nuclear facilities, which Pyongyang agreed to in the 1994 Agreed Framework that mothballed its nuclear weapons programme. The

pact averted a crisis by replacing North Korea's Soviet-era reactors with two new, safer reactors. They go on-line only after inspections clear North Korea of suspicions it has enough material for nuclear warheads.

But the pact set no deadline for inspections. Pyongyang is resisting pressure from Washington to begin inspections soon. As inspections could take more than three years—around the time it will take to complete the reactors—time is running out. Continued refusals by Pyongyang could turn back the clock to the 1994 crisis, which was sparked by its opposition to inspections and nearly escalated into armed conflict.

"The trigger was put in that deal and the U.S. wants it to be pulled now," says Tom McCarthy, a Washington-based agricultural consultant who has worked in North Korea.

The U.S. won't abandon the nuclear deal for now. That gives Seoul some breathing space, and South Korean officials hope Washington's stance will drive Pyongyang into its arms. But any talks will likely focus on confidence-building measures.

Kim Jong Il has another option. He could visit Seoul, thereby throwing the ball back to Washington. But given Seoul's support for Bush's tough line on his missiles, Kim Jong Il might not feel disposed to make the trip.

Therein lies the difference between East Berlin and Pyongyang. Many thousands of East Germans were listening in 1987 when Reagan's words catalyzed the end of the Berlin Wall. Bush's audience is much smaller and harder to win over. Toppling Korea's wall will, regrettably, require goodwill gestures as well as rhetorical flourishes.

This piece appeared in last week's Far Eastern Economic Review.