

Our Future with Asia

– A Swedish Asia Strategy for 2000 and beyond



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Foreword

In March 1999, the Swedish Government submitted the Communication *Our Future with Asia. A Swedish Asia Strategy for 2000 and beyond* (1998/99:61), to Parliament.

The report describes the Government's strategy for deepening and widening Sweden's relations with Asia. The starting point is Sweden's international interests and obligations as expressed in its foreign policy, and Sweden's desire to promote its own welfare through economic growth and a high level of employment, coupled with the objectives and needs of the Asian countries.

The Communication outlines the policy of the Government towards Asia in a number of areas such as political relations, democracy and human rights, trade and direct investment, development co-operation, environmental co-operation, research and education, popular movements and non-governmental organisations as well as culture, information and the promotion of Sweden. A range of courses of action are presented – at bilateral level, EU level and multilateral level.

Stockholm, 1 October, 1999

Anna Lindh

Minister for Foreign Affairs

1 Introduction

1.1 Preparatory work for a Swedish Asia Strategy

In the spring of 1997, the Swedish Government appointed a working group tasked with formulating proposals for a foreign policy strategy to “strengthen Sweden’s relations with Asia based on a well-informed and nuanced view of Asia and the consequences of the transformations that are taking place within the region, looking forward to the year 2010.” Proposals were to be drafted for an integrated Swedish strategy for the countries of Asia that would include political relations, security policy, trade, economic co-operation, development co-operation, environmental co-operation, research, information and culture. The study was to encompass South Asia, Southeast Asia and East Asia. The project was led and co-ordinated by Ambassador Börje Ljunggren with Dr Lisbeth Hellvin as Special Adviser. The working group could seek the advice of a reference group chaired by State Secretaries Mats Karlsson and Yvonne Gustafsson and consisting of representatives from Swedish business and industry, trade unions, non-governmental organisations (NGOs), the research community, the Swedish Ministry for Foreign Affairs, the Swedish International Development Co-operation Agency (Sida), the Swedish National Board of Trade and the Swedish Export Credits Guarantee Board.

The task was broadly formulated, focusing on five main themes:

- Asia in the international economy,
- poverty and quality of life,
- democracy, human rights and gender equality,
- the environment and the sustainable utilisation of natural resources,
- the security situation in Asia.

The working group commissioned background studies and held hearings relating to these themes. These studies were published in two

volumes, *Sverige i Asien* (Sweden in Asia) and *Asiatiska Vägval* (Asian Crossroads), dealing with Sweden's relations with the Asian countries and developments in Asia respectively.

The working group issued its final report, entitled *Framtid med Asien. Förslag till en svensk Asienstrategi* (Our Future with Asia. Proposal for a Swedish Asia Strategy), on 30 November 1998.

The analyses and proposals contained in the report form the basis for this Communication which the Government submitted to Parliament in March, 1999.

1.2 **Our Future with Asia. A Swedish Asia Strategy for 2000 and beyond**

The Swedish Asia Strategy describes how Sweden's relations with the countries and economies of Asia can be broadened and deepened. Two of the introductory chapters (3 and 4) are devoted to a brief analysis of developments in Asia looking forward to the year 2010. Chapter 5 presents a Swedish Asia strategy for 2000 and beyond with emphasis on eight central areas:

- political relations,
- democracy, human rights and gender equality,
- trade and direct investment,
- combating poverty and the deepening of relations through development co-operation,
- the environment,
- research and education,
- popular movements and international networks,
- culture, information activities and promoting Sweden.

The principal purpose of the report is to furnish a roadmap. Implementation will be dealt with in a plan of action.

An Asia Strategy must be developed on a number of different levels, both in relation to Asia as a whole and its main regions and in relation to each individual country. An important aspect of the work has been to devise strategies for the individual countries. How can the often already extensive bilateral relations be developed further? As a consequence, this paper contains both general elements and country-specific strategies in which political and other important considerations

for the possibilities for the achievement of deeper relations in various areas are taken into account. Circumstances vary markedly from country to country. Sweden cannot give priority to everything in every Asian country. In no case, however, should the relations be totally without possibilities for long-term development. The country-specific strategies are outlined in Chapter 6.

1.3 Asia network

In connection with the preparatory work for the Swedish Asia Strategy, the reference group has played a central role as a source of ideas and as a dialogue partner. This method of working has enabled valuable relations to be developed between the Swedish Government Offices, especially the Ministry for Foreign Affairs' Department for Asia and the Pacific, and a broad spectrum of expertise on Asia. This network will be maintained and expanded.

2 Summary

2.1 Building reciprocal and lasting relations

Global developments in the coming century will be closely associated with the developments that take place in Asia. This applies to basic international issues such as peace and security, the global climate, democracy and respect for human rights, economic and social development, and the stability of the world economy. It also applies to our common interest in combating the illegal drugs trade and terrorism and together, through the agency of the UN and other multilateral institutions, to tackle common challenges in the endeavour to achieve sustainable global development. All these issues are of central importance to Sweden and vital to the future development of its social and economic welfare. Without greater participation of the Asian countries these problems cannot be solved. Only if we join forces with the countries of Asia can we make the world a safer and better place in which to live.

Until not so very long ago, Europe regarded this part of the world within a framework characterised by a history of colonialism, a framework no longer compatible with today's realities or with the Asian countries' own views of themselves and their role in a future world. The relations between Europe and Asia are, after a parenthesis of some two hundred years, now in the process of being restored to the state of greater mutual equality that existed before the age of European expansion. A new approach is a precondition for a genuine rapprochement between an Asia in change and a Europe where relations with Asia are far less developed than the future requires.

Ultimately it is a question of how we perceive the world and how imaginative we are prepared to be. We need to be able to see the countries of Asia and their cultures in a new light, to see Asia in fresh ways unconstrained by past and present preconceptions, to see Asia as it is

today with its rich variety of countries and peoples, to appreciate the power of the changes taking place in the direction of greater variation and diversity, to perceive what is being accomplished, to look with greater empathy at the economic crisis and to recognise the potential for development that lies beyond this crisis.

Asia has developed dramatically over the last few decades. Poverty has been reduced to an extent that is without equal. However, three quarters of the world's poor, those subsisting on less than a dollar a day, are still to be found in Asia. The differences that exist within Asia – for example between Japan and Bangladesh – are greater than anywhere else in the world. Consequently any attempt to describe what is typically Asian can result in little more than a cliché. The variations are considerably greater than those within Europe. So, too, are the changes that the individual countries are experiencing. Any approach thus needs to be based on an appreciation of this point.

So what does the Asian economic crisis mean? The crisis is not uniquely “Asian” in character nor, indeed, can the solutions be. Some countries have not yet developed the institutions – in the shape of transparency, the distribution of roles between the state and market, a functioning judicial system, a banking system and a social security safety net – which are required to take advantage of the great opportunities offered by globalisation, and to manage its considerable risks.

There are clear similarities between the 1992–93 financial crisis in Sweden and the problems facing the worst affected countries in Asia. The problems in Asia are, however, considerably more deep rooted but in no way specifically “Asian”. Countries the world over are, to varying degrees, facing problems of the kind which the countries in Asia have to endure. There are thus good reasons for a deeper dialogue concerning the essential conditions needed for a country's development and welfare. The crisis has created a new understanding of the vulnerability that stems from dependence on short-term international capital. And what is more important, the crisis has, in a dramatic way, shown how a country's long-term stability depends intimately on the state of its institutions – its banking and judicial systems, its ability to combat corruption through transparency and legislation, its educational system, its capacity for research and development, its trade union movement and its respect for the democracy and human rights. New requirements are posed for the development of both the national and the international systems – on bank inspection procedures and open-

ness in individual countries and for reforms to damp down speculation at the global level. It is ultimately a question of building open, democratically legitimate and effective institutions both nationally and internationally. The positive aspect of the Asian crisis lies in the potential that it has created internationally for a new community of interests on the basis of such an institutionally oriented agenda. There is, in Asia, a great deal of interest in these questions and Sweden can play a bridge-building role.

In an ever more integrated world it is in Sweden's strategic interest to actively seek to broaden and deepen the contacts with the countries of Asia and with their peoples. The rationale for Sweden's Asia Strategy lies in the continued growth of Asia's economic role in an ever more integrated and mutually dependent world. In the long term, trade and investment will continue to be strongly dynamic factors in Sweden's relations with the countries and economies in Asia. At the same time, economic relations should be seen as one component in a much larger picture. Sweden should develop substantially more multifaceted links than those that exist today.

Sweden's objective is to develop and deepen relations not only with governments and industry in the respective countries of Asia, but also with their societies and cultures. From the fact that Asia is not an entity in anything other than the geographical sense it follows that deepened relations will require long-term investment in terms of bilateral relations, investment which includes focusing on political relations, trade and investment, development co-operation, environmental co-operation, research and education, contacts between popular movements, cultural co-operation, and information projects and efforts to promote Sweden overseas. The prerequisites to achieving these objectives vary greatly from country to country in Asia.

2.2 Starting point for Sweden's Asia Strategy

The basis for Sweden's Asia Strategy is Sweden's interests and responsibilities as expressed in its international commitments. The elements are:

- to promote development towards *democracy*, increased *respect for human rights* and *equality between women and men*,

- to work for *peace* and *security* through the development of the international instruments for conflict prevention, conflict resolution and disarmament,
- to work for the greater application and development of the *system of international norms* and to promote the organisations that support this system,
- to work for *economic development* through free trade by contributing to the strengthening of multilateral rules for trade and investment within the framework of the World Trade Organisation (WTO) and to support moves to extend the membership of the WTO,
- to work to raise the *standard of living of the poor* by helping to solve the development problems, that cause or are caused by poverty, and by refugee situations in the wake of conflicts,
- to promote the development of open and effective *institutions* and vigorous *civil societies*,
- to work for a better *environment* and a sustainable management of natural resources.

On the basis of these comprehensive objectives for international development, and the objective to promote welfare through employment and economic growth in Sweden, it is a vital Swedish interest to develop reciprocal and lasting relations on a foundation of equality with the countries and economies in Asia.

2.3 Sweden and Asia in the international effort to bring about change

The rapid pace of globalisation has resulted in a dramatic increase of the need for international co-operation, which involves the countries of Asia in a new way. Global security, the development of the world economy, the global environment, poverty and respect for human rights are all highly dependent on the future development in Asia. A number of areas have, in a short space of time, achieved a new degree of urgency. This applies to HIV/AIDS, international terrorism, child labour, the sexual exploitation of children and the trafficking in women. Amongst those issues which call for greater attention in an increasingly globalised world, is the question of migration. All these issues call for active participation by the Asian countries in order to devise

effective international countermeasures. The drug trade is one area within which a number of Asian countries are responsible for large parts of the world's supplies while others are used as transit routes. Without the active participation of these countries, efforts to devise countermeasures cannot succeed.

In several of these areas Sweden can, and should, play an active part taking initiatives to ensure that the countries of Asia can participate more widely in the shaping of the new world order. It is very much in Sweden's interest that this should happen.

2.4 Main elements of the strategy

The strategy's main elements are:

- Continued efforts to promote democracy, human rights, equality between men and women, and the rights of the child.
- Continued efforts to promote the emergence of transparent and efficient institutions and civil societies.
- Continued efforts to promote peace and security by contributing to the development of international instruments for conflict prevention and conflict solution, and by support for nuclear disarmament, a comprehensive ban on nuclear testing, and the development of regional security arrangements in Asia.
- Development of an integrated, long-term project dealing with the environment and sustainable management of natural resources in Asia, involving the Swedish Government, authorities, business and industry, the research community and the environmental organisations. Environmental co-operation with the countries in Asia also furthers the environmental work in Sweden.
- Continued efforts to increase trade with Asia through work within the EU and WTO, for improved mutual market access, and through maintaining an effective Swedish organisation for promoting trade and direct investment in both directions.
- Initiatives which contribute the development of environmentally oriented production.
- Initiatives in international fora to give higher priority to efforts to improve conditions for workers and organised labour, and to abolish child labour.

- Initiatives within the ASEM framework in areas where Sweden has a long-term interest such as trade and investment, the environment, research and education, cultural co-operation as well as co-operation in issues relating to democracy and human rights.
- Deepening of the development co-operation with the countries of Asia in order to contribute to reduce poverty and to further strengthen bilateral ties. The emphasis should be on three areas: (i) support for reforms and the strengthening of institutions intended to pave the way for development of democracy, a market economy and sustainable growth, (ii) environmental co-operation and (iii) the deepening of mutual contacts in the areas of education, research, popular movements, culture and business.
- Deepening and broadening the knowledge of Asia in Sweden through the support for academic expertise on Asian matters, and for expanding research co-operation between Swedish universities and colleges and academic institutions in Asia.
- Strengthening the opportunities for Swedish students to study in Asia and for Swedish universities and other institutions to offer Asian students higher education in Sweden.
- Development of the contacts between popular movements and non-governmental organisations (NGOs) in Sweden and Asia.
- Development of cultural exchanges and cultural co-operation between institutions and individuals in Sweden and Asia.
- Initiatives to increase information activities through Swedish missions abroad in order to promote a better knowledge of Sweden in Asia.

2.5 Scope for action: bilaterally, within the EU and multilaterally

In all the above areas there is scope for Swedish action, whether bilaterally, through the EU, or multilaterally. The deciding factor is often how the matter is brought up, how the various channels are used and how alliances with like-minded countries are created. Sweden's membership of the EU means new opportunities for exercising influence and for working for joint action but also – as the common trade policy illustrates – restrictions which can only be overcome through long-term work within the Union. Where questions of central international

importance are concerned, the EU's collective actions can play a strategic role.

At the inter-regional level – Europe-Asia – a new foundation has been created for the establishment of relations on an equal basis through the creation in 1996 of ASEM (Asia-Europe Meeting), a forum for co-operation between the EU member countries and 10 countries in Asia (Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Japan, China and South Korea). As an EU member, Sweden is taking part in the work of bringing these two parts of the world closer together.

Through ASEM, relations between Europe and Asia can be developed further. Today these relations are far less extensive than those between the United States and Asia. In the ASEM framework a number of initiatives have already been taken. Trade and investment issues tend to dominate but co-operation has also been initiated in the fields of culture and the environment as well as in the area of research and academic exchanges. Jointly with France, Sweden has initiated a series of seminars on the subject of human rights and the rule of law in which all the ASEM member countries are taking part.

2.6 Closer bilateral relations

Sweden's bilateral relations with the countries of Asia are extensive. Historically these links go back much further than we usually imagine. The post-war period saw a tangible development of political, commercial and cultural relations, and not least relations resulting from Sweden's extensive programme of development co-operation. Tourism, the mass media and immigration have brought the countries of Asia and their cultures closer to Sweden than ever before. Thus a solid basis exists on which to broaden and deepen Sweden's bilateral relations with the countries and societies in Asia. In order to realise such an objective, Sweden requires a carefully considered long-term programme of action which embraces the following:

Political relations and dialogue on matters of multilateral and bilateral concern

Political relations have high priority in Sweden's efforts to forge closer

links with the countries of Asia. The Government and the Government Offices, the various authorities, Parliament, the political parties and the main interest organisations should all regard it important to learn to know the Asian countries better and to develop personal contacts there. A wider range of exchange visits stands out as an essential condition for co-operation founded on trust and greater mutual understanding. Such exchanges will provide opportunities for dialogue on matters judged to be most important in an international perspective as well as those of significance to the deepening of bilateral relations.

Trade and direct investment

Trade and direct investment in both directions are areas vital to Sweden's relations with the countries of Asia. It is very much in Sweden's interest that trade and investment continue to play a strongly dynamic role in our relations. An Asia which is enjoying economic growth and which is more receptive to free trade means much to Sweden's future long-term prosperity. Sweden will work actively, both through the EU and bilaterally, towards continued trade liberalisation in both directions.

Development co-operation

Development co-operation represents a significant dimension of Sweden's overall relations with Asia and it should remain so in the future. Not only because of the fact that the great majority of the world's poor are to be found in Asia but also because Asia offers opportunities to reach important results in the fight against poverty and to achieve sustainable development. In the future, mutual interest will play a more important role in Sweden's development co-operation.

Building institutions for democracy and development

When forging closer links with the countries of Asia it is natural to award high priority to the issue of institution building in such areas as democracy, human rights and reform processes. Reaction against violations of human rights is an essential part of the Swedish Strategy. At the same time emphasis is placed on the proactive pursuit of opportu-

nities for dialogue and co-operation which contribute to the emergence of more open and socially just societies.

Environmental co-operation

Perhaps the most serious dimension of what is happening in Asia, and the aspect that will affect us most in the longer term, is that concerning the environment. The Swedish Government will be initiating an integrated approach to environmental co-operation with Asia in a programme involving the Government Offices, authorities, the research community, environmental organisations, and the business sector, with emphasis on the export of environmental expertise and technology. Such an initiative will also be an important complement to the efforts to make Sweden an environmentally sustainable society.

Research and education

It is of major importance to Sweden's future relations with the countries of Asia that more extensive contacts are created in the area of education and research with the leading institutions in the region. Almost twenty thousand Swedish students study abroad each year but only one per cent of them choose to attend Asian universities. As part of Sweden's internationalisation, it is important to increase significantly the number of Swedish students seeking to study in Asia, and to expand the number of student exchanges at university level in both directions.

Contacts between popular movements

The popular movements and NGOs have an important role to play in the broadening and deepening of Sweden's contacts with the societies in Asia. Extensive relations have been created over the years, many of them between trade unions, largely in the framework of development co-operation. The process of change in Asia has resulted in a proliferation of NGOs. Globalisation also makes new demands on civil society. Contacts between popular movements, special interest organisations, schools, local authorities etc. can form a vital constituent of the relations, also with the developed countries and economies of the region.

Cultural co-operation

In order to form closer relationships with the countries in Asia it is essential to understand their culture, to see it from within. This presupposes the active participation of individuals in the cultural field as well as revised priorities and new initiatives on the part of the authorities and the business sector. It also means that institutions involved with cultural exchanges, such as the Swedish Institute and Sida, will need to devote more resources to Asia. One possibility could be to create a special “window” for cultural co-operation with Asia from which projects – both large and small – in various cultural areas could be given support. The important thing is to find ways to establish more decentralised and multi-faceted cultural contacts than those which exist at present.

Information and the promotion of Sweden

In order to bring about a rapprochement between Sweden and Asia it is important to create an interest in our country, in Swedish society and culture, in Swedish products and in Sweden as a tourist destination. This will make it easier to draw attention to those questions that Sweden regards as important. More resources will be needed to increase the information about Sweden in selected Asian countries

2.7 Bilateral strategies

A central element of the Swedish Asia Strategy are the bilateral strategies for each of the countries and economies of the region. How can existing bilateral relations, often already quite comprehensive, be deepened and extended? The preconditions vary widely from country to country. These country-specific strategies describe Sweden’s existing bilateral relations and suggest, in each case, ways in which these can be developed.

3 Perspective on Asia

3.1 Europe and Asia – equality restored

Europe and Asia historically form two power centres of world civilisation. There is evidence that the Roman emperor Marcus Aurelius, during the second century AD, sent emissaries to his Chinese counterpart. Trade between Europe and Asia has been taking place in some form since at least Roman times. Silk and spices dominated this trade, which linked Europe and Asia with the aid of the monsoon wind as well as through a chain of Central Asian intermediaries. Marco Polo's *Description of the World* (1293) replaced the myths with factual observations from a superior civilisation, the "Middle Kingdom". A new era began upon Vasco da Gama's discovery of the sea route to India. In 1498 he stepped ashore in Calicut on the west coast of India. A few more centuries were to pass before the notion of a predestined European expansion into Asia took shape in Europe's capital cities, but it was the voyages of the seafarers that gave birth to the idea of a world to be conquered.

The Europeans at first restricted their travels to the periphery of Asia. Their aim was to make money through trade. Scientific and technological developments in Europe were to change all this. The trading led to European colonisation and dominance through overwhelming military power. Not until our own time has equality started to be restored with colonies winning their independence, the development and spread of technology and Asia's new role in an increasingly integrated global economy. The mutual need to seek common solutions to global problems has created new natural conditions for equality between Europe and Asia. The recently initiated co-operation within the framework of ASEM (Asia-Europe Meeting) – is the logical expression of this restored equality.

3.2 Asia in the international economy

Just three or four decades ago, any discussion of Asia would have centred on the extreme poverty, on the hundreds of millions, in countries like India and Pakistan, who were living below the poverty line. Or on the threat posed by overpopulation. Japan, to be sure, was on the way to competing on equal terms with the western world, but then Japan was not regarded as being representative of the real Asia. The same applied to the Crown Colony of Hong Kong. The real Asia was imagined as consisting of developing countries together with Mao's China. South Korea's per capita income in the mid-1960s was only nine per cent of that for the United States (and less than Thailand's). The figure for Singapore was somewhat higher, 16 per cent of that for the United States, but there were still no grounds for talking of export-oriented "tiger" economies.

Over the period since 1965 we have seen a growing number of countries managing to cross the gulf which separates the world's most developed economies from those that are lagging far behind. Japan has played a leading role and has been likened to the lead goose in a flock made up of Hong Kong, Singapore, South Korea and Taiwan. But what has happened cannot simply be attributed to any single factor. Nor is it an inexplicable miracle. A number of examples had shown us that it was possible, over a long period, for economies in East and Southeast Asia to generate a rate of growth considerably higher than it was possible to achieve in countries already at a high level of development. It became possible to compete successfully as countries and as a region. Asia had an entirely new role to play in the world's economy – and in its destiny.

The world economy is no longer dominated entirely by the industrialised countries of Western Europe and North America. The economic successes of East and Southeast Asia have resulted in the growing importance of these regions in terms of the global economy. Since 1965 Asia's share of the world's Gross Domestic Product (GDP) has almost trebled. In 1980, Asia accounted for 16 per cent of the world's GDP. Fifteen years later this figure had risen to 27 per cent. This corresponds to almost the proportion represented by the NAFTA countries (28 per cent) and the countries of the EU (30 per cent). However, in spite of the fact that economic growth in Asia has far exceeded the growth rates of other regions over the last 25 years, growth rates have

varied greatly between individual countries and over different periods of time.

The economic development of Japan over the post-war period is noteworthy, not only because of the high growth rate but also because of the long duration of the period of growth – from 1950 until the onset of the first oil crisis. For two decades the Japanese economy grew at a rate of about 10 per cent a year. Incomes in Japan have since fallen as a result of structural problems, with the growth rate remaining at approximately one per cent during most of the 1990s, that is to say well below the average of the OECD countries, and actually falling in 1998. The Japanese economy is the world's second largest after that of the United States, representing about 18 per cent of total world production measured in nominal terms. However, if domestic purchasing power is taken into account, Japan's share reduces from 18 per cent to 8.3 per cent.

China's high growth during the 1980s and '90s has its roots in the "open door policy" with its comprehensive economic reforms introduced by Deng Xiaoping in 1978. From having been a country virtually closed to the outside world, China has progressively opened up to foreign trade and attracted an enormous amount of direct investment from abroad. The growth rate in China reached double figures in both the 1980s and '90s. The apparent significance of China in the context of the world economy depends on the criteria used. Based on direct conversion at current exchange rates, China today represents three per cent of the total world economy whereas, taking purchasing power into account, China's GDP represents 11.3 per cent of this total, which would make the Chinese economy the second largest in the world.

South Korea, Taiwan, Singapore and Hong Kong have been achieving high growth ever since the 1960s. Similarly, three of the ASEAN countries – Malaysia, Thailand and Indonesia – also stood out as growth economies up until 1997. Vietnam has also exhibited high growth during the 1990s although this growth has weakened since 1998. The Philippines are an exception to the successes of other ASEAN countries with a growth rate that has been low even if compared to the countries of South Asia.

South Asia, despite its enormous number of inhabitants – a good fifth of the world's total population – corresponds to only 1.5 per cent of world production measured by the usual GDP criteria. In 1991 India introduced a programme for the reform of the domestic economy.

This opened the way for greater internal competition and the liberalisation of foreign trade and direct investment. By the mid-1990s the growth rate had risen to almost seven per cent but the unstable domestic political situation since 1996 has meant a slowing of the reform process and thus of economic growth.

Trade

The geographical pattern of world trade has changed as a result of the high growth and export-oriented development model of the Asian economies. Economic development has been export-led and the economies are strongly oriented towards trade. Exports and imports represent a large proportion of GDP. In 1980, slightly more than 15 per cent of the world's exports originated from Asia. Fifteen years later this figure had risen to 28 per cent which is comparable with NAFTA's 16 per cent and the EU's 39 per cent of world exports. Japan is the world's third largest exporter with eight per cent of world exports. Hong Kong, South Korea, Taiwan and Singapore all produce a higher volume of exports than Sweden. China's exports have risen very markedly over this period from 0.9 per cent of the total world exports in 1980 to almost three per cent in 1995.

The first generation of so-called tiger economies (Singapore, South Korea, Taiwan and Hong Kong) initiated the transition to an export-oriented development strategy as early as the 1960s. China followed this lead towards the end of the 1970s, as did the Southeast Asian countries in the mid-1980s, while the process of liberalisation and reform did not begin in India until the early 1990s. It is, at the same time, important to emphasise that those countries which went over to a trade-oriented development strategy in the 1960s did not pursue a *laissez-faire* policy. The market interventions were, however, significantly more restricted in scope than in the case of economies with import substitution policies.

The Asian economies have also developed into significant players in terms of imports. The income generated by exports has made possible the import of capital goods and foreign technology which has then permeated the rest of the economy. Asia's share of the world's total imports of goods rose from 15 per cent in 1980 to a quarter only 15 years later. In the majority of economies, foreign trade has increased markedly as a result of the transition from import substitution policies

with high tariff walls and non-tariff trade barriers, controlled exchange rates and regulation of foreign direct investment - to a more export- and market-oriented regime.

In some cases, however, the liberalisation of trade has proceeded very slowly. Domestic production is in many cases protected by various forms of trade barriers. The level of tariffs has, in general, been reduced significantly in most of the region's markets, whereas several forms of non-tariff trade barriers remain. Several economies in Asia have also established export zones or other types of zones within a given country which offer special, advantageous rules for foreign trade, taxes, loans, foreign ownership, etc, while other economies are protected by trade barriers. An increase in foreign trade does not, therefore, necessarily mean that the domestic economy is exposed to foreign competition. China, which is displaying an extremely rapid increase in foreign trade, is in many respects a protected market and a large part of Chinese imports consists of inputs, especially to foreign companies.

Foreign direct investment

The flow of direct investment to rapidly growing economies has risen sharply during the 1990s. From previously having been concentrated principally on the industrialised countries of Europe and North America, a large part of this direct investment now goes to Asia. Through this foreign direct investment, these countries gain access not only to financial resources which allow for increased production, but also to technology transfer, know-how, increased trade, market expansion and more jobs, all of which impacts positively on economic development.

The inflow of direct investment to China was relatively modest until 1983 when there was a marked increase, with the result that China is now the world's second-largest recipient of foreign direct investment after the USA. China received roughly 33 per cent of the flow of foreign direct investment to developing countries in 1996. Figures for China must, however, be interpreted with great care, since some of the investments that are classified as foreign actually have their origin in China, but are channelled through Hong Kong in order to take advantage of the favourable conditions that are being offered to foreign investments. A large part of the foreign investment in China comes

from Chinese who are resident in Hong Kong, Singapore and Taiwan, where there is a wealthy and financially strong Chinese population who in many cases have family connections in China or else have good contacts in the country in some other form.

In spite of the size of the Japanese market, the inflow of foreign investment into Japan is relatively small. The inflow in the period from 1988–95 amounted to USD 228 billion. European multinational companies are the major investors in the Japanese market. Germany is the largest single investor and accounts for around half of European direct investment. In 1996 Hong Kong was the second largest investor. The inflow declined after 1992 as a result of low economic growth, coupled with the appreciation of the yen. An important factor that explains the low inflow compared with the outflow of direct investment is the country's high costs, especially for labour, real estate and distribution.

The economies of Southeast Asia – and especially Singapore, Malaysia, Thailand and Indonesia – have been very successful in attracting foreign investment. Direct investment was especially important in the ASEAN area between 1987 and 1993, but has since that time declined in favour of China.

Foreign direct investment in South Asia, on the other hand, has been marginal owing to factors such as an inflexible labour market, low levels of literacy and poor physical infrastructure with regard to transport, ports, energy and communications. In Sri Lanka, and to a certain extent in Bangladesh, political instability and institutional weaknesses continue to act as a barrier.

A large part of direct investment in Asia comes from other countries within the region. Over the past decade the Asian countries have developed into significant investors abroad. Predominant in this respect are Japan and Hong Kong. During the 1990s South Korea and Taiwan, among others, have begun to invest on a large scale outside Asia.

Research and development

The rapid developments that have occurred in the fields of research output and patenting are another scarcely acknowledged aspect of Asia's transformation. Developments have been especially dramatic in the fields of telecommunications, computers/data processing and biotechnology/ microbiology. But here, too, the process has been far from

uniform. There are great disparities between the different countries. Japan occupies the dominant position in these fields, but it is in Taiwan, Hong Kong, Singapore, and in South Korea especially, that the pace of development has been fastest in recent years.

The Asian crisis

As recently as spring 1997 there were few who could foresee that several of Asia's growth economies would, before that year's end, be associated with crisis rather than miracle. Just a few months before the crisis broke in Thailand in the summer of that year, many commentators were talking of continuing economic growth in the region. Even when the crisis became fact, there were very few who believed that it would be so deep, would spread to so many of the countries in Asia and would come to affect the whole of the world economy. The crisis has revealed many of the structural problems that rapid expansion had brought in its train, gradually decreasing competitiveness, speculative investment, weak financial systems and a lack of political ability to take timely action, partly because of the symbiosis between government and economic interests.

An important part of the explanation for the crisis lies in a lack of transparency and control – in banks, in balance sheets that did not show worthless assets correctly, in the corruption that influenced loan decisions, in the lack of effective bank inspections, in the symbiosis between different interests, in the lack of any insolvency institution to oversee the restructuring of unprofitable businesses, in the inability of the media to state openly that things were going wrong, in short in the lack of control and the failure to insist on responsible action. A group of economies with these shortcomings, combined with the mobility of capital in the global economy, adds up to risks that can only be tackled through a programme of reform.

The five countries most seriously affected by the crisis – Thailand, Malaysia, Indonesia, South Korea and the Philippines – have populations totalling some 400 million. These countries have suffered the most drastic fall in production and employment. Of these, Indonesia, with 200 million inhabitants, is incomparably the worst affected. The World Bank has stated in a report to the world's finance ministers that what started as a financial crisis has now developed into a political and social crisis.

The problems facing Japan differ appreciably from those facing the Southeast Asian economies and South Korea. It is almost ten years since the Japanese financial market bubble burst and resulted in the banking crisis that we see today. The effects of the free fall on the share and property markets were devastating for the banking sector which suddenly found itself facing bad debts of a magnitude that dwarfed those seen in the wake of the Swedish crash. Since the autumn of 1997, Japan has found itself in something of a psychological crisis. This stems from the inability of the Japanese political system to solve problems, uncertainty in the minds of individual Japanese as to how the government intends to manage the increasing costs of the steadily ageing population, rising unemployment and increasing uncertainty about job security now that Japanese companies are slowly beginning to change their employment policies. This crisis of confidence makes it difficult for the government to counter consumers' negative expectations about the future despite efforts to stimulate demand by introducing packages of measures of unprecedented proportions. With increased future uncertainties in mind, households continue to put more and more aside as savings. One consequence has been a dramatic fall in Japanese imports which, despite falling exports, has led to an increase in Japan's balance of payment surplus to a level never previously experienced.

The Chinese economy will not remain unaffected by trade developments in the region. There are few who believe that, in the years to come, China will be able to sustain the same rates of growth as in the '80s and '90s. But even a more modest growth rate may be difficult to achieve unless China is successful in solving the most acute problems. In China's case it is the relatively undeveloped financial sector with its debt-ridden banks that is likely to pose the most serious threat to the Chinese economy in the short term.

Several of the obstacles in the way of continuing economic growth in China stem from the problem of the loss-making state enterprises. For a long time these formed the very foundations of China's planned economy. With the advent of the new reforms, the non-state sector is providing increasingly tough competition for the state sector and it now dominates the economy. The state enterprises, however, continue to employ the greater part of the urban workforce. In order for China's economy to be capable of continuing development in the long term, the country needs to deepen the scope of these reforms and to

meet the daunting challenges it faces in the form of unemployment, population growth, environmental damage, rudimentary social safety net and wide disparity of income. How China manages the social conflicts that will inevitably arise from these problems will be a decisive factor in determining the country's continuing social and economic development.

The social consequences of the crisis

The economic crisis has revealed the vulnerability of large groups in society. Social capital, including the safety-net built into civil society, has in many countries been weakened by years of modernisation, urbanisation and restructuring. This weakening, easily concealed as long as economic growth rates were high, can have devastating consequences in times of crisis.

In the relatively rich countries, too, development of social security arrangements has been rudimentary. The impact of the crisis is therefore severely felt by the many "new poor". The long-term consequences of the crisis cannot yet be foreseen. It is clear that women and children are among those who will suffer most when public spending is cut back, children through reduced standards of nourishment and neglected schooling. More young girls than boys are being forced to leave school in order to cut down on family expenses and to help to provide for the family but both boys and girls are at risk. For example, more than a million Indonesian children have already had to leave school. Many women and children will be forced into begging and prostitution.

The groups that are likely to be hit hardest also include the migrant workers from Indonesia, Bangladesh, Burma and Cambodia who have been living more or less legally in countries such as Malaysia and Thailand. Forced expulsions of foreign guest workers are following in the wake of the crisis and hostility to foreigners, and to ethnic minorities, is increasing in several countries.

Possibilities for recovery

There are three challenges facing the countries hit by the crisis which have to be solved if growth is to return to the region:

- to implement structural reforms,
- to bring about a reversal of the international capital flows,

- to protect low income groups and ensure that they are able to participate in the recovery.

The need for reform is great and not only in the strictly economic sense. The crisis has created a new awareness of the importance of greater openness both in economies and in political systems. Legitimate institutions are a prerequisite for long-term stability. Therein lies the positive side of the crisis. It points unmistakably to the central importance of institutional development, both nationally and internationally.

The recovery will take time and the countries of the region will differ in the extent to which they will succeed in overcoming the challenges they face. Nothing indicates that the crisis will consign to history the successes that have been achieved in Asia. The fundamental preconditions for renewed growth are there. Given continued reform, the region's economies will have a growing role to play in the future of the global economy.

Even though the social effects of the crisis have become better understood, the extent of these effects is still not fully known. Statistics are often imperfect and the figures often differ between different sources. This makes it difficult to devise suitably focused remedial measures. In the absence of mechanisms for the monitoring and localisation of the most acute problems, there is a risk that scarce resources will not be used effectively and where they are most needed. It is essential to have access to reliable data in order to be able to understand the situation and to devise suitable measures to protect groups at risk.

Continuing dialogue and the exchange of knowledge, information and experience between the countries affected, aid donors, the general public and the international and regional organisations are essential if the growing social problems are to be solved. The social challenges are not new. Some of the problems already existed prior to the crisis even though they have become considerably more serious and more widespread over the last year. The crisis has brought these questions higher up the agenda for the countries concerned.

Even if the short-term measures to alleviate the effects of the Asian crisis are important, the long-term measures are of great significance. An important objective is to take social measures that will protect the poor in the short term and to develop a welfare system that can provide growth and stability in the long term.

A factor of decisive importance to recovery in the region is how the Japanese economy develops. If Japan is successful in reforming its banking and finance sector, stimulating domestic demand and deregulating its domestic market in order to make it more accessible to foreign producers, the prospects for recovery in the region will be considerably brighter.

A central question is how to restore confidence in the Japanese economy. Many observers believe that the single most important way to increase confidence in the economy is to show convincingly that a solution to the crisis in the financial sector is within reach. Increased confidence in the economy is an essential precondition if an increase in domestic demand is also to be brought about. Most observers agree that there is a significant number of structural obstacles making it difficult to achieve higher levels of growth even once Japan has emerged from the most acute phase of the crisis. Japan has suffered continuously from low growth during the whole of the 1990s and if the growth rate is to increase, reforms are needed in a whole series of areas. The need for reform has long been discussed in Japan but progress in implementation is very slow. In order to stimulate growth in the long term, comprehensive deregulation of the Japanese economy is required.

3.3 Poverty and powerlessness

Almost a billion (i.e. one third) of Asia's population live on the equivalent of less than one US dollar a day. They are living in absolute poverty. In spite of the major changes that have occurred in recent decades, nearly three-fifths of the world's poor therefore live in Asia. In some countries/economies – Hong Kong, Singapore and Taiwan – absolute poverty no longer exists, and it was on the way to being eliminated in 1995 – before the economic crisis began – in South Korea and Malaysia as well. In China, both the proportion and the number of people living on less than a dollar a day have fallen dramatically. In 1993 the proportion of people living on less than a dollar a day had dropped to 29 per cent. But 29 per cent still means over 300 million people. China therefore had considerably more poor people than the whole of Sub-Saharan Africa with its 219 million. The major difference is that in China the proportion has diminished substantially while in Africa it has remained constant (39 per cent). The majority of Asia's

poor – 520 million people – are found in South Asia, where 43 per cent continue to live in absolute poverty.

The degree of vulnerability that exists within a single country is illustrated by developments in Indonesia over the past year. In 1970, 60 per cent of the population were living on less than a dollar a day, while in 1990 it was 15 per cent. In 1997 the figure was only seven per cent, even though more than half of the population was still living on less than two US dollars a day. Today this positive development is being reversed. Many of those who had pulled themselves up above the one dollar a day level are falling back. According to the World Bank, the figure can probably be trebled, meaning that the number of people below the poverty line would increase from 15 to 40 million. Other estimates point to even more dramatic changes for the worse.

We have seen earlier how economic growth in large parts of Asia has been rapid over the period between 1960 and the onset of the crisis in 1997. Recent decades have been characterised by an improvement in living standards so rapid and so far reaching that it is probably without equal in history. In Asia we have, in the course of a few decades, witnessed the emergence of what could be termed a gigantic global lower middle class. But progress has varied very greatly between different regions. Thirty years ago the material living standards in South Asia were roughly the same as those in East Asia. By the mid-1990s, thanks to the spectacular development experienced in East Asia, the purchasing power-adjusted per capita income there (with the exception of China) was many times higher than in South Asia. The third major region, Southeast Asia, occupies an intermediate position.

Considered as a whole, the distribution of income in Asia is appreciably more uniform than in, for example, Africa or Latin America. The reasons for this include a more even distribution of land and a wide ranging investment in education. It appears, however, as if the course of development in a number of countries – such as China, Vietnam and Thailand – has been in the direction of increasing income differentials, not least regionally. In other countries, such as Malaysia and Indonesia, the gulf appears rather to have narrowed. Among Asian countries, however, Malaysia's distribution is one of the more unequal. In the large South Asian countries – India, Bangladesh and Pakistan – income differentials appear at times to have increased and at other times to have decreased.

So where in these countries and in their economies are the poor to

be found? The differences are striking between cities and rural areas, between ethnic groups and between women and men. Poverty exists principally in rural areas, in certain regions and among minorities, and among disempowered people living in chronic dependence. The differences are accentuated by limited access to education and health care.

The situation of women

A marked lack of equality between the women and men exists in all the countries of Asia. In Asia – as in the world at large – men enjoy better education and higher incomes than women do. Discrimination against women with regard to educational opportunities and health care is appreciably less marked in East and Southeast Asia than in developing countries as a whole. The opposite is the case, however, in South Asia where women are amongst the most underprivileged in the world. An extreme expression of the oppression of women in South Asia is that the infant mortality is higher for girls than it is for boys (this also applies to the foetal stage). While there are 106 women per 100 men elsewhere in the world, in South Asia there are only 94 women per 100 men. Right from birth, women in South Asia are treated most unfairly with regard to fundamental rights such as food, health care and education.

In China, too, there is discrimination against women, primarily in the form of the selective abortion of female foetuses. According to data from 1994, 116 boys were born for every 100 girls. Corresponding figures on a global level were 106 boys for every 100 girls.

Working conditions and child labour

Most of the population of Asia still live in rural areas and are employed in farming or farming-related occupations. The rise of employment in manufacturing industry and the service sector has been rapid in many countries. One particular problem relates to child labour which, in many parts of the countries in the region, mainly in parts of South Asia, is both wide-ranging and extreme. Debt slavery, unhealthy work, and prostitution involve even the very young. The area of child labour that has attracted most attention is that concerned with exports (the textile industry, carpet weaving, and sports goods). Most widespread,

however, is child labour in the local economy (especially in farming and the informal sector).

Migration

The major migration flows in Asia today are taking place within individual countries: from villages to towns and from small towns to larger cities. Of all the population movements seen in the 1990s, the largest of all are probably the vast migrations that have taken place in China where many tens of millions of seasonal workers have abandoned the relatively poor provinces of the interior for the economically dynamic coastal regions and major cities. Even though the great majority of Asia's inhabitants still live in villages, all the indications are that the degree of urbanisation will exceed 50 per cent before the year 2025. Although internal migration has been a marked feature of recent decades, migration to other countries in the region and in the Middle East has also been extensive. Money remitted by the migrant workers represents an important contribution to the foreign exchange income of many Asian countries.

Education

In East Asia – as in Sweden in the 19th century – a massive investment in promoting basic reading and writing skills for all preceded the industrialisation and rapid economic growth. For example, as early as 1960, at a time when South Korea's war-torn economy still lay in ruins, approximately 95 per cent of all children attended primary school. Over recent decades we can see how education and economic development go hand in hand; investment in education promotes economic growth and the resultant increase in resources then makes it possible to invest more and more per pupil. With regard to the level of education, as in many other respects, South Asia departs from the pattern in East Asia. In the beginning of the 1990s literacy among adults was about 80 per cent in East and Southeast Asia. In South Asia 51 per cent of adults were still illiterate, a figure comparable, for example, with the 43 per cent illiteracy level in Sub-Saharan Africa. The proportion of adults who remain illiterate in South Asia has fallen but this fall has been slower than in any other region of the world. Teacher density in South Asia is by far the lowest in the world.

In primary schools in South Asia there are on average 60 pupils per teacher. The proportion who leave school before completing primary school is also the highest in the world: 41 per cent never complete this stage of their education. With regard to higher education, too, South Asia lags behind. The proportion of pupils in each year's intake who follow on from secondary into higher education is 25-30 per cent of that in, for example, Southeast Asia. Not the least striking aspect is the way in which South Asia's educational system discriminates against women. Over 40 per cent of the world's illiterate women live in South Asia. In Pakistan only one woman in four is able to read. Only 33 per cent of girls in South Asia enter secondary school against 52 per cent for boys. The gulf between the two is even wider in higher education.

Health

The increase of about twenty years in average life expectancy that has been recorded in Asia since 1960 is to a great extent a consequence of the dramatic reduction in infant mortality which has taken place in all regions. The rate of reduction of excessive mortality in higher age groups has been considerably slower. There are, however, very wide differences. The average life expectancy in Asia varies from under 55 years (Bhutan, Cambodia, Laos and Nepal) to over 79 years (Japan and Hong Kong). In Japan, Singapore, South Korea, Malaysia, Sri Lanka and Hong Kong, the infant mortality rate is below 15 per 1,000 live births (the average for the industrialised countries is 13) while the corresponding figures for countries such as Cambodia, Laos, Afghanistan, Pakistan and Bangladesh are over 90. The discrimination against women which characterises all Asian countries (and elsewhere in the world), but which is especially marked in South Asia, has resulted in a whole range of adverse effects, not only for the women themselves but also from the point of view of economic growth and, not least importantly, from the point of view of childcare and the children's chances of reaching adulthood. As an example of the beneficial effects of women's education, it is noteworthy that the mortality level in children under the age of five born to educated mothers is half of that of children whose mothers lack education. In the field of health and gender equality, reproductive health and reproductive rights are of great importance.

The rapidly deteriorating environmental situation with, for exam-

ple, increasing levels of air pollution and a shortage of fresh water poses a growing health problem over the whole of the region.

HIV/AIDS

Of the estimated figure of 30 million or more people world-wide that are either HIV-positive or suffering from AIDS, almost a quarter are to be found in Asia. India is the country which is believed to have the largest number of people infected by HIV; the sheer size of the country means that even though only one half of one per cent of the population is currently estimated to be infected, the number of infected individuals could amount to some five million. The HIV/AIDS epidemic reached Asia some time after it began to spread in Africa, the continent that now has the greatest proportion of infected individuals. Only a very small proportion of the population of Asia has been tested for HIV and there is much uncertainty as to the extent of the epidemic. Several studies indicate that the spread of infection in certain regions and groups in Asia is currently very rapid. Examples include drug addicts in China who use needles to inject, and prostitutes in a range of countries including India, Cambodia, Burma and China. All the forecasts suggest that HIV/AIDS will develop into a very far-reaching health problem in many of the countries of Asia. There are, however, some encouraging signs. In Thailand, where even at an early stage there was a high level of awareness of the means of transmission and of the dangers associated with infection, the number of new cases has fallen in recent years. The free issue of condoms and massive information campaigns to foster awareness among the general public, and especially among groups exposed to particular risk (prostitutes, military recruits and others), have yielded very positive results and, as a consequence, Thailand is often cited as a good example in the global fight against HIV infection and AIDS.

Sweden is one of the largest contributors to UNAIDS which is deeply involved with the AIDS problem in Asia.

3.4 The environment and natural resources

In the wake of the vigorous economic growth of recent decades, problems relating to the environment and natural resources have increased

rapidly. At the same time as incomes have risen and the number of poor people has fallen, Asia has developed into one of the world's most polluted and environmentally damaged regions even though wide regional differences exist. Environmental degradation has taken on such proportions that it is having global effects. The environmental issue is urgent because the degradation is progressing so rapidly and because there are no real signs of an improvement. Environmental problems carry low priority in many countries even though they now have reached levels which involve high costs to society in the form of productivity losses, health problems, loss of biodiversity and increased susceptibility to natural disasters.

Economic development is not sustainable unless the environment is also taken into account. The link between economic, social and ecological aspects must be given more prominence in the policy of the developing countries. Estimates by the Asian Development Bank show that the costs related to environmental degradation vary from one to nine per cent of GDP annually for the Asian countries. If measures are not taken soon, the costs will be very high and the damage to the environment in many cases irreparable.

The current situation

Environmental problems vary in both nature and extent from one part of Asia to another depending on the geographic location, population density, degree of development and availability of natural resources. Generally speaking, six basic factors can be singled out as being typical for the majority of countries in Asia and as contributing to the seriousness of the environmental situation:

- Rapid economic growth
- High population growth and population density
- Deficiencies in legislation, environmental policy and institutional capacity
- Mismanagement of resources
- Poverty and
- Urbanisation

The situation is most serious in and South Asia and in the cities of Eastern China. But environmental degradation does not recognise national borders. The problems spread throughout the region by water-

borne and airborne pollution. For example Japan is affected by the growing environmental problems in China despite the fact that it has succeeded in reducing its own emissions from previously very high levels. High volumes of acid rain from coal burning in China affect South Korea and Taiwan.

According to a study by the Asian Development Bank (1997), the region's decision-makers consider the most serious environmental problems to be water pollution and insufficient access to fresh water, air pollution and deforestation, management of solid waste and soil erosion. This is largely in agreement with a report issued by the UN's environmental programme UNEP which lists the most serious environmental problems as soil destruction, deforestation, insufficient access to fresh water and water pollution together with the degradation of marine and coastal areas.

Air pollution gives rise to serious health problems. In ten of Asia's eleven megacities, particulate pollution exceeds the WHO limits. Coal burning constitutes a major source of air pollution. The region accounts for 40 per cent of the world's coal consumption. First and foremost, coal-fired power stations are a major problem in China and India in particular, where coal accounts for over 70 per cent of energy consumption. According to estimates of the World Bank 66,000 persons die each year as a result of air pollution in China.

Greenhouse gas emissions represent a serious threat to the climate both locally and globally.

Water pollution is one of the most acute environmental problems. A considerably smaller proportion of Asia's population has access to acceptable drinking water than in other regions with the exception of Africa. The situation is worst of all in Southeast and South Asia.

Marine water quality and the marine production base are deteriorating rapidly. This ecosystem destruction means that the basis for the utilisation of fish and other marine resources is disappearing.

Deforestation is a serious problem in Asia. Because of legal and illegal logging, tree felling for firewood, dam and road construction and forest fires, Asia's forests have halved in size over the past thirty years. At current rates of felling, reserves would only last for a further 35 years.

Asia has the smallest proportion of cultivable land per inhabitant in the world. Soil destruction reduces the already sparse availability of land for farming.

About 40 per cent of the world's animal and plant species and two-thirds of the world's coral reefs are found in Asia. Many Asian countries have lost between 70 and 90 per cent of their natural environments as a result of deforestation, soil destruction and water pollution. Many animal species are at risk of extinction.

Major dam construction projects often have environmental and social consequences.

The growth of urban areas is very rapid in Asia compared with other regions. In the year 2020 it is calculated that over half of Asia's population will live in urban areas, compared with 35 per cent in 1995. Thirteen of the world's fifteen most polluted cities are found in Asia.

Environmental protection, for example through legislation, technology development and information, has not kept pace as well as would have been possible at a lower rate of development. At the same time, Asia is characterised by high population density with all the stresses that entails. In many countries the strategy has been "growth now, clean up later".

How can the negative trend be halted?

Awareness of environmental problems has increased in many countries in Asia. A certain amount of progress has been made in the past fifteen years in managing various environmental problems (through legislation and specific action programmes) and efforts have been made to follow up recommendations and agreements from the Rio Conference. There are environment ministries in many countries although many of them need to be strengthened. Specific action programmes have been developed, amongst other things to reduce air pollution, improve water quality and water supply, protect biodiversity, reduce deforestation and soil destruction. There are problems as regards implementation, however. Much has been done on paper, through legislation and environmental programmes, but there are shortcomings as regards implementation due to causes including a lack of political will. Governments are still slow to put the question on the current political agenda. There is nothing to indicate any noticeable improvement.

Crucial to the handling of environmental problems is the way in which their underlying causes are tackled. Weak institutions are one of the main problems. These institutions need to be strengthened if the present trend is to be reversed. In many cases where environmental

legislation has been introduced, it has been ineffective and poorly implemented. There has not been the institutional capacity needed to give effect to environmental legislation. It is also necessary to increase the use of financial incentives that promote clean production which is economical in its use of resources. By putting a price on negative environmental effects, consumption and production can be steered away from technologies and products, which involve adverse effects on the environment. Property rights must also be defined more clearly. Poorly defined property rights where natural resources are concerned are in many cases a determining reason to short-term thinking and mismanagement of resources.

Reforms in the form of institutional improvements, greater transparency and the elimination of corruption are necessary if an environmental policy is to be implemented effectively. More democratic systems and openness also mean more opportunities for local opinion to make itself heard.

NGOs and regional co-operation

The environmental movement in Asia has an important role to play in influencing public opinion. Non-governmental organisations have sprung up, especially since the mid-1970s. In many countries there is now a broad spectrum of groups, including both groups concerned with broad environmental questions covering the region and others focusing on specific issues. They work through investigative journalism, political lobbying, campaigns, scientific research etc. These groups have an important role to play in alerting public opinion.

Because many environmental problems know no national borders, regional co-operation is important. Joint efforts are necessary. During the 1990s there was an increase in regional co-operation on environmental matters. Regional initiatives, networks and programmes were developed focusing on special environmental problems such as soil destruction, forests, biodiversity, education, exchange of information and climate change.

ASEAN in 1994 issued a declaration intended to form the basis for future co-operation on environmental matters within the region. Several joint environmental programmes have been launched and regular meetings take place between environment ministries at both ministerial and official levels.

3.5 Democracy, human rights and gender equality

The development of democracy in Asia

Democracy took over in Europe at the start of this century and has survived the assaults of Nazism, Fascism and Communism. In the wake of the Second World War the European overseas colonies won independence. An intensive period of political development was initiated involving both advances in democracy and some serious setbacks. The fall of the three South European dictatorships in the mid-70s can be designated as the beginning of a third wave of democratisation. It gained pace in the 1980s with the democratisation of virtually the whole of Latin America, culminated in the collapse of the Soviet Union from 1989 and it has also affected Asia. Even though the development of democracy in China is less rapid, there is no doubt that the last ten years have seen considerable progress in such areas as openness, human rights and democracy. The consolidation of democracy in countries such as the Philippines, South Korea and Thailand, the democratisation of Taiwan and the developments in Indonesia following the fall of Suharto all represent important expressions of this process.

A fundamental question to be answered is therefore what is required, with regard to the development of norms and institutions, to strengthen and consolidate the third wave so that a counter-wave, which could be more serious than sporadic setbacks, can be avoided. This question becomes particularly important when it is borne in mind that a large number of the hundred or so countries which today can be described in some sense as democracies are extremely fragile, with poorly developed democratic cultures and governments with weak legitimacy and a limited basis for bringing about tangible improvements in people's material conditions. A number of well-informed and respected observers have with good reason warned against the expectations of rapid results in new democracies. Democracy requires time for the development of common value systems and institutions.

Asia is fundamentally too large and heterogeneous for it to be reasonable to generalise about the state of its democracy. Historically there are very widely differing political cultures and the colonial period had a different impacts on respectively the Indian subcontinent, Indochina, Indonesia, the Philippines and Hong Kong. The development of democracy in Asia has been described as slower than in the rest of the world with the exception of the Middle East. The "softly authoritarian

development state” exemplified by South Korea dominated the picture. However, this assessment underestimates the significance of what has happened since the end of the 1980s. At the same time it would be entirely wrong for several reasons to reduce the development of democracy in Asia to a question of what has happened in recent years.

It has been of great historical significance that India and Sri Lanka have remained democracies with competition for political power in free elections and with relatively free media and freedom of organisation despite severe strains in the form of states of emergency, regional antagonisms and internal conflict. The situation in Pakistan developed differently, with power held for long periods by the military, but today Pakistan too is a democracy, albeit a democracy in great need of consolidation. Over the coming decade it will probably be subject to very severe strains. Bangladesh, which was born out of East Pakistan in 1971, began the period of democratisation with the 1991 elections. This was followed in 1996 by what are regarded as being the freest elections in the country’s history. It is indeed a paradox that South Asia represents the most democratised part of Asia while being at the same time by far the weakest part with regard to putting social and economic rights into practice. After half a century of independence, South Asia is the world’s most illiterate continent. This fact is to a large extent responsible for the current vicious circle which must be broken if the countries are to be able to realise their potential for development and to deepen their democracy. Sri Lanka, where the level of literacy is very high, might have been able to show the way but the ethnic antagonisms and the rivalries within the Singhalese elite have proved insurmountable.

It has been of great significance for development in Asia that it has proved possible for a democratic Japan – albeit dominated by a single party for decades – to be built on the ruins of the former military power that made common cause with European fascism during the Second World War.

Most of the countries in East and Southeast Asia which gained independence after the Second World War – South Korea, the Philippines, Indonesia, Burma, Singapore and Malaysia – began their independence with experiments in democracy. At that time none of these countries developed into a smoothly functioning democracy.

The turning point occurred in the 1980s. First, the Philippines returned to democracy after the fall of President Marcos in 1986. South

Korea's second, and successful, period of democratisation began in 1987 when growing civil resistance forced the military government to introduce a transitional process in the form of constitutional changes and direct presidential elections. In 1992 a former critic of the regime won the presidential election, and in December 1997 the opposition candidate Kim Dae-Jung was elected president in an election which has to be regarded as a confirmation that democracy now has gained a firm foothold in South Korea. Thailand's development towards consolidated democracy began with the 1988 elections. The process was interrupted in 1991 by a military coup but a democratically elected government returned only a year later. At the same time as the country was in the midst of the deep economic crisis that began in July 1997, a new constitution was adopted which was the result of an open process in which civil society played a key role. Taiwan began its process of democratisation in 1986 after decades of anti-Communist but authoritarian rule. The political systems of Malaysia and Singapore have developed in partly differing directions. The institutional requirements for fully-fledged democracy are met in both countries. However, there are de facto limitations with regard to real opportunities to compete for political power. Indonesia, while currently experiencing what is by far its deepest economic and social crisis, is in a dynamic stage of organisational formation and open debate. There is a real possibility that Indonesia, the country with the fourth largest population in the world, is moving towards democracy in spite of numerous factors of uncertainty.

Mongolia has, following the fall of the Soviet Union, been transformed into a democracy, albeit one in need of institutional development.

Burma seemed for a period to be on the way towards democracy. However, Aung San Suu Kyi and her front, The National League for Democracy (NLD), were denied the right to assume power after their victory in the 1990 parliamentary elections. Instead we have witnessed a decade of military rule with continued serious violations of fundamental liberties and human rights. The last fifty years in the history of Cambodia contain far too many unique elements for it to be possible to fit the country into the patterns discussed above. When the country in 1993 held elections organised by UNTAC in the UN's largest-ever single operation, Cambodia had no previous experience of democratic elections. The fact that the elections, which were boycotted and sabo-

taged by the Khmer Rouge, could be held represented progress. In 1998 a second election was held, this time under Cambodia's own control. There was considerable instability preceding the election but in spite of this the election resulted in a renewed coalition. The main question now is whether the new government will be able to grasp this opportunity to build democratic institutions.

China is perhaps the country in which, more than anywhere else in the world, people's living conditions have changed most radically over the past twenty years. From the collectivist chaos of the Cultural Revolution, a nation has emerged which, since the start of the process of reform in 1978 and with the help of the market, the private sector and foreign direct investment, has been aiming for high economic growth. Much the same development has in part taken place in Vietnam and Laos which saw the need as long ago as 1979 to experiment with new economic incentives, and in the mid-1980s launched reforms which have led to the phasing-out of the planned economy.

What is special about these three countries (China, Vietnam, Laos), which are very different from each other, is that the extensive reforms have been implemented by Communist parties, which at the same time are firmly resolved to continue to direct the development of the countries. The parties claim, that they alone can guarantee the stability required for the modernisation. At the same time, the parties are aware that certain political reforms are necessary. The process of reform, it is emphasised, also has a political dimension.

Could it be said, then, that some kind of democratisation is taking place in these countries? At an institutional level, administration, legislation, banking, the media, organisational systems etc. are being developed and societies are becoming more open. Tensions are constantly arising between the party and the forces of social change. To maintain control, the party must permit greater scope for this emerging vitality, otherwise internal political pressure will build up. However, the fact that the countries are prepared to allow liberalisation in certain areas, without at the same time having democratisation as an objective, does not mean that continuous development in this direction can be expected. Demands for democratisation will occasionally be met with official measures to preserve the system. In the long term, however, the process of change itself will result in continued reforms.

North Korea has remained a closed totalitarian society.

Human rights

Respect for human rights has on the whole improved in Asia over the last ten years. However, a great deal remains to be done before all people in the various Asian countries have full access to even the most basic rights. The situation varies greatly between different countries. A number of countries have come a long way in several areas, while the situation in other countries – especially in Burma and North Korea – remains very serious and shows no signs of improvement. Several Asian countries are showing increasing interest in discussing human rights issues in a dialogue with Sweden and other EU countries.

The ratification situation with regard to the UN's six major international human rights instruments is on the whole weak, with the exception of the Convention on the Elimination of All Forms of Discrimination against Women, where virtually all the countries which are the object of this strategy have ratified, and the Convention on the Rights of the Child, which has been ratified by all countries concerned. Only approximately half the countries are signatories to the 1966 Covenants on Economic, Social and Cultural Rights and on Civil and Political Rights. Two-thirds have ratified the Convention on the Elimination of All Forms of Racial Discrimination, while only one-third has ratified the Convention against Torture.

The emergence of a strong civil society has shown itself to be of great significance for improved respect of human rights. In many countries in the region there are at present NGOs and individual academics who are carrying this process forward. Regional networks of NGOs, which work for human rights, have also started to emerge. There is a great need for strong, popularly based organisations.

Some Asian leaders have at times emphasised the concept of "Asian values", which has been regarded as an attempt to undermine the general validity of human rights. However, the trends towards a common Asian position have appreciably weakened in recent years due in part to the Asian economic crisis, which has highlighted the inherent weaknesses in the "Asian model". The universality of rights is recognised while at the same time some countries emphasise the uniqueness of national culture.

Developments in the wake of the Asian crisis appear to have led to a more profound discussion in the region concerning the significance of openness and credible institutions as preconditions for lasting and

durable economic and social development. Therein lies a course of development offering new possibilities for dialogue on questions of reform relating to democracy and human rights.

The current situation in Asia

The right to life and prohibition of torture

Injustices in the form of unlawful, summary or arbitrary executions and disappearances occur in several countries, often in connection with armed conflict.

Death penalty exists and is applied in most Asian countries, e.g. in China, Vietnam, Japan, North Korea and Burma. In China, where more than 3,000 are sentenced to death each year, the legal procedure has shown significant deficiencies, i.a. with regard to the possibility of appealing against a death sentence to a higher authority.

There is no internationally binding general prohibition of the death sentence but international law indicates clear limits on its application, as well as requirements for guarantees of rights. No Asian country has yet ratified the Second Additional Protocol to the International Covenant on Civil and Political Rights on the Prohibition of the Death Penalty.

The use of torture has been reported from several countries including North Korea, Pakistan, China and Cambodia. The prohibition of torture is regarded generally as constituting legally binding international law (*jus cogens*) and few countries today openly acknowledge the use of torture. Nevertheless, only seven of the countries in the region have ratified the UN Convention against Torture.

Legal systems

In several Asian countries there are significant deficiencies with regard to an effective legal system with guarantees of legal rights in the form of properly conducted courts, impartial judges and a humane prison system. People are arrested and held in custody without trial and sentencing, prison conditions are often harsh and people held in prison are subjected to injustices, maltreatment and torture. A major problem in most countries is corruption in the police and court systems, with the consequence that legal systems which work on paper, with

well trained judges and well formulated laws, are not applied in practice. Closely linked to corruption is the extensive use of impunity, where local and national authorities disregard reports of injustices and violations of human rights, and choose not to investigate crimes claimed to have been committed. An effective legal system provides a basic protection of human rights by virtue of giving individuals the opportunity to report injustices and assert their rights through a judicial ruling.

In several Asian countries there are wide discrepancies between formal rights and people's actual opportunities for asserting their rights. The marginalised Indian peasant often finds it difficult to have his case examined when up against interests with influence or strong financial backing. Developments during the autumn of 1998 have highlighted the deficiencies in the Malaysian legal system. Even a democracy like Japan has been criticised for harsh prison conditions and the obtaining of confessions under duress by physical and psychological means.

Rights which strengthen democracy

Rights which strengthen democracy, including freedom of expression, freedom of association and universal suffrage, have been enshrined in the constitutions of most countries. In spite of this, there are major deficiencies in several countries. Freedom of expression guaranteed in the constitution, with free and independent media and with the right of political parties and other politically active groupings to act freely, represents an important means of preventing abuse of power and corruption in its various manifestations. The spread of religious fundamentalism may lead to restrictions on freedom of expression with regard both to the religious message and to criticism of the religion itself, or blasphemy. The proposal of the Pakistani government to introduce sharia laws has aroused such apprehensions.

Guarantees of labour rights

The discussion about working conditions and child labour is especially pertinent to Asia. In many countries working conditions are significantly worse than those permitted in the ILO standard, with long working hours, utilisation of children in industrial work and restrictions on union activity etc. The trade unions have an important task to perform in defending workers' rights. It is therefore of great concern

that trade union membership is low in many quarters. Guarantees of labour rights are weak in many countries. Because of the financial crisis, the situation has also deteriorated in several countries which in the past have respected basic labour rights and freedom of association. International labour organisations and the ILO have drawn attention to the fact that the opportunities for trade unions to take action have been restricted in a number of countries. Many poor workers live in harsh conditions, often dependent on, and therefore at the mercy of, their employers.

Attention has in many cases been drawn to working conditions in the factories of multinational corporations in recent years. Consumer boycotts have led to some improvements. The same or worse conditions prevail in domestic factories, where the situation has changed very little. The situation for women and girls who work in homes is also highly exposed, with several reports of injustices. There is a de facto lack of legislation to protect these people who come from the lowest and poorest social groups in most countries in the region. In recent times various NGOs, as well as both the UN and the ILO, have drawn attention in particular to the widespread practice of forced labour in Burma.

The right to education

The right to education is respected to a varying extent in the countries of Asia. While the literacy rate is nearly 100 per cent in Japan and South Korea, it is less than 50 per cent in Pakistan and Bangladesh. The government has responsibility for gradually implementing the right to education by fully utilising its available resources. The fact that the right to education has not been fully implemented can be partly explained by shortage of resources but is often due to the political setting of priorities. Resources are allocated to other sectors such as the defence industry. A significant problem in all three regions is the discrimination against girls as well as against various minority groups.

The prospects for women of enjoying human rights

In order to realise gender equality – equal rights for men and women – the member states of the UN in 1979 adopted a special Convention on the Elimination of All Forms of Discrimination Against Women

(the Women's Convention, CEDAW). All the countries in the region, that are object of this strategy, except Brunei and North Korea, are parties to this Convention. However, many countries have made such far-reaching reservations to the Convention that other countries have objected and have claimed that these reservations are contrary to the purpose and spirit of the Convention. The Women's Committee, whose terms of reference give it mandate to review states' compliance with the Convention, has on several occasions urged the states to withdraw these reservations. An example of inadequate respect for human rights is the unwillingness or inability of some countries to tackle the extensive trade in girls and young women.

The rights of the child

All the countries in the region are parties to the Convention on the Rights of the Child. The Convention embraces both economic, social and cultural rights as well as civil and political rights. Viewed in relation to the low level of ratification of the two main UN Covenants from 1966, this means that children in Asia – in theory – enjoy significantly better protection than adults. However, this is not the case in practice. The Convention contains undertakings, for example, on children's participation, their right to have their voice heard and their training in democratic thinking at school (Article 12). While most measures of children's and young people's health and education show clear improvements over recent decades, it appears that child labour in Asia has increased in extent. Not least in countries such as Pakistan, Nepal and India, child labour under conditions almost amounting to slavery has reached major proportions. Only a very small proportion of the total volume of child labour relates to the export industry even though this is the area that has attracted most international attention. In fact most child labour takes place in the agricultural, domestic work and informal sectors.

Important work is being done internationally in order to eliminate the sexual exploitation of children for commercial purposes. In 1996 Sweden hosted the World Congress against the Commercial Exploitation of Children and this is being followed up in international fora including ASEM.

Ethnic and religious minorities

Protection for ethnic and religious minorities is also disregarded in many Asian countries. The persecution of minority groups in countries such as Bangladesh, Bhutan, Burma and China has led to floods of refugees. Opportunities for practising religion have been improved in China and Vietnam but there is no freedom of religion. The economic crisis may exacerbate latent ethnic antagonisms, as has happened in Indonesia.

3.6 Security and integration

The conflicts in East and Southeast Asia have dominated security images of Asia in the post-war period. With the Cold War, East and Southeast Asia entered a period of destructive internal antagonisms. Some of the deepest lines of division in the Cold War ran through Asia. The Korean War (1950-53), triggered by the attempt of North Korea to seize control of the whole of Korea, set the stage and led to the United States' involvement in the region which thereafter characterised United States' Asian policy. The cornerstones of the subsequent United States' presence came to consist of the security agreement with Japan, an extensive US military presence in South Korea, the defence of Taiwan and close links with a number of other countries in the region. In 1964 the United States sent combat troops to Vietnam – 2.5 million before the withdrawal took effect a decade later. Troops from the United States' allies in the region (the Philippines, South Korea, Taiwan and Thailand) were also engaged on its side in the war in Indochina. Southeast Asia was divided. The entry of Vietnam into Cambodia at the end of 1978 and the beginning of 1979 created deep new antagonisms which were to mark the security situation in the region for more than a decade. In South Asia the partition of British India in 1947 created a deadlock over Kashmir which has led to three wars, the most recent in 1971.

The picture changed from the start of the 1980s when relations between the Soviet Union and China were normalised and other firmly established structures began to be dismantled. In 1989 Vietnam withdrew its troops from Cambodia and, following the disbanding of the Soviet Union, Vietnam was transformed within the course of a few years from being a COMECON member to being a member of ASEAN.

The Prime Minister of Thailand in 1988 launched the idea of transforming Indochina “from a battlefield to a market place”. Dreams of rapid economic growth united the countries in the region. North Korea found itself increasingly isolated as Russia and China gave priority to the development of relations with the commercially important South Korea. The security situation in East and Southeast Asia improved appreciably.

In South Asia the Kashmir conflict deepened as a result of the guerrilla activity which began in 1989. The conflict situation between India and Pakistan has in many ways left its mark on the whole region.

A critical issue for the future is how the important actors of Asian security policy – the United States, China, Japan and Russia – manage to develop their dialogue on matters of security. An important new factor in such a dialogue is the development of nuclear weapons in South Asia and India’s growing claim to recognition as a major player in the region’s security policy. The balance of power in the region continues to be based on the presence of the United States and the expectation that this will be maintained. In a long-term perspective the development of the relations between China and Japan is likely to be the most important security policy issue in the region. Russia’s new ‘Ostpolitik’, resulting in improved relations with both China and Japan, has contributed to increasing stability.

The uncertainty over security policy in the region is reflected in the modernisation of the armed forces that has taken place during the 1990s. There is a wish to maintain a balance in relation to those countries that embark on rearmament and modernisation of the armed forces, as in the case of China. It is found, however, that this process is dependent on good economic growth which generates resources. The fact that the countries in the region are affected to differing degrees and at different times by the economic crisis may mean that relative strengths will change and consequently imply potential tension. China is the country in the region whose armed forces are undergoing the most rapid changes. Despite this, the gulf in relation to the United States is widening. The launching of a new medium-range rocket by North Korea in August 1998 illustrates the uncertainty in every military strategic assessment. The launching of this rocket has created fresh strategic tension in the western Pacific.

Illustrative of the security situation in the region is the fact that the formation of the ASEAN Regional Forum (ARF), as the first seed of a

security mechanism for the region, only took place as recently as 1994. The organisation, which represents the region's first attempt to create an instrument for regional security, comprises more than 20 countries in addition to the EU, including the region's most important players in the security field, namely the United States, China and Japan. Russia and India are also members. Some results have already been achieved at the level of confidence-building dialogue. Uncertainty over the future balance of power in the region following the Cold War was the main reason why the organisation came into existence. An important objective for the ASEAN countries was to engage China in a dialogue on the future security policy of the region.

Continued integration of the economies may be expected to raise the threshold for conflict. The fact that the region is experiencing a crisis and a process of profound change is also bound to entail changes in patterns of interaction and in the regional balance of power. This in turn introduces a new element of uncertainty. The development of nuclear weapons in South Asia, while not entirely surprising, serves to underline the constant risk of changes for the worse even at a time when there is so much to be gained from expanded co-operation and integration.

The end of the Cold War has had different effects on the balance of power in East, South and Southeast Asia, depending on how great the presence of, or confrontation between, the superpowers has been and the relationship between the major regional powers in the area concerned.

Southeast Asia

In Southeast Asia the period after the Cold War has meant an appreciably reduced Russian presence. When the United States was forced to leave the Clark and Subic Bay bases in the Philippines at the beginning of the 1990s, the overall American presence in the area was reduced. The United States, however, retains a regional military presence in South Korea and in Japan and through new military facilities in Singapore. During 1988 the United States also entered into a new collaborative agreement with the Philippines. The importance of the influence the United States wields on security policy remains great. The growing economic and military strength of China has affected both the security situation and the balance of power in the region. In

general the countries in the region seek to maintain good relations with China for this reason.

International co-operation in Southeast Asia in many respects has been strengthened during the 1990s through the expansion of membership of and co-operation within ASEAN. Moreover, the advent of the ARF has contributed to the stability of the security situation in the region. The Asian crisis has at the same time been instrumental in bringing to the surface many of the region's unresolved problems.

The dispute over the Spratly Islands in which six countries in the region – Brunei, the Philippines, China, Malaysia, Vietnam and Taiwan – have claimed sovereignty over the whole or part of this possibly oil-rich group of islands in the South China Sea, constitutes the region's most serious conflict. The parties have expressed their wish to resolve the problem by peaceful means but incidents occur and no solution is in sight, especially as China continues to insist on bilateral negotiations.

East Asia

In East Asia the United States maintains a military presence in Japan and in South Korea as well as at sea. This was demonstrated during the crisis between China and Taiwan in 1996 in connection with the first direct presidential election in Taiwan, events which in China brought to the fore the sensitive issue of the future position of Taiwan.

China's relations with the United States have, on the whole, improved during President Clinton's second term of office and today are better than at any time since the massacre in connection with the demonstrations in Tiananmen Square in 1989. Two issues have created tension, the crisis between China and Taiwan in 1996, which led the United States to send the Seventh Fleet to the area, and the new security guidelines which the United States agreed with Japan in 1997. For China, the military presence and weight of the United States is a source of latent dissatisfaction. The long-term prognosis for relations between the two countries is difficult to foresee.

East Asia differs from Southeast Asia in that important international relations are still marked by deep antagonisms. This applies to the relations between China and Taiwan even though there exists between the two a certain degree of interaction which allows both significant Taiwanese investment in China and the maintenance of informal con-

tacts at high level. It also applies to the situation in North Korea, which remains a source of significant concern both with regard to the food situation for the population and in relation to other countries, particularly South Korea, the United States and Japan. The North Korean missile and nuclear weapons programmes serve to confirm that the Korean Peninsula constitutes one of Asia's most serious security problems. The so-called KEDO project, intended to prevent North Korean nuclear proliferation and to create peace and stability on the Korean Peninsula, and the four party talks between the United States, China, South Korea and North Korea, represent important efforts to damp down uncertainty in the region.

Border disputes relating to contested islands have periodically caused some tension between China and Japan and between Japan and South Korea. Border disputes also remain a factor of tension between China and the states bordering the South China Sea.

In a longer-term perspective the uncertainty chiefly applies to the future actions of China in line with the growth of its economy and the modernisation of its armed forces, the future presence of the United States and the future security policy of Japan. Stability today depends on the presence of the United States and the restraining effect this has on Japan's needs for expanded defence.

South Asia

In South Asia, the end of the Cold War has not affected the security situation to the same extent as in the other parts of Asia despite the fact that Pakistan was allied to the United States during the Cold War and India was strongly linked to the Soviet Union. These close links have now loosened. The United States at present attaches greater priority to its relations with India than to those with Pakistan. Relations between India and Pakistan have not improved as the antagonisms stem from deep-rooted local factors. Incidents occur around the hotly disputed Kashmir, and the tension is periodically very high between the two countries. The Kashmir conflict took on a more serious dimension during 1998 when a policy of mutual nuclear deterrence was introduced as a fundamental element of bilateral relations. Even if the two countries would sign the Comprehensive Test Ban Treaty (CTBT), and consequently undertake not to carry out any further nuclear tests, there is a real threat of nuclear weapons being used in a conflict that

on three previous occasions has led to war. The discussion held between the Prime Ministers of both countries in Lahore in February 1999 indicates a new willingness for dialogue in the wake of the nuclear weapon developments but there is still no sign of any development that could lead to a resolution of the Kashmir question.

The significance of improved relations between India and Pakistan is great. The economic and political development of all of South Asia has been held back by the antagonisms between the two countries. Regional initiatives such as SAARC (South Asian Association for Regional Co-operation) have been overshadowed by the conflict.

India's relations with China, which improved during the 1990s, have deteriorated again as a result of the development of nuclear weapons. In the context of its nuclear tests in 1998, the Indian government referred to China as the main factor in the formulation of Indian security policy.

Changed patterns of conflict

Altogether there are around 140 unresolved conflicts of various kinds in Asia. About half of them are international and half internal. However, the majority, 88, are classified as "disputes" and a large number of these are made up of unsettled border issues. Around 20 can be termed "major", most of which are internal. A growing number are what are known as "conflicts of identity", based on the claim of a particular group to autonomy or equivalent status. The total number during the 1990s – 140 – is almost identical to the number during the two immediately preceding decades. However, in the 1970s the number of "major" conflicts was 60, i.e. three times higher than today.

A new trend in the pattern of conflict in Pacific Asia is that the large international conflicts have gradually decreased during the 1990s in comparison with previous decades. A similar trend can be noted with regard to internal conflicts in the countries of this region, although it is less distinct. The picture in South Asia is not so promising, as conflicts are continuing between India and Pakistan, the civil war in Sri Lanka is running its course without any solution in sight and the same applies to the internal conflicts in India and Pakistan.

When it comes to assessing how the overall conflict situation may develop, it must be borne in mind that, although no direct fighting is in progress at present, many conflicts exist and many disputes, for ex-

ample over territory, remain to be resolved. There is therefore a potential risk of clashes flaring up. It is therefore vitally important that the embryonic mechanisms for confidence building and managing conflicts that have emerged within the ARF should be strengthened. Furthermore, efforts should be made to establish such mechanisms in those parts of Asia where they are lacking.

3.7 Complexity and diversity

Area after area underlines the complexity and diversity of Asia. The richness of its culture and its perceptions of reality. The rate of change. The vitality of the developments witnessed in recent decades and the weaknesses inherent in its institutional foundation. The enormous differences in standards of living and education and levels of research. The new prosperity and the continuing poverty. There is no such thing as a homogeneous Asia, and the chances of the Asian countries agreeing on specific Asian values appear rather remote. The differences are too great.

The economic integration and development of organisations such as ASEAN will continue. ASEAN is a natural grouping and there is every reason to expect that it will gain in strength, in spite of the difficulties that it is occasionally experiencing. Asia and its sub-regions are greatly in need of organisations for increased co-operation. It is in the global interest that the ASEAN Regional Forum should be developed into a genuine instrument for regional security, and likewise that South Asia should one day be in a position to invest its own regional grouping – SAARC – with real meaning.

The dividing lines within the region will, at the same time, increasingly be found within Asia and within countries with competing ideological currents. Herein lies a considerable vitality of a type which will contribute to an Asian renaissance. Anwar Ibrahim, Malaysia's former deputy Prime Minister and one of Asia's leading younger politicians, develops his ideas about Asia's future in his book *The Asian Renaissance* (1996). He points to Asia's complexity and diversity and states that Asia lacks a common fund of ideas. What is new, he stresses, is that Asia has begun to discover itself. He sees the world of the future as pluralistic and multicultural. One major distinction according to Anwar is that the modern history of the Western world is secularised,

while the different Asian cultures are to a great extent built on religious foundations. For him, profound humanity presupposes a religion. Yet what he requires above all is greater respect from the Western world for his own and other Asian cultural traditions. Quoting from Octavio Paz, he states that the West does not lack good intentions, but suffers from a lack of humility.

The basic premise for closer relations between Europe and Asia is a mutual need for deeper relationships on a basis of equality. Globalisation is the common foundation of this philosophy. It was East and South-east Asia's ability to take advantage of its opportunities that led to Asia's discovery of itself and it is on the premises of globalisation that Asia is now building its prosperity. This is the world in which Europe and Asia will build a diversity of relations.

4 Asia in the year 2010

4.1 The forces of globalisation and the international order

What will Asia be like in the year 2010, the year that has been set as the target for this strategy? The obvious starting point must be to ask what the world will be like, the world of which the countries of Asia – and Sweden – will then form part. If we look back for as many years again, to 1986-87, we see how difficult it is to make any kind of prognosis. Few, if any, at the time foresaw the fall of the Soviet Union, and no-one predicted the Asian economic crisis, which many today are saying was virtually inevitable. What we can do, though, is to consider a number of main factors and principal issues relating to our theme. One possible scenario, which may prove to be unduly optimistic on a number of points, but perhaps also excessively pessimistic on others, can be envisaged.

The question is particularly relevant in an era characterised by globalisation. The processes of global change will have a strong influence on the way in which both the Asian societies and Swedish society will appear in the year 2010. Many analysts have an almost deterministic view of globalisation as a force over which we have no control. That it is not quite as simple as that becomes clear if we look back at the past century. Globalisation as a trend has characterised the 20th century, not in the shape of a continuous or clear-cut process but rather as a series of complex processes with political prerequisites as the most important underlying variable. An analysis of the challenges with which the world is faced today shows that there is a critical deficiency of global leadership, of global governance. Global sustainable development depends on the kind of leadership that looks to the global totality, to fully developed international institutions, and to greater accord between policies in various central areas. The crisis affecting East and

Southeast Asia cannot be reduced to an exclusively Asian phenomenon. The crisis is institutional and a consequence of shortcomings in the national institutions of individual states, combined with institutional defects in the international system itself. What the world will be like in the year 2010 is highly dependent on what character globalisation will have assumed by then, whether the role of the UN will have been strengthened, how the international financial system will have developed, to what extent international conventions will be respected, and how Agenda 21 will have been implemented. Of crucial importance will be the inclusion of the countries of Asia – the eight largest of which represent half of all humankind – and what possibilities they will have to exercise influence in world affairs and to take their part of responsibility.

What drives globalisation?

What is it, then, that drives the process of globalisation? The rapid development of technology is a principal factor in this respect. As an example, it has revolutionised our telecommunications. Central to this trend of development are the great multinational companies, which account for almost two-thirds of all world trade and the main share of the world's total foreign direct investment. To predict in which direction technological developments will be moving in 10–15 years' time, particularly given the pace and spread of development today, is impossible. And yet it appears relatively "easy" to imagine how the spread of something as important as telecommunications will proceed. In 1990, Vietnam had a population of 75 million people and only 100,000 telephones. In the year 2000, it will have about three million lines and half a million mobile telephones, and in 2010 there will probably be at least one telephone for every ten people. This kind of development has an effect on society as a whole, particularly when we know that in the future an international call need cost no more than a local call. In Bangladesh, the development of the new telecommunications technology is being used creatively by the Grameen Bank. With the help of loans from this bank, poor women in rural areas of Bangladesh are earning a living by functioning as wandering "telephone booths", transmitting mobile telephone calls. The Internet is already developing at a very rapid rate in a number of Asian countries. There are currently about 600,000 Internet users in China and 80,000 in India, but within

just a few years China is expected to have several million users and India 1-2 millions. By the year 2010, developments like these will in many ways have transformed our relations with geographically remote areas.

Foreign direct investment often plays a decisive role today in relation to the introduction of new technologies into individual countries. This has been the case since the mid-1980s in Thailand and Malaysia, for example, and is also an important factor in the modernisation of Vietnam and China. With the exception of Singapore and Hong Kong, China has, more than any other Asian country, built its development on foreign direct investment, of which a large proportion is Asian. In India, direct investment was not of any great significance until the 1990s, and still accounts for only a few per cent of total investments. India's access to considerable resources in terms of research scientists and engineers, illustrated by the results the country has achieved in the sphere of information technology, and a greater scope for foreign direct investment, combine to give India great opportunities to make the most of international technological development.

The spread of new technology is moving at an ever quicker pace. However, it is not only a matter of technology being spread from a small number of global centres in the West, but a development based on increasingly complex patterns of international research and development. By the year 2010, several countries in Asia will constitute a manifestly larger part of the global research structure than they do now. The world will be more closely linked than it is today by expert networks of researchers from different cultures. The gaps between some Asian countries will also grow greater.

Foreign trade is another central driving force for globalisation, the importance of which has increased further with the liberalisation of trade in the post-war era. An important characteristic of the great majority of, but by no means all, Asian economies is that they are oriented towards foreign trade. Although these economies are certainly not without tariff and non-tariff barriers to trade, foreign trade – exports and imports – has played, and continues to play, a central role in their development. No less than six of the world's largest export and import economies today are to be found in East and Southeast Asia (Japan, China, South Korea, Singapore, Taiwan and Hong Kong). Most of the major Asian economies are members of the WTO, while others – including China and Taiwan, and also Vietnam – are currently nego-

tiating membership. They are also members of regional associations such as the Asia-Pacific Economic Co-operation (APEC) and the free trade area (AFTA) planned by the Association of Southeast Asian Nations (ASEAN). The main line being followed is, however, that of the WTO, and that it should remain so is of crucial importance to the state of the world in the year 2010. Scarcely any other organisation has greater influence on determining whether the course of economic development is one of integration or of fragmentation. The parts of Asia included in this strategy currently account for about 28 per cent of all world trade, but in 2010 that share is highly likely to be much greater.

What is new and radical in all this, however, is neither technological development, nor trade, nor the expansion of direct investment. The qualitative new factor that is exerting a strong influence on developments in Asia – and the world – is the unprecedented expansion and influence on events of short-term international capital movements. The Asian crisis illustrates the risks associated with this trend. In less than a year, more than USD 100 billion net of domestic and international capital flowed out of East and Southeast Asia.

New demands are being made of the development of national systems as well as the international system as a whole – for proper bank inspection systems and openness in individual states, and for the further development of international financial institutions and the global role they play. As an extension of this, there will be completely new demands for transparency and disclosure of the actual financial state of banks. Therein lies the positive side of the Asian crisis: it illustrates very specifically the central importance of the development of both national and international institutions. The crisis has also created a new awareness of the importance of transparency in economies and of more open political systems, and of what a more equal distribution of income and opportunities for education can mean to the strength of a society's social fabric. More open and "inclusive" societies have proved themselves to be stronger societies. Of vital importance to how the world will look in 2010 is how these insights are acted upon. The nature of the Asian crisis is in no way uniquely "Asian" – there are parallels between the Swedish financial crisis of 1992-93 and the problems now confronting the worst hit Asian countries. The effects of the spread of the Asian crisis also demonstrate unequivocally the untenability of the globalisation of capital without any corresponding development of financial systems. In the insights forced upon us as a result,

lies a foundation for a deeper dialogue on the prerequisites for social and economic welfare and development.

One issue that is absolutely crucial to the future is whether the international community will be capable of directing the process of globalisation so as to ensure that life on earth pursues a course of sustainable development. The responsibility for this rests heavily on the Western world, and particularly the USA, whose carbon dioxide emissions probably pose the most serious single threat to the global environment. However, lasting improvements to the environment are dependent on the active involvement of all the major Asian states. The possibilities for success rise and fall quite literally with countries such as China and India. China is already responsible for one tenth of the world's total carbon dioxide emissions, and at the present rate of development China's carbon dioxide emissions level will in all probability be the highest in the world in a relatively few years' time. Chronic water shortage is another threat with which not least China will be faced. Regional ecological crises even more serious than the Indonesian forest fires are a real possibility. The situation in Asia is rapidly deteriorating as regards the basic elements vital to human life – air and water.

4.2 A possible scenario

In recent decades, the number of people living in deep poverty has fallen in all of the most heavily populated countries of Asia. That trend will continue, even if it may take a long time for Indonesia to regain the same per capita income it had in 1997, and even if developments in some regions of South Asia may move in the opposite direction. In the year 2010, despite the Asian crisis, there will probably be, in the region as a whole, some hundreds of millions of people with a manifestly higher material standard of living than they have at present: large groups of people will have access to electricity supplies and will be able to afford refrigerators, better housing, telephones, some sort of simple means of transport etc. Asia will have a middle class numbering several hundred millions of people. Taiwan and South Korea will be approaching the high standard of living already enjoyed by Japan, Hong Kong and Singapore.

It is in China that the greatest changes will in all likelihood take

place, even if the country's development may at times be brought perilously close to the edge by almost insurmountable problems. China in the year 2010 will be a very different country to the China of today, although it is unlikely, as some analysts are predicting, that in twenty years' time China will be the world's largest economy in terms of PPP. We can quite reasonably expect to see Japan, having lost its hold in the last decade, once more growing as an economy, if at a low rate, and, despite deep problems of both an economic and political nature, remaining for the foreseeable future the clearly dominant economy in Asia.

It will take time to recover from the economic crisis. There is nothing, however, to suggest that the crisis will make Asia's progress fade into history, as was the case with Latin America some decades ago. The fundamental prerequisites on which the economies of East and Southeast Asia are based are quite different, and a reasonable starting point must be that the countries of the region are capable, if with sharply varying degrees of success, of building further with the aid of structural reforms on the foundations that have made possible the great advances of the past few decades. Thus far, the Asian countries in crisis have succeeded in implementing phase one of their recovery process, stabilisation, but have only just begun on the second phase, the reform of the financial sector, and the third, the reform of manufacturing industry and other parts of the industrial sector. Some countries will be successful in their efforts, others less so. A crucial question is to what extent the countries of East and Southeast Asia are capable of attracting international financial capital, and particularly long-term investment.

The disparities between the countries of Asia is greater today than in any other part of the world. In its study *Emerging Asia*, published in spring of 1997 just before the Asia crisis broke out, the Asian Development Bank set out its vision of development up to the year 2025, one of the main themes being the convergence of income levels in the various countries. It built on the assumption that the disparities between rich and poor countries could be lessened if the poorest countries, with the aid of improved development policies, were able to utilise the opportunities to "enter the economic race". While it remains reasonable, despite the crisis, to expect poverty in the year 2010 to have been reduced in many countries of Asia, and to have fallen very tangibly in at least some of them, the majority of the world's poor will probably still be living in Asia, primarily South Asia, but also in parts

of Southeast Asia and on the East Asian mainland. Asia, in the terms referred to here, will in the year 2010 have a population of approximately 3.8 billion people, of whom perhaps half a billion will be living in deep poverty. Whether the numbers subsisting below the poverty line will be higher or lower than this estimate depends primarily on the quality of the development policies the individual countries are able to pursue.

In some of the Asian countries, however, income disparities are very likely to grow. By international standards the disparities in Asia are not great. Income distribution is *relatively* equal in countries like Bangladesh, India and Indonesia, but considerably less so in Thailand and Malaysia. The power exercised by the rich over the lives of the poor is not reflected in such figures. In that respect the picture would be quite different, especially for the countries in South Asia. A striking new feature of the situation is that the distribution of income in present-day China as a whole is considerably less equal than, for example, in India. Much of this inequality can be explained by the great regional differences in China. In the long term this trend may be stemmed or reversed, but not while the surplus of labour in China, illustrated by the presence of at least 100 million migrant workers, remains so great.

A continuing high rate of growth is crucially important for a country's ability to reduce its own poverty levels, but so are the kind of policies it pursues. Investment in education is the most basic measure of the extent to which a country's growth embraces the great majority of its people. Although many countries in Asia have been very successful with their educational programmes, only half of all men and one third of all women are able to read in South Asia. That must be considered a major political failure from the perspective of both development and the distribution of income, and, in particular, of gender equality. Today, a much larger proportion of children in the region are starting school than was the case ten years ago, which means that the percentage of illiteracy in the population will gradually fall. In the year 2010, literacy rates in South Asia will be manifestly higher than they are today. Nevertheless, the pace of change is far too slow, especially for girls.

South Asia is also that part of Asia where discrimination against women is greatest. An example of this is the lack of access to medical and health care. The most extreme expression of the situation is the complete absence of 80–100 million women in South Asia and China

as a result of female foetuses being aborted and a lack of care shown to female children. Ultimately, it is a question of women being empowered to control their own lives and having the opportunity to exert political influence.

As in the rest of the world, the influence that women have on society is consistently less than that exerted by men. This also applies to a great degree to the developed societies of Japan and South Korea, where women make up less than ten per cent of the members of parliament in either country. Nevertheless, the main impression is that the economic developments of the past few decades in Asia have created new opportunities for the liberation of women. The Asian crisis is having the opposite effect. In the long-term, however, the trend will remain positive, provided that there is economic recovery. In the year 2010, the status and situation of women may be expected to have improved in a number of countries, particularly as regards women's access to education.

Demographically speaking, we will witness a process of change during the period that will lead to a growing proportion of old people amongst the Asian population. Already we are seeing how the percentage of the population under the age of 15 is falling in Japan and China. As a result, the classic "population question" will become less crucial. The focus of attention will be on the social and economic conditions under which people live, the development of pension systems, care for the elderly etc. These are the issues that will have greatest prominence in a number of Asian countries in the year 2010. Japan, with its shrinking population, is moving towards a population problem in reverse. Even before the year 2010, children and people over the age of 65 will account for more than 50 out of every 100 adults of productive age, and by 2025 that figure will have risen to about 65 out of every 100. The population will decrease and the proportion of over-65s will be greater than in any other country. Population growth in Asia as a whole will not come to a stop, however. According to UN estimates, it is only in a few countries that population growth will cease before the year 2050. By then, the total population of East, South-east and South Asia is expected to number some 4.9 billions, about one billion more than in 2010. Laos, Nepal and Pakistan are at present the countries with the highest population growth rates.

The deterioration of the environment in Asia has been considerable and the cost of neglecting this vital area is growing steadily with time.

Time is not on the politicians' side, however. The very rapid pace of urbanisation is increasing the need for new thinking. In 2020, half of all Asia's populations will be living in towns and cities, with huge resultant demands on the development of cleaner energy sources, access to clean water and sanitary services, and improved methods of controlling effluents. Even today, environmental conditions in some of the Asian mega-cities are directly harmful to health, and there is a clear risk of these conditions deteriorating further. Although a realisation of the problems has been growing, not least in China, it is not enough to break the trend. At the present rate of development, the environment in Asia will be a lot worse in 2010 than it is today.

Asia has often been described, and with reason, as a region dominated by authoritarian forms of government. That picture has never been completely just, however, as Asia has long been home to some of the world's largest democracies. In fact, the description is quite misleading, as several Asian countries have developed during the past decade into relatively well consolidated democracies. In others – such as China, Vietnam and Laos – the one-party state remains supreme. In these countries, however, the individual is experiencing a new personal freedom in the wake of economic reforms. Political rights and freedoms may be greatly curtailed, but the private sphere of the individual has nevertheless grown. Although China can scarcely be expected to have become a democracy by the year 2010, the prerequisites are there for the establishment of basic rights and freedoms, such as freedom of speech and the freedom to organise. The judicial system will still have major shortcomings but the courts and legislature will be playing a different role than they do today. Legal protection for the individual can never be achieved in a one-party state.

We are hardly likely to see any unequivocal trend towards greater openness in Asia. There is clearly a risk that some nations that are now rudimentary democracies will not remain so. Poor countries and countries in crisis can undergo changes in populist, chauvinist or fundamentalist direction, which all have a serious adverse effect on the freedom of the individual or that of exposed groups in society. If poverty or the crisis should deepen, this can lead to marginalised groups giving vent to their frustration in ways that are difficult for a weakly developed democratic system to handle.

How the security situation in Asia will appear in roughly another ten years' time is extremely difficult to say. A number of scenarios

may be outlined, some of which are very disquieting. The greatest uncertainty of all attaches to the Korean peninsula. The most serious aspect of the situation, however, is the development of nuclear armaments by both India and Pakistan. Despite being the seat of serious unresolved conflicts – such as Kashmir, the Korean peninsula, Taiwan, and the South China Sea – the countries of the region were, prior to the recent nuclear tests, moving towards a greater degree of mutual trust. The number of conflicts in the region has remained constant, although the great majority are now at a lower level of intensity than before and are being dealt with predominantly by political and diplomatic means. Therein lies a substantial change. Greatest unease has been associated with what role a much more economically strong China would come to play in time; how such a China would “project” its newly won strength within the region and how this would affect the balance of power. Now and for the foreseeable future, the presence of the United States is, and will remain, an important stabilising factor. Without this presence Japan, with its national security policy based on defence collaboration with the United States, would probably feel impelled to develop its own defences. Similarly the lack of a US presence would put at risk stability both in the Korean peninsula and in the relations between China and Taiwan. Much depends on the actions of the United States. A responsible course of action on the part of the United States is vital as a contribution to the long-term strengthening of the regional security mechanisms.

Peaceful development in the future will require a substantial change in the system of security in Asia, and no such change is within sight. Change will be dependent on regional security mechanisms of the kind represented embryonically by the ASEAN Regional Forum (ARF). The formation and development of ARF, together with the bilateral “strategic alliance” (not to be confused with a military alliance) we have seen emerge between China and Russia, and the improved relations between China and the USA and between Russia and Japan, are the most positive features of the regional security picture. Nevertheless, the nuclear tests carried out by India and Pakistan represent the other side of the coin. The objective of ARF today is to create trust and confidence. From there to conflict management is a long step. In the course of the period discussed here, however, it is quite possible that that first step has been taken.

4.3 Asia's growing role

A fully formed idea of Asia as a unified entity in any sense other than the geographical does not exist, except in relation to certain issues at certain times. Just as today, there will be no single Asia to talk to, any more than there will be a single Asian viewpoint on other than the occasional issue, or a given set of Asian values or a specifically Asian economic model. It is, however, likely that Asian voices will be making themselves heard with greater force, not least those voices that emanate from the Asian democracies and their civil societies. There is a vitality in all this that is of great importance for the national cultures, and for the rest of the world. The media in Asia will become more commercialised, but also more outspoken, and access to information will come as a result of technological developments and the rapid growth of foreign language skills, while the growing access to foreign media will be much greater than at present. There will be far more non-governmental organisations (NGOs) than there are today, which will be driving forces for action on important issues such as the environment, human rights, gender equality, and conditions affecting children. NGOs in Asia will also have developed quite different and more frequent relations than those that now exist with other parts of the international civil society, which may in its turn be expected to respond to the challenges of globalisation by working globally in a different way than it does today. Amongst the voices likely to be heard with greater effect in coming years are those of ethnic minorities, which, within existing structures, are denied the identity they are striving to attain.

In the year 2010, some countries and regional organisations in Asia will naturally be playing a more important role than they do today in the international political and economic forums that deal with important world issues. This will be particularly true of China, but also of India, two states who together represent more than one third of the entire global population. Japan will for a long time to come remain the world's second largest economy, after the United States, with a legitimate claim to playing a larger international role. These countries will naturally belong among the candidates to an enlarged Security Council. By that time a group like the G-7 will hopefully have been enlarged to include countries like China and India, or will have been supplemented by structures in which some of the key states of Asia have their seats.

The present-day goal of international politics is to involve China. By the year 2010, China, which by then will presumably have been a member of the WTO for about a decade, will have become involved on the international stage in quite a different way than it is at present. That this should happen is of crucial importance for long-term international stability, which is a prerequisite for the growth of well-functioning and more effective forms of “global governance”. Amongst the regional organisations, it is ASEAN which has incomparably the best prerequisites for institutional development. Whether SAARC, its South Asian equivalent, will also have become a significant organisation by 2010, is considerably less certain. What kind of role the Asia-Pacific Economic Cooperation (APEC) will play depends on how well the WTO succeeds in its task. APEC as it stands today is a supporter of “open regionalism”, and that it should remain so is vitally important to the development of the world economy. A less protectionist EC could help APEC to adhere to its policy of openness.

4.4 Choosing the right paths

The preceding section sketched out some aspects of a possible future scenario. The conclusion is that Asia is, and will continue to be, undergoing a process of widespread and rapid change. The countries and peoples of Asia will leave quite a different mark on the next century to the one they have left on the present one – not by shaking the world to its foundations, but by becoming more involved and self-assured actors on the international stage. Ultimately, it is a question of determining which of a series of paths the various countries in the region – and Sweden – should follow. The opportunities, and elements of risk, are many. The economic crisis has revealed the weak institutional foundations on which the rapid developments of the past decades have been based. If reforms do not take place, the prospects of recovery will be considerably worsened. The crisis has also demonstrated the growing level of international dependency. While there is much in this trend that is positive for Asian countries, it also carries with it enormous challenges. The market, which cannot be expected to take any societal responsibility, is playing an ever greater role. The state is expected to meet growing needs and expectations, while at the same time its power is being weakened.

It is in increased co-operation that the opportunities for mutual benefit lie. Likewise, the problems of the environment cannot be solved at national levels alone. The social exclusion, the illegal drugs trade, the sexual exploitation of women and children, and other growing social problems, can only be solved by united efforts. Continuing disarmament can only be achieved in a world for whose fate countries such as China and India feel full common responsibility. The process of global integration has been driven by technology, trade and investment, which have less and less regard for national boundaries, but the ultimate challenge lies on a deeper cultural and political plane. The greatest challenge in our time is to assist the countries of Asia to develop in ways that can increase their probability of choosing the right paths, of making the right choices that can lead to greater understanding, democracy, respect for human rights, a decrease in poverty, a better environment, and an international order that contributes to the rise of such a world.

5 A Swedish Asia Strategy for 2000 and beyond

5.1 Asia in Sweden's international relations

Sweden's foreign policy has both a regional and a global perspective. Historically, and for obvious reasons of national security, the situation in our neighbourhood has taken up much of our attention. Nordic co-operation, interest in the development of the Baltic countries and in the peaceful development of Europe, naturally all have high priority in the shaping of Swedish foreign policy. At the same time, Sweden has attached great importance to co-operation on a global level, especially in view of our responsibilities as an active member of the UN, as an advocate of free trade in the World Trade Organisation and as a committed partner in international development. Sweden's foreign policy declaration this year emphasises Sweden's will to strengthen co-operation for democracy, security and peaceful development not only in our own neighbourhood but in Europe at large and in the world as a whole. Swedish foreign policy, based on broad popular support, is thus characterised by a clear awareness that the security of our country and the safety and welfare of our people ultimately depend on developments on the wider global stage.

Asia presents many of the opportunities, challenges and problems usually held to be especially important in Swedish foreign policy. Sweden has relations with Asia as part of the EU. This imposes certain constraints but, more importantly, it can lend strength to our political actions.

Democracy is on the march in much of Asia and, in the light of information technology, the openness to stimuli from the rest of the world has resulted in an almost explosive development. Great changes are taking place in society including the emergence of vigorous non-governmental organisations. Yet a number of authoritarian regimes, where the rule of law and respect for human rights are flagrantly ig-

nored, are still to be found in Asia. Sweden has highlighted this unsatisfactory state of affairs in various international fora and through other channels. Every effort has been made to engage authoritarian administrations in Asia in an international dialogue on human rights in an attempt to promote a better understanding of the requirements of international law and acceptance of the relevant UN legal instruments.

Over recent decades, free trade has created conditions for economic development, welfare and a more even distribution of resources in many Asian countries. At the same time, the Asian financial crisis has shown the need for strong international institutions and regulatory frameworks to provide support for developing countries. Sweden has an urgent interest in countering the emergence of protectionism in the wake of this crisis. Sweden is also supporting the efforts of China and other Asian economies, at the moment outside the World Trade Organisation, to come to an agreement on WTO membership.

Despite the impressive economic growth of certain countries over the last few decades many of Asia's problems still stem from the persistent poverty of the masses. These problems have been further aggravated by the financial crisis. Asian poverty is one of the greatest threats to sustainable global development. Deep misery confines a billion people to structures in which fundamental human rights are denied. Equality between women and men and the rights of children to education are not mere peripheral questions. They are of decisive importance to the way ahead for Asia, to the nature of the societies and economies that are emerging and the prerequisites for international integration. A breakthrough for the rights of the poor early in the coming century is a high priority objective for Sweden's international development co-operation. This means that the fundamental problems associated with poverty, in the form of inequality, class differences and marginalisation, must be tackled. The exploitation of women and children, the lack of equal rights, drug dealing and traffic in human beings are all problems that unfortunately still exist in many Asian countries.

The speed of economic development and urbanisation in many Asian countries has led to serious environmental problems which threaten the very foundation of the welfare of their people while also having serious global effects. With Sweden's expertise in environmental work allied to many years' experience of international environmental co-operation, our country can play an important role in this area.

Some of the world's most serious trouble spots are to be found in Asia, stemming from deep ethnic and religious antagonisms as well as from purely political power struggles rooted in history. The Swedish contribution to the work of the UN in Korea and Kashmir over many years, Sweden's efforts to secure peace in Cambodia, support for the democratic opposition in Burma and the humanitarian-based action for a solution to the East Timor conflict, all of these are examples of Sweden's actions on behalf of peace and security in Asia. Swedish voluntary organisations – often with support from the Swedish International Development Co-operation Agency (Sida) – have made extremely valuable contributions.

Despite successes in the realm of disarmament in recent years, the threat of the spread of nuclear weapons has taken on a new and frightening reality with developments in South Asia, where India and Pakistan have both carried out nuclear tests and North Korea has demonstrated its missile launch capability. These latest developments have shown how important it is for Sweden to persevere in working for nuclear disarmament and an agreement to ban nuclear testing. Asia has started to make progress in the field of conflict prevention, primarily in the ASEAN Regional Forum (ARF), but still largely lacks the kind of security structure that has taken shape in Europe over recent years. European experience of confidence-building, exemplified in the work of the Organisation for Security and Co-operation in Europe (OSCE), may in time find application in the field of Asian security policy.

The examples mentioned above clearly show the necessity of a Swedish foreign policy commitment to Asian development. The security of a country, and Sweden is no exception, can only be created through co-operation. Many of the priorities of Sweden's foreign policy – to promote democracy and human rights, to restrict the spread of nuclear weapons and work for disarmament, to seek to develop instruments for the prevention of conflict, to renew the work of global development co-operation – have a direct relevance to conditions in Asia. The Asian crisis has clearly demonstrated the mutual dependence of countries and peoples and the fragility of our common welfare. The prevalence of open economies today calls for international leadership to prevent crises or to deal with them efficiently when they do occur. The Asian countries will feature increasingly in international co-operation over the next few years. Japan is already a superpower and a leading player in many areas internationally. China and India are gain-

ing in importance at international fora. The ASEAN countries have established themselves as leading players in the region by taking the initiative to a dialogue on foreign policy and security issues with those superpowers committed to Asia. The challenge for Swedish foreign policy is to co-operate actively in constructive dialogue with these countries. This can take place – and is already taking place – bilaterally, as a member of the EU, as a partner in the Eurasian ASEM dialogue and on the multilateral level, in the UN and other organisations.

Priorities:

The basis for Sweden's Asia strategy is Sweden's interests and responsibilities as expressed in its international commitments. The elements are:

- to promote development towards *democracy*, increased *respect for human rights* and *equality between women and men*,
- to work for *peace and security* through the development of the international instruments for conflict prevention, conflict resolution and disarmament,
- to work for the greater application and development of the *system of international norms* and to promote the organisations that support this system,
- to work for *economic development* through free trade by contributing to the strengthening of multilateral rules for trade and investment within the framework of the World Trade Organisation (WTO) and to support moves to extend the membership of the WTO,
- to work to raise the *standard of living of the poor* by helping to solve the development problems, that cause or are caused by poverty, and by refugee situations in the wake of conflicts,
- to promote the development of open and effective *institutions* and vigorous *civil societies*,
- to work for a better *environment* and a sustainable management of natural resources.

On the basis of these comprehensive objectives for international development, and the objective to promote welfare through employment and economic growth in Sweden, it is a vital Swedish interest to develop reciprocal and lasting relations on a foundation of equality with the countries and economies in Asia.

Sweden in the EU and the EU in Asia

Sweden's membership of the European Union from 1 January 1995 has led to changes – and extended opportunities – in Sweden's Asia policy. As a member of the EU, Sweden is able to participate in joint actions and decisions of international importance. At the same time Sweden has to play an active part in EU policy making in a range of areas vis-à-vis the countries of Asia in order to ensure that its national priorities are heeded.

Co-operation within the European Union (EU) is based on three pillars. The traditional activities conducted within the European Community (EC) remain as the first of these pillars. These activities include co-operation on matter of trade policy. Member states have handed over certain powers of decision to the community institutions. This applies, for example, to the authority to enter into international agreements on such matters as trade policy.

Co-operation associated with the second and third pillars relates to the common foreign and security policy as well as to domestic and legal matters. The member states have not handed over to the EU any powers of decision in these areas.

EU's Asia Strategy of 1994 states four main objectives: to strengthen the Union's economic presence in Asia, to contribute to stability in Asia by promoting international co-operation and understanding, to contribute to poverty alleviation and sustainable growth, and to assist in the consolidation of democracy and respect for human rights in Asia. Through the Commission, the EU is engaged in a substantial development co-operation programme as a complement to the bilateral co-operation policies of the member states. There is an EU strategy for environmental co-operation. The Commission also works to promote trade and investment between Europe and Asia. Sweden regards export promotion as a national matter with the exception of the Commission's time-limited activity in Japan. In addition to the comprehensive Asia Strategy the EU has formulated strategies for developing relations with especially important Asian partners, in the first instance Japan, China, South Korea, ASEAN and India.

Sweden's membership of the EU provides us with considerably improved access to information, a greater breadth of contacts and increased opportunities to exercise influence in a range of areas of high priority to Swedish foreign policy. This is of great relevance in Swe-

den's relations with Asia. Sweden can also make contributions to the EU in a number of fields by way of special competence and know-how. Sweden has long been involved in matters of Asian security, for example through its participation in the Neutral Nations' Supervisory Commission (NNSC) on the demarcation line between North and South Korea. Sweden is also the only EU country with diplomatic representation in Pyongyang in North Korea. Furthermore, Sweden has for many years been participating in peacekeeping operations including that in Kashmir.

In development co-operation Sweden has a long tradition where methodology, implementation and project evaluation is concerned. This is of particular interest in the context of the Commission's work in countries such as India, Sri Lanka, Bangladesh, Vietnam and Laos, where Sweden has a long experience of development co-operation.

In the area of trade policy, the EU makes use of anti-dumping measures and restrictions on textiles and ready-made clothing to an extent which conflicts with Sweden's policy of free trade. Sweden's accession has strengthened the advocates of free trade within the Union and thereby the prospects for a more liberal trade policy on the part of the EU, which is important to the countries of Asia.

Sweden supports the efforts to integrate the Asian economies into the world trade system and to grant WTO membership to those countries still outside the organisation once they satisfy the criteria for joining.

Priorities:

- Sweden will continue to work actively and constructively within the EU on Asian issues together with the other member states and the Commission. This will be especially important when Sweden assumes the presidency of the EU in the first six months of 2001.
- Through its commitment to free trade, Sweden can contribute to the EC's adopting a more open trade policy towards Asia.
- The EC's efforts to improve the conditions for market access in Asia are among the actions most likely to be of practical use to Sweden and Swedish companies. It is therefore important that Swedish authorities and diplomatic missions remain in close contact with companies working in the Asian markets to establish where the problems lie.

- Sweden's historical commitment in Asia to questions of security – for example, through various UN assignments – also gives Sweden the opportunity to play a constructive role in respect of EU policy in this field. Sweden's embassy in North Korea could become a focal point for the EU's contacts with that country.
- Sweden will continue to have an active profile in the EU where questions concerning development co-operation with Asia are concerned. This especially applies to the preparation of strategies for Asian countries in the EC's Committee for Development Co-operation with Asia and Latin America (the ALA committee).
- The EU's policy on human rights has become increasingly well co-ordinated in recent years. Sweden, with its commitment to human rights, deeply rooted in its NGOs, can continue to play an active role. One objective is to make the Commissions more engaged in the development of legal and human rights related institutions, for example in China.
- The EU's environmental strategy for Asia demonstrates the commitment that exists in the EU in general and in the Commission in particular, to the environmental situation in Asia. The environment is also a prioritised area in Sweden's Asia policy. This is good reason, to co-operate more closely with the Commission on environmental strategies and projects in Asia. Countries where environmental co-operation promises to become of increasing importance are primarily China, India and Thailand.
- Sweden gives high priority to the EU's trade policy and political dialogue with Japan. In addition, Sweden actively supports a coherent approach to EU's co-operation with China, where issues concerning human rights, the environment and trade are included. The enhanced dialogue between the EU and India is one of the areas that should be developed further as a matter of particular urgency.

Sweden in ASEM

ASEM (Asia-Europe Meeting) is a forum for political, economic and cultural co-operation between the EU member states and ten countries in East and Southeast Asia (Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, China, Japan and South Korea). ASEM was founded in spring 1996 at a summit meeting in Bang-

kok. The second ASEM Summit took place in London in April 1998 and the third will be held in Seoul in October 2000.

The ASEM dialogue aims at strengthening the ties between Europe and Asia and can be seen as an answer to an already well established mechanism for co-operation in the Pacific region (Asia-Pacific Economic Co-operation, APEC). ASEM's main objectives are to promote political dialogue, trade and investment, and contacts in cultural, academic, technical and scientific areas. Regular meetings at ministerial level are held on foreign policy, trade and finance. A ministerial meeting on co-operation in science and technology will take place in China in autumn 1999. A series of meetings at official and expert level contribute to the exchange of experience between Europe and Asia. Good results have already been achieved. In the area of trade policy, plans of action for the simplification of trade procedures and the promotion of investment have been adopted. ASEM Business Fora are arranged annually in order to boost contacts and networking in the fields of industry and business. The most important initiative to date in the field of intellectual, cultural and societal exchanges is the foundation in 1997 of the Asia-Europe Foundation (ASEF) located in Singapore. A new feature of co-operation is the establishment in Bangkok of the Asia-Europe Environmental Technology Center (AEETC) in spring 1999.

Within the framework of ASEM, Sweden has new opportunities to broaden and deepen its contacts with the Asian member countries. Areas in which Sweden has a particular interest include trade and investment policy, democracy and human rights, the environment, academic, scientific and cultural co-operation as well as contacts between NGOs. Together with France, Sweden has taken the initiative to a series of seminars on human rights and the rule of law. The first seminar took place in Lund in 1997 and the second was held in Peking in summer 1999. The Swedish Ministry of the Environment and the Thai Ministry of Science, Technology and Environment are jointly organising a seminar on chemicals and the environment in Bangkok in late 1999 for ASEM member countries. Sweden is also considering hosting a conference within the framework of PEARL (Programme for Europe-Asia Research Linkages), and contributing to build up contacts between European and Asian museums with related collections.

The Asian crisis has meant that EU member states have focused on

how best to assist the Asian countries affected. Sweden has contributed to the ASEM Trust Fund, which was established in the World Bank in order to finance expert assistance in the social and financial sectors.

At the London summit, a group of independent experts, the ASEM Vision Group, was appointed to draw up proposals for the future work of ASEM. The group's report, which is to be considered at the year 2000 summit meeting in Seoul, was completed in spring 1999. The report focuses on measures in the field of trade and investment policy and on aspects of co-operation in environmental policy, as well as academic and people-to-people exchanges. The Vision Group suggests, among other things, that free trade for goods and services should be introduced by the year 2025, that co-operation in the fields of science and technology should be intensified, and that an ASEM academic scholarship scheme should be established. Further, the group stresses the importance of continuing the dialogue within ASEM on human rights and good governance.

Priorities:

- The formation of ASEM has created an important forum for the strengthening of links between Europe and Asia. Sweden places particular emphasis on issues concerning trade and investment, the environment, democracy and human rights, education and culture as well as contacts between NGOs. Sweden is involved in the following initiatives:
- *co-operation on the environment:* The Swedish Ministry for the Environment and the Thai Ministry for Science, Technology and Environment are jointly arranging a seminar on chemicals and the environment in Bangkok in late 1999 for ASEM member countries.
- *academic and cultural co-operation:* Sweden is considering to host a conference for the research linkage programme PEARL and intends to contribute to the strengthening of contacts between European and Asian museums with related collections.
- *human rights:* Sweden will continue to give active support to the dialogue on human rights and the rule of law, an initiative originally taken jointly by Sweden and France.

Sweden in the UN and the UN in Asia

Sweden's engagement in the UN is a cornerstone of our country's foreign policy and Sweden's Asia policy also has a clear UN dimension. This policy focuses not only on the various major conflicts in the region but also on conflict prevention and disarmament questions, human rights issues, humanitarian crises, and a number of other economic and social issues. During the two years Sweden was a member of the Security Council (1997-98), crises and conflicts in Cambodia and North Korea were taken up, the peace process in Bougainville (Papua New Guinea) was negotiated and attention was drawn to the nuclear weapon tests carried out by India and Pakistan, in the latter case on the joint initiative of Sweden and Japan. For many years the UN Secretary General has taken a lead, in consultation with Portugal and Indonesia, in finding a solution to the East Timor conflict.

Sweden is one of the countries most actively engaged in the UN's peacekeeping operations. In Asia there is Sweden's long-standing presence – dating back to 1953 – in Panmunjom, on the demarcation line between North and South Korea. Sweden is one of the four original states represented on the NNSC (Neutral Nations' Supervisory Commission). Sweden has also participated for many years in UNMOGIP (United Nations Military Observer Group in India and Pakistan) on the so-called Line of Control in Kashmir.

The UN Commission on Human Rights, which meets each year in Geneva, concerns itself with the human rights situation in particular countries, including certain Asian countries such as Burma for example, and has also drawn attention to the conditions in East Timor. For some years several of the members, including the EU, Sweden and the United States, tried unsuccessfully to secure a resolution process dealing with the human rights situation in China. These efforts led to the establishment of a regular and more comprehensive dialogue between China and the EU. Sweden has taken the initiative and has co-ordinated the work of the UN General Assembly for the preparation of a resolution drawing attention to the situation regarding human rights in Burma. The Commission on Human Rights also has a special rapporteur for Burma. A Swede, Thomas Hammarberg, has been appointed by the UN Secretary General as his special representative to monitor the situation relating to human rights in Cambodia.

UNDP, the UN's development programme, and UNICEF, the UN

Children's Fund, as well as UNHCR, the High Commissioner for Refugees, are all deeply involved in important programmes in Asia in which Sweden provides significant support. Approximately 14 per cent of Sweden's total budget for development co-operation goes to various agencies of the UN. In addition there is a wide range of initiatives, financed by Sweden through various UN bodies, in a number of areas (rural development, mine clearance, environmental projects, drinking water projects, healthcare and infant care, combating illegal drugs, refugee support and electoral assistance etc).

Sweden's active role in the UN represents a fundamental dimension of Swedish international relations. A prerequisite for the UN's ability to offer the leadership which globalisation and the current state of the world require is that the organisation is given the same central role by a larger number of countries. Both within in the framework of the UN and in its bilateral relations, Sweden encourages the Asian countries to increase their support for the UN and the international norms system. Sweden would like to co-operate more frequently with the Asian countries on specific issues within the UN system. Some of the main candidates for seats on an enlarged Security Council are to be found in Asia.

Priorities:

- Sweden's engagement in the UN is a cornerstone of our country's foreign policy. Sweden works in the UN to prevent conflicts and to promote disarmament. This is important also for the Asian countries. Through its participation in peacekeeping operations, Sweden contributes to preserve peace in several regions in Asia.
- Sweden will continue to encourage the countries of Asia to give the UN and the international norms system a central role in their foreign policies.
- In the UN's Commission for Human Rights Sweden helps to attract attention to serious violations of human rights. Sweden attaches special importance to issues regarding equal rights for women and men, children's rights, the rights of national, ethnic, linguistic or religious minorities and the native populations, the rights of persons suffering from functional disabilities, Sweden also supports measures to eliminate capital punishment, summary execution, disappearances and torture.

- Within the UN's development co-operation organisations Sweden supports efforts to combat poverty, to improve the health of children and their educational opportunities, to create sustainable solutions to refugee problem, to promote the development of democracy and to seek the enhancement of the global environment through reforms and institutional development.
- Sweden would like to co-operate with like-minded Asian countries within the framework of the UN to a larger extent.

The international financial institutions

The International Monetary Fund (IMF), the World Bank and the Asian Development Bank (ADB) are all deeply committed to Asia. In the light of the Asian crisis, the IMF's total credit facilities for 1997-98 increased fourfold compared to the previous year. The ADB has increased its lending during the crisis to such an extent that it will probably be forced to have its capital reserves of both hard and soft currencies topped up earlier than expected. Of the World Bank's total lending during the 1990s, 40 per cent has gone to Asia. The amount loaned to East Asia, including loans to South Korea under market conditions, was doubled between 1997 and 1998.

The ADB's services include loans for development projects in the region and the provision of technical assistance. The financial institution has tried for some time to develop an independent role in the region in order to become a downright development bank. There is still a long way to go, however, before this transition can be achieved.

The IMF had a central role in dealing with the crisis. Its main priority was to re-establish the confidence of the market and the rest of the world in countries hit by the crisis. Considerable financial aid was necessary since countries could no longer secure loans under normal market conditions. The IMF's total share in this came to USD 36 billion. The World Bank and the Asian Development Bank together contributed USD 27 billion. Bilateral contributions amounted to USD 55 billion. The loan terms encompassed a restrained fiscal policy, a tight monetary policy and the introduction of economic reform programs. Weaknesses in the financial systems, including the lack of openness, were to be investigated. Deregulation and comprehensive structural reforms were to be introduced. The World Bank has contributed its expertise in the areas concerned, for example, in the restructuring of

banks and companies. The Bank also focused on the social consequences of the crisis. The extent of unemployment, and underemployment, has increased enormously as millions of people were being driven into poverty with a consequent deterioration in their health and education. The Asian Development Bank has contributed regional competence.

It was clear that the IMF would play a leading role, given the nature and extent of the crisis. But the role of the Fund has also been questioned. There has been a debate on the strict demands for restrictive finance and monetary policies made at the beginning of the crisis. Critics have implied that insufficient account had been taken of the role played, in the case of the Asian countries, by the private sector's extensive short-term lending. There was a risk that these policies could cause an already negative economic development to deteriorate. There was also criticism that aid had been given a scope and direction beyond the IMF's traditional sphere of operations, that the IMF had underestimated the difficulty of pushing through stipulated reforms and that the private sector had not been required to bear its share of the costs of dealing with the crisis. The point was made that this type of aid package might encourage investors and lenders to be reckless, in the knowledge that they could always expect help from the IMF in times of crisis.

The crisis programmes have gradually been modified and there has been some self-criticism in discussions within the Monetary Fund – for instance, there is now a readiness to accept responsibility for not having seen the crisis approaching earlier. However, the mood is optimistic. The IMF is ready to help to improve the international financial system in order to reduce the risk of similar shocks in future. The list of items on the agenda includes better monitoring procedures, sturdier national banking sectors, the gradual and controlled liberalisation of the movement of capital, the determination to have more openness and closer observation and the development of more effective structures for debt rationalisation. The World Bank has drawn similar conclusions and in addition, realises the importance of more effective social security systems in case an economic crisis of this kind occurs again. The Asian crisis revealed unacceptable labour market conditions and the absence of proper social safety nets.

The financial institutions are beginning to discuss a new and improved international financial system. The circumstances leading to

the Asian crisis and the manner, in which these institutions, together with bilateral donors, tackled the problems, have given food for thought and brought fresh impetus to discussions. During the annual meeting of the World Bank and the IMF in 1999, just as at the 1998 East Asia Economic Forum, there were a number of proposals concerning the nature of a future "international financial architecture". Thus the crisis has become, in this respect as well, a milestone in international financial development. It has revealed institutional shortcomings throughout the various national systems, as well as in the international system, and has highlighted the importance of properly functioning institutions, both nationally and internationally. Discussion of a new architecture should not be allowed to obscure the fact that it remains extremely important for each country to develop a reliable legal system, an efficient banking system, a bank inspection system, better transparency regarding the financial circumstances of companies, competent auditors with integrity, effective markets for risk capital etc. A country that does not have credible institutions will not be able to benefit, in the long term, from the opportunities presented by globalisation.

Priorities:

- The Asian crisis has demonstrated the enormous influence of the international financial institutions and in particular, the International Monetary Fund. Their intervention was necessary but far from uncontroversial. In the light of this, it is evidently important that Sweden participates actively in the work of multilateral fora such as the IMF, the World Bank and the Asian Development Bank which dominate discussions with recipient countries and which often account for the greater part of the financial flows. In this context, however, it must be borne in mind that Sweden operates within the constraints of constituencies and this naturally restricts the possibility of pursuing a national line.
- The financial crisis in Southeast and East Asia has further underlined the need for increased co-operation between different sections of the Swedish Government Office and the Central Bank. This seems to be especially important at the present stage of development of the international financial institutions. Sweden should be able to play an active role in this reform work, which is of crucial importance for global economic development.

- The handling of the Asian crisis has highlighted the need to involve Asian countries in the multilateral discussions to a greater extent than has been the case up to now and to welcome their active participation in the international reform work

5.2 Democracy, human rights and equality between women and men

Long-lasting changes in a society often originate from internal processes. As one of many outsiders, Sweden can seldom create change, but can, together with others, seek to influence the processes. Experience has shown that civil society plays a decisive role in the development of respect for human rights and democracy in a society. Sweden will therefore continue to encourage the development of civil society in Asia by supporting non-governmental organisations and academic institutions. Similarly, Sweden will continue to support the development of institutions, for instance the development of legal systems and legislation, necessary to further and strengthen the respect for human rights. Sweden's development co-operation will to a greater degree focus on this area. This also means continued Swedish support to further the cause of openness and transparency. One way of achieving this goal is to facilitate the efforts of independent media to report on and investigate government institutions. These investments are small in financial terms but are strategically important.

The work in support of human rights is based on the relevant international rules and agreements. This provides legitimate grounds for discussion between countries on questions relating to the situation regarding human rights. The international agreements on human rights are an important starting point for contacts with individual countries. The UN Covenants set out a state's obligations but also provide scope for international co-operation and for the critical examination of how states abide by the rules of the Covenants.

Sweden holds the view that every member of the UN, in accordance with the UN Charter, bears responsibility for promoting respect for human rights, and rejects any suggestion that the question of human rights should be a strictly internal matter for the country itself to decide.

Sweden's objective is to enhance respect for human rights. The

methods vary, depending on what is judged to be the best means of achieving the result. This depends on the country, the time and the situation. The issue of human rights is raised with different countries through Sweden's embassies, or by Sweden's delegations at the UN in New York or Geneva. Questions on human rights are also continually discussed during bilateral meetings and are kept to the forefront in the work of development co-operation.

Many of Sweden's initiatives relating to human rights are made in the framework of the EU and result in joint statements or joint démarches by the EU troika when this is judged to be effective. This method is mainly used in urgent or especially serious situations. Through the EU, Sweden continually takes part in human rights dialogues, e.g. with China. The dialogues create opportunities for contacts at different levels. The best results are reached when the discussion is focused on a country's need for structural and institutional reforms, for instance of the judiciary or of conditions in prisons, or the need for support of such reforms. The dialogue can then be followed up through concrete development co-operation measures.

If a country shows serious and systematic disregard for human rights and the situation cannot be changed through other means, Sweden may participate in a decision to use sanctions. Such sanctions, carried out jointly by the EU, are today in force against Burma.

Institutional development

In March 1998 the Government put before Parliament new guidelines for human rights in Swedish foreign policy and for the way in which Sweden, in the course of its development co-operation, should promote democracy and human rights. These reports set out a broad approach with the emphasis on significant long-term initiatives to promote the build-up of the institutions on which a democratic society is based. The initiatives span not only the development of fundamental institutions of democracy but also the institutions required for a well functioning society. The importance of civil and political rights as well as of economic, social and cultural rights is stressed. The circumstances in any particular case should determine where the main emphasis of the co-operation should be placed. The guidelines are a natural expression of the growing importance attached to questions of democracy. At the same time they

bring out the importance of the need to deepen discussion of the institutional prerequisites of democracy.

In the formulation of a Swedish Asia policy, it is natural to attach high priority to an approach based on institutional development. Reaction against violations of human rights remains a central part of this strategy. At the same time, the emphasis is on proactive initiatives that can lead to the emergence of more open and socially just societies. This can apply to support for the courts, the popular movements or the NGOs, the parliamentary information and documentation system, organisations providing legal assistance for the dispossessed and ethnic minorities, the development of a bank inspection system or a country's budget process, human rights education, women's educational opportunities, or the expansion of primary schooling. The emphasis is thus on civil rights as well as on the economic, social and cultural dimensions of human rights. This combination creates a basis for dialogue.

An important part of the explanation for the financial crisis in Asia lies in the lack of transparency and properly functioning institutions. Economies with such shortcomings combined with the mobility of capital in the global economy create an instability that has to be tackled, now and in the future, through reform. In this area, the most important role for the international as well as Swedish development assistance, might be found. The issues are central to the main purpose of development assistance – “to raise the standard of living of the poor”: – Institutional reform is the most effective way to create open societies which are themselves capable of generating the resources to bring about sustainable development.

Priorities:

- Promotion of democracy and respect for human rights is a central objective of Sweden's foreign policy. Governments must be persuaded to sign and respect the fundamental conventions. Those countries, which ratify the conventions, should also have the intention to abide by them.
- Sweden sees it as an important task to contribute to the development of democracy and human rights protected in law, within the framework of multilateral organisations and the EU as well as bilaterally, through dialogue and co-operation,

- In the event of violations, Sweden reacts through a range of channels – bilaterally, jointly with other EU member countries, and through multilateral fora. Sweden seeks to act in concert with a larger group of like-minded countries in order to make the message more effective.
- Sweden, in concert with EU countries and other like-minded states, pursues a range of issues aimed at drawing attention to the situation of women. Sweden will continue to take up the issue of the rights of women and young girls in the framework of its bilateral development co-operation as well as in a multilateral context.
- Development co-operation provides significant opportunities for making long-term contributions to institutional development and the promotion of civil societies, which support the culture of democracy and the rule of law. Popular movements, NGOs and educational establishments as well as governments make important contributions in this area. The development of market economies can have a positive influence in the move towards more open societies. Here, too, development co-operation has an important role to play.

5.3 Trade and direct investment – a dynamic factor

It is in Sweden's interest that trade and investment continue to play a dynamic role in its relations with the Asian economies. An Asia which is experiencing economic growth and which has a stronger commitment to free trade is important for Sweden's long-term welfare.

Developments in Asia in recent decades, with high growth rates and increasingly export-oriented trading regimes, have resulted in substantially increased trade between Sweden and Asia. Investment in both directions experienced similar growth even though one country – Japan – tended to dominate foreign direct investment in Sweden. In 1997 the exports to Asia exceeded those to North America. Nine of Sweden's 30 largest export markets at that time were in Asia. Compared with other European countries, a high proportion of Swedish exports go to Asia while the region supplies a smaller proportion of Swedish imports than in the case of many other countries. During 1998, however, the trading picture has changed as a result of the Asian crisis. Asia's share of Sweden's total exports has decreased for the first

time in many years. Sweden's exports to Asia fell by approximately 25 per cent in 1998 while imports rose by about seven per cent.

Sweden's long-term objective, as a highly trade-oriented nation, is to significantly increase its trade with this region. This applies both to exports and imports and to direct investment in both directions. If such an objective is to be realistic, there needs to be a recovery on the part of the countries hit by the crisis and, at the same time, a general move towards greater openness in the region. There is hardly any doubt among observers that both these developments will take place

The future of foreign companies in Asia will be determined partly by how demand develops and partly by the way in which the opportunities evolve to gain a foothold in the region's markets, i.e. how the process to deregulate the flow of trade and investment progresses. Although the short-term prospects appeared gloomy in early 1999, there are good opportunities for high economic growth in the long term. It should be possible for both trade and the volume of direct investment to increase appreciably in both directions during the coming decade. This is borne out by the deregulatory measures that are following in the wake of the crisis and by the countries' growth prospects in the long-term. Many different forms of trade barriers remain in the majority of Asian economies. If these are gradually removed, Asian markets will become more accessible for foreign companies. Because of the financial crisis steps have been taken to accelerate deregulation and reform, thereby increasing the opportunities for improved market access and for sustainable economic growth.

The WTO and market access

Most of the economies in Asia are members of the WTO – Bangladesh, Brunei, the Philippines, Hong Kong, India, Indonesia, Japan, Macao, Malaysia, the Maldives, Mongolia, Burma, Pakistan, Singapore, Sri Lanka, South Korea and Thailand. There are, however several economies in Asia that are not yet WTO members. China, Taiwan, Vietnam, Laos Cambodia and Nepal have applied for WTO membership. Of these, China and Taiwan are Sweden's most important trading partners, together accounting for 2.2 per cent of the exports in 1997. In its external trade policy, the EC treats every country according to the most-favoured nation principle, regardless of its WTO membership status. However, it is important to ensure that as many economies as

possible join the WTO and thereby fulfil the associated requirements. Membership removes inadmissible trade barriers, increases market access and creates greater openness, predictability and security for trading partners.

Sweden works through the EC to ensure that those Asian economies outside the WTO fulfil the requirements that are made for WTO membership and are enrolled as soon as possible. Both the EC's and Sweden's bilateral development co-operation programmes can play an important role in helping the applicant economies to implement the necessary reforms and adjustments.

Sweden is also working actively within the EC to promote the continued liberalisation of trade in both directions. The most effective instrument is likely to be the coming round of WTO negotiations. The new WTO round may well contribute to increased market access both in Asia and in Sweden/the European Union. The WTO round should be able to bring about more open Asian markets through, for example, more transparent and predictable trading regulations, lower tariffs, fewer obstacles to the export of services and to foreign investment. The EC's objectives in the new round are relevant to the Asian economies. The EC wishes, for example, to achieve a reduction of tariffs and better conditions for ready-made clothing and textiles and shoes as well as for agricultural products. The Community also wishes to reform the WTO rules in for instance the anti-dumping area. Other areas to which the EC attaches great importance are the service sector and public sector procurement.

Bilateral discussions are in progress between the EC and Japan concerning agreement on the mutual recognition of certification standards, so-called Mutual Recognition Agreements (MRA). Such agreements are important from the point of view of market access.

Labour standards and organised labour

The discussion about labour standards and child labour is especially pertinent to Asia. In many countries labour standards are significantly lower than those permitted in the ILO standard, allowing long working hours, utilisation of children in industrial work, restrictions on union activity, etc. The trade unions have an important task in defending workers' rights. It is therefore a serious concern that trade union membership is low in many countries. Trade union membership is less than

five per cent in countries such as Thailand, Bangladesh and Pakistan, and around ten per cent in Indonesia, South Korea, the Philippines, Malaysia and India. Only Japan matches up to OECD levels (around 30 per cent). The situation is even worse in the economic free zones that have been established in many growth economies in a bid to attract foreign capital and technology. These zones are, as a rule, exempted from the labour legislation that applies in the rest of the country.

The question of labour standards has two dimensions: on the one hand the interest in competition on equal terms and, on the other, concern for human rights within working life. Violation of human rights should be the fundamental consideration.

In order to get to grips with the problem, the international labour movement has proposed that a social clause should be included in the statutes of the World Trade Organisation. The developing countries oppose to the issue being addressed within the WTO stating that such proposals are motivated by protectionism. The issue has thus assumed a North-South profile. The developing countries maintain that the question belongs within the framework of the ILO rather than within the WTO.

The weakness of the ILO is that developing countries have to a large extent refrained from ratifying important conventions with the argument that they cannot afford to guarantee their workers the same rights as are enjoyed in the industrialised nations. One possibility that should be considered would be to set up a special committee within the ILO to examine the relationship between labour standards, economic development and competitiveness.

Child labour

Around one-third of the children engaged in active employment worldwide live in Asia. The situation differs from country to country. Child labour is most widespread in South Asia. The situation is worst in Bangladesh where 28 per cent of children aged from 10–14 years are estimated to be working. Next come Pakistan, India and Thailand, with 12–15 per cent of children in this age bracket in employment. However, a downward trend is evident in every country. To reduce the incidence of child labour it is necessary to closely monitor compliance with conventions and laws. This alone is not sufficient, however. Ef-

forts must be made to increase the number of children that attend school. In South Asia, where the problem is most acute, increased resources need to be channelled into the education system. If results are to be achieved, fundamental changes in attitudes are also required. In South Asia, social stratification plays a significant role. In certain castes and ethnic groups, there is a tradition of children starting work at an early age. There is discrimination against girls. Grassroots movements can play an important role forming opinions. At the same time, however, the role of general economic development needs to be emphasised. Economic growth creates jobs and opportunities for the parents to earn reasonable incomes, which enables them to provide for the family without the children's help.

The Swedish trade-union movement has for a long time been collaborating with labour organisations in Asia as part of Sweden's development co-operation

The Save the Children Federation has paid special attention to child labour in its work for children's rights. Much more work has to be done.

Sweden is seeking to ensure that questions of labour standards, organised labour and child labour continue to be handled within the ILO and that the ILO is strengthened by having its conventions ratified also by the developing countries of Asia. There is a need for increased support for trade-union collaboration as well as for efforts to eliminate child labour.

How can Sweden's commercial relations with Asia be enhanced?

The Asian crisis must not be allowed to cloud the long-term perspective. Now is the time to lay the foundations that will enable Sweden to take advantage of the opportunities afforded by developments in Asia over the coming decades.

The development of Sweden's own competitiveness is decisive. Sweden needs, in Asia as in other markets, constantly to develop its capacity to produce new and competitive goods and services. This in turn means maintaining, on a national level, high educational standards, excellence in research, and conditions in which business can thrive in the long term.

The economic environment required to make Sweden an attractive

market for foreign investors is the same that is needed to make Swedish companies competitive abroad. Conditions for production and product development in a broad sense must be at least as good as those offered by competitors. There must be open markets and a business climate that encourages innovation, research and development, etc.

Financial institutions such as the commercial banks, the Export Credits Guarantee Board and the Swedish Export Credit Corporation play an important role. But the primary responsibility lies, of course, with the individual companies. Companies make their own decisions based on assessment of market conditions. At the same time, however, it is important to make information more accessible in order to facilitate companies' assessment of future opportunities and risks and their consequent decision making. It is therefore important to disseminate information on how to conduct business in different Asian markets, on cultural differences and on the existing regulatory framework. Asian markets require patience, sound finances and a substantial ability to procure information and make contacts. This gives larger companies an advantage and it is the large companies that do tend to dominate Swedish exports to Asia. Over half of Sweden's exports to China are generated by a single company, Ericsson. A key question, therefore, is what can be done to support small and medium-sized companies.

The business climate, not least in Asia, depends critically on a good framework for trade, for example openness and a level and stable playing field. The coming WTO round will be of central importance to the creation of such conditions.

Strategic knowledge

The Asian crisis highlights the need for in-depth knowledge of the region and its markets. This question is of particular importance from the perspective of the small and medium-sized companies, companies with limited market knowledge and a low risk threshold. In Sweden this kind of in-depth knowledge is available from a variety of sources but not in a properly consolidated form. It exists within the Government Offices, the National Board of Trade, the Export Credits Guarantee Board, the Trade Council, the Swedish Federation of Trade and other trade and industry organisations as well as within Sida, within missions abroad and of course within the larger companies, commercial banks and academic institutions. As a means of developing such

knowledge, capacity has been created within the Ministry for Foreign Affairs' Department for Asia and the Pacific for the analysis of macro-economic developments in Asia and assessments of markets that are important to Swedish industry.

Sweden's diplomatic missions and trade offices

Sweden's embassies, consulates and trade offices have a central role to play in promoting trade and investment. This role will be strengthened. In certain embassies this might mean increasing the number of staff, but reinforcement should primarily take the form of extended co-operation between the organisation in Sweden and companies abroad, combined with more efficient use of information technology.

Staff posted to diplomatic missions in Asia will be given additional opportunities for training in export and import matters in general and with regard to Swedish trade and industry in particular so that they are better equipped to monitor export and import developments and future business opportunities.

In the majority of the developing countries in Asia, the World Bank and the Asian Development Bank are responsible for financing much of the development assistance. The tasks of the diplomatic missions and trade offices include building up information systems so that Swedish companies can be made aware of interesting business opportunities at an early stage.

In order to strengthen its own capability, the Ministry for Foreign Affairs has appointed special promoters, including one for Asia. The task of the promoters is to take long-term initiatives to boost Sweden's export efforts, in co-operation with trade and industry and missions abroad.

In markets where the Trade Council has no office but which are of interest to Swedish trade and industry, the embassies carry out assignments on behalf of companies in return for a fee. This requires qualified, locally recruited personnel and a sound knowledge both of Swedish trade and industry and of the appropriate points of contact in the country.

Sweden has the aim to open, as a number of other countries have done, a Consulate General in Guangzhou (Canton) in southern China to undertake promotional activities. In the short term, the Swedish trade office in Hong Kong will be provided with resources that enable

it to step up its monitoring of southern China. The necessary conditions for opening a Swedish – or Nordic – Consulate General in Osaka, concentrating primarily on promotional activities, will be investigated in the light of the major potential offered by this area.

Increased co-operation

Sweden has a well developed structure for the promotion of exports. It is the task of the Trade Council to plan, co-ordinate, market and implement measures to promote Swedish exports. The field organisation comprises trade offices, the chambers of commerce with which the Trade Council has concluded co-operation agreements and also, in so far as export-promoting activities are concerned, embassies and consulates. At present the Trade Council is represented in seven markets in Asia (China, Hong Kong, Taiwan, South Korea, Japan, Vietnam and India). A further branch, in Singapore, is under consideration. In other markets there is co-operation with embassies and consulates.

ALMI Företagspartner AB (ALMI Business Partner) undertakes commissions on behalf of the Swedish Government, the County Councils and certain municipalities, promoting the start-up and development of small and medium-sized companies with growth potential. ALMI has branches in every county in Sweden and offers advice on business strategy, human resource development and financial support. The Trade Council, ALMI Företagspartner AB and local chambers of commerce co-operate at regional level within the framework of so-called export centres. The aim is to meet the need of small and medium-sized companies for support in respect of exports and internationalisation work.

The role of the Swedish Scientific and Technical Attaché Service (STATT) is to monitor and identify technical developments worldwide and to relay information back to Sweden. In Asia STATT has just one office (in Tokyo).

The body responsible for foreign investment in Sweden, Invest in Sweden Agency (ISA), is the central agency for promotion of investment in Sweden. ISA's function is to promote different forms of investment in Sweden by foreign companies, including joint ventures with Swedish companies with a view to creating new business in Sweden. The ISA operates by disseminating information, conducting analyses, assisting with company visits, media contacts, etc. In Asia its work principally consists in attracting investment from Japan, South Korea,

Hong Kong and Taiwan. There is an ISA office at the embassy in Tokyo, while in South Korea, Taiwan and Hong Kong the ISA operates through agreements either with the Swedish embassies or with the Trade Council.

In order for the trade and investment promotion to be effective it is necessary strengthen the networks between interested parties in Sweden. Exports and imports are equally important to Swedish business. It is therefore necessary to preserve a close relationship between exports and imports. The same applies to trade and direct investment, and to the inward and outward flow of foreign direct investment. Various bodies are involved in the different promotional activities. The Trade Council works in the field of export promotion, the Swedish Federation of Trade deals with import-related questions, ISA manages the inflow of direct investment, while STATT monitors developments in the field of R&D and Sida is involved in a range of activities concerned with trade and investment in the developing countries. Given the ways in which trade and investment develop at global level, there is scope for improved co-operation both in Sweden and between the Swedish and local organisations.

Success in the Asian markets demands an effective and cohesive organisational structure in order to promote trade and direct investment. The Ministry for Foreign Affairs will organise an annual Asia conference, Forum Asia, in order to enable the various players to exchange experiences and analyse possibilities for increased co-operation.

An advisory group consisting of about fifteen persons including representatives of the Government, companies as well as industrial and business organisations has been established by the Ministry for Foreign Affairs' Department for Asia and the Pacific with a view to regular discussion of developments and opportunities in the Asian markets.

Imports

Trade promotion does not just mean promotion of exports. Sweden's welfare depends on imports just as much as on exports. The import of components, raw materials and machinery is important for the competitiveness of Swedish trade and industry. Imports give the consumer access to a wider range and variety of products at lower prices.

Among the Asian countries it is principally Japanese companies that compete with Swedish industry, whereas industrial output in the other countries differs from Swedish production, and therefore tends to complement it. Imports from Asia therefore compete with Sweden's imports from other countries, including Eastern Europe, rather than with Swedish products. The competition from Central and Eastern Europe has been intensified by the European Community's association agreements and may become still stronger with any further enlargement of the EU. By ensuring that opportunities for imports from Asia are not impeded by trade barriers Sweden reduces the risks of a redistribution of trade, which would mean losses both for Sweden and for the Asian countries.

Promotional activities need to be infused with a more open view of the value of trade in both directions. In order for Swedish embassy staff to be able to monitor import matters, they require better knowledge of Swedish companies' relations with their subcontractors.

Project exports and international procurement

Project exports involve several companies, i.e. a joint order for an entire system or plant to which many different parties contribute. Exports of this type offer opportunities for groups of Swedish companies, including small and medium-sized companies. The projects can either be those selected for multilateral financing or they may be projects which emerge bilaterally. The Government Offices' Project Export Secretariat (PES-EIM) supplements other government initiatives in the field of export promotion and international procurement. Located within the Ministry for Foreign Affairs, the Secretariat has been given a wider mandate and an increase in staff.

The market for project exports is already large and will grow in importance during the coming decades. Major investments will need to be made in Asian infrastructure. The transport sector and energy supplies need to be expanded. Health care needs to be developed in the form of new hospitals, etc.

The existing network consists of Swedish diplomatic missions abroad, the Trade Council, the Ministry for Foreign Affairs, and direct contacts. An informal network, Swedish Project Export, has been built up by a number of large companies and representatives of the Government Offices, the Trade Council and Sida.

Sweden has not been able to secure what might be regarded as a reasonable share in the market for multilateral tenders and multilaterally financed projects. In the light of this situation, the Government has increased the resources available for monitoring international projects of interest to Swedish companies. Additional project monitoring services have been set up during 1998 and are now located in Washington, New York, Brussels, London, and Manila with the task of monitoring projects under the umbrella of the World Bank and the Inter-American Development Bank, the UN, the EU, the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank. If Swedish trade and industry is to become more successful in the public procurement market it is vital that the companies understand how the international organisations function, how projects are initiated and followed up and the interplay between the institutions and borrowing/recipient countries. It is also important that companies realise that the international system in this area is undergoing a process of rapid transformation. This includes the decentralisation of activities, new co-ordinating structures, and increased emphasis on aspects relating to the environment, culture and poverty, etc. A sound knowledge of these changes and what they mean in terms of operational procurement yields major competitive advantages. However, projects handled by the development banks only form part of the total project-export market. A growing share will be conducted within the private sector in Asia. These opportunities must also be monitored more closely than they are today.

Some of the larger projects of importance to Swedish industry in the developing countries have benefited from support provided by the Swedish International Development Co-operation Agency (Sida) in the form of credits. The Uri hydroelectric power station in India is one successful example. Another one is the health and medical care project initiated by the Swecare Foundation in Thailand, which generated significant business for around thirty small and medium-sized Swedish companies. Given Asia's major investment requirements, one of Sweden's goals should be to participate in further such projects.

Obtaining information about projects at an early stage is a necessary prerequisite. Similarly it is important that missions abroad are well informed about the resource base in Sweden so that they can, at an early stage, identify projects of interest to Swedish companies. Access to export credits guaranteed via the Export Credits Guarantee Board

is often of crucial importance. The Swedish Export Credit Corporation, which is 50 per cent government owned, can furnish both government and market-based export credits. The banks also have a key role to play. In developing countries, credits as well as guarantees through Sida, can be of crucial importance. For certain projects, the Nordic finance institutions, primarily the Nordic Investment Bank (NIB), can play an important part. Project exports often include a training component. It should be possible to offer supplementary training packages more often than hitherto within the context of development co-operation. Such initiatives enhance the overall impact and lifespan of a project and strengthen the Swedish company's position in the host country.

The Government is looking at the possibility of developing new forms of support for promoting project export initiatives by companies, or groups of companies, with a view to identifying possibilities at an early stage and then developing and presenting proposals for projects that might be regarded as viable and possibly eligible for international or Swedish funding. The support should be aimed at projects in which small and medium-sized companies can participate and which focus on sectors that are closely compatible with the resource base in Sweden.

Environmental know-how as an export commodity

The scale of the environmental problems and the rapid pace of environmental degradation make it necessary to devote more resources to the environment in Asia in the coming decades. The need is huge and the demand for environmental technology and environmental services is expected to rise steeply. The development of more stringent environmental legislation will generate new areas of business for environmental technology firms.

Sweden has developed considerable institutional and technological know-how in the environmental field. The knowledge and experience extends to several sectors with environmental relevance. Swedish industry is often seen as a leader in environmental protection and environmental technology. Waste management is well developed, particularly as regards the management of environmentally hazardous waste, landfills and incineration plants. Experience in the field of recycling is rapidly growing. Sweden has well developed legislation and regulatory

provisions for industrial and road traffic emissions, as well as instruments for environmental monitoring. The knowledge of water pollution problems is well developed, for example in the field of municipal sewerage, industrial effluent disposal, surface and groundwater pollution, surveillance and effects on coastal zones. Sweden's knowledge in the field of natural resource management covers town and country planning, agriculture and forestry, fisheries and mines. In the energy sector Sweden has long experience of hydroelectric power station construction, power transmission, bioenergy and alternative energy resources as well as considerable expertise in energy saving for both industry and households.

Swedish firms should be able to make better use of their expertise on the international market. A stronger presence on foreign markets through trade and investment will enable firms to develop their know-how and expose them to increased competition, which in turn will enhance their competitiveness. The Asian market offers an opportunity for this.

The Swedish resource base in the area of environmental technology is made up of a number of large firms, a limited number of medium-sized firms and a great many small firms. The latter are mainly geared to the domestic market and generally have limited scope for pursuing export business. This applies in particular to export prospects in Asia, which is a remote market posing many difficulties. In order to take greater advantage of the possibilities on offer there is a need for increased strategic co-operation between the Government Offices and bodies such as the National Environment Protection Board, Sida, the Trade Council, STATT, the research community and the export industry to boost exports of environmental technology and know-how. Through increased co-operation Sweden can give higher priority to the environment and sustainable development.

Tourism and business travel

The flow of tourists from Asia is growing and represents a major potential for the future. Japanese visitors spent a total of 130,000 nights in Sweden in 1997, and 1998 showed an increase in this figure. Tourism is to a great extent an integral part of many sectors of society, especially in view of the fact that, by definition, tourism embraces not only recreational tourism but also business-related travel, including

conferences and incentive trips. Tourism also makes Sweden visible abroad in several ways – indirectly through marketing and directly through actual visits. Again, the marketing of tourism also helps to build up an image of Swedish society, its culture and its economy, abroad.

Development co-operation and trade and industry

Sweden's development co-operation has, within the framework of its comprehensive objectives, contributed in several ways to the involvement of Swedish companies in Asia. Development co-operation has entailed a long-term presence enabling contacts to be built up between companies, consulting firms and institutions in Sweden and Asia. Through Sida's contract-financed technical co-operation it has been possible to develop co-operation involving the Swedish resource base with countries other than those, with which there are the traditional development co-operation programmes. In recent years, support for the development of private enterprises and the financial sector have become increasingly important aspects of Sida's activities.

Swedish development assistance has to a growing extent become geared towards developing the necessary conditions for economic activity in developing countries and creating a favourable environment which promotes enterprise. This also creates better conditions for trade and investment in the country concerned. Swedish institutions and companies are often involved in this work.

Furthermore, Sida can offer forms of co-operation which are of direct relevance to Swedish companies' efforts in developing markets. Credits is an important complement to development assistance. The available forms of credit include concessionary credits and development assistance credits in combination with guarantees. At present, concessionary credits are most widely used. Financing is carried out via borrowing on the capital market combined with aid. The Helsinki Agreement, which was concluded by the OECD countries in 1991 and came into force in 1992, restricts the opportunities for countries to use tied credits on favourable terms. The aim is to avoid distortions engendered by subsidising export credits with aid funds to projects that are regarded as economically viable. Concessionary credits are therefore considered for investments with a socio-economic benefit, e.g. in connection with social sectors, environmental investment etc,

and for the least developed countries that are exempted from the Helsinki agreement. To qualify for concessionary credits, the recipient country must be regarded as creditworthy, its priorities must be compatible with Swedish aid-related project assessments and procurement has to be conducted through international competition. A large proportion of concessionary credits, around 60 per cent, are granted to recipients in Asia. China and India are the major beneficiaries, accounting for 26 and 28 per cent of the total volume respectively. Other countries that have received concessionary credits are the Philippines, Malaysia, the Maldives, Pakistan, Thailand and Vietnam. Credits have in the past principally been directed at infrastructure such as energy and telecommunications.

Development assistance credits, which have been available since 1994/95, are primarily intended for project financing and, since they comprise 80 per cent donated funds, they are similar to development aid. They are usually non-tied, but are often extended to sectors in which Swedish industry is competitive. They consist predominantly of revenue-generating and growth-promoting projects in less credit-worthy countries. It seems likely that this form of credit, which is not affected by the Helsinki Agreement, will be used increasingly in Asia.

The Government has approved a new guarantee system. The new system involves increased and more flexible application of guarantee instruments. It will be possible to give guarantees without any linkage to concessionary credits. Independent guarantees may mobilise commercial resources that are otherwise not available for priority projects. Initiatives like this appear to be important for promoting both development and Swedish business opportunities in Asia.

In a number of developing countries in Asia conditions exist which are conducive to the use of credits and guarantees, especially in the field of infrastructure, but also in areas such as environmental technology, which should be given greater priority. Credits can also be included as part of the financing of larger projects. In co-operation with the Export Credits Guarantee Board (EKN), Sida is developing more detailed guidelines for the financing of future projects.

Development co-operation and industry – building up institutions, forms of financing

Sida's activities in the area of trade and industry are aimed at creating

favourable conditions for companies using sustainable production methods, and at facilitating their access to the international market. Increased international trade is an important prerequisite for economic development. The challenge lies in creating an environment that promotes the development of a competitive commercial and industrial sector and also attracts foreign direct investment.

Sida contributes to the development of an institutional framework by supporting the drafting of legislation and the creation of effective financial systems, administrative structures and trade and industry organisations. For investments to take place there is need for a certain degree of security as well as of foresight.

The reform of state owned companies, privatisation and modification of ownership structures are further areas of activity. An additional area of activity is the provision of expertise and policy advice to the least developed countries and those that have recently undergone the transition from central planning to a market economy.

Through Sida's contract-financed technical co-operation, knowledge and expertise are transferred from Swedish institutions and companies to institutions in developing countries. This approach, which is based on specified areas of common interest, has proved highly suitable for the decentralised deployment of Swedish know-how in order to build up institutions and enhance the capacity of development co-operation projects with countries such as China, the Philippines, Thailand and Indonesia.

Swedfund International AB, which is a government owned company, contributes to transferring knowledge about Swedish trade and industry to developing countries in Asia and elsewhere with a view to promoting industrial and economic development in these countries. Support takes the form of share capital and loans for the development of economically sound joint-venture companies.

StartAsia

There is a need for productive investments in the developing countries. Sida's *StartSouth* programme offers financing opportunities for small Swedish companies for business collaborations in Asia, Africa and Latin America. The idea is to assist in the transfer of knowledge and competence to the countries in which Sida has economic co-operation. Small and medium-sized Swedish companies that wish to par-

ticipate may need help to cover the costs of the investment that is required for long-term profitability. The *StartSouth* programme includes depreciation loans and conditional loans. Depreciation loans are granted for investment in training in the local company and are subject to a maximum of SEK 500,000 per project. Conditional loans may be granted for other necessary investments. *StartSouth* covers 22 countries, five of which are in Asia: India, Bangladesh, Sri Lanka, Vietnam and the Philippines.

Sida has expressed interest in the idea to develop an effective *StartAsia* project based on the experiences from *StartEast* and *StartSouth*. This would, in time, mean a lot for small and medium-sized companies. The advantage of a tailor-made *StartAsia* is that it would assume a profile of its own and that it would cover substantially more countries in Asia than the few that are currently included in *StartSouth*.

Priorities:

- It is in Sweden's interests that trade and direct investment continue to play a strongly dynamic role in Sweden's future relations with the countries of Asia. Sweden's long-term objective, as a strongly trade-oriented nation, is to increase trade with this region. This applies both to exports and imports and to direct investment in both directions.

It is of fundamental importance that trading conditions are improved:

- As a member of the EU Sweden can influence the EC's trade policy towards Asia. Within both the WTO and the EC Sweden is a strong advocate of deregulation in those areas where Asian countries are major exporters, including textiles/clothing and agricultural products. Sweden also continues to seek a more restrictive use of anti-dumping procedures.
- Sweden works in the EC and the WTO towards ensuring that the Asian countries deregulate their economies.
- Sweden works in the EC towards ensuring that those Asian economies that remain outside the WTO, among others China and Vietnam, will satisfy the requirements for WTO membership and be-

come members as soon as possible. Sweden also works towards ensuring that those Asian economies that have joined WTO fulfil the obligations that membership entails.

In order to take advantage of the opportunities for increased trade with Asia, it is also necessary to keep developing Sweden's promotional activities:

- An effective organisation for promotion is fundamental for the development of trade and direct investment. It is important to pursue actively the build-up of networks between parties involved at the central and regional level in Sweden and to encourage increased cooperation between them and Swedish representatives abroad.
- The establishment of a promoter function within the Ministry for Foreign Affairs has created new opportunities. In addition, an advisory group, consisting of about fifteen members representing the Government, trade and industry, has been attached to the Ministry's Department for Asia and the Pacific with a view to regular discussions on the development of Asian markets, new business opportunities and the orientation of the promotional activities.
- As a way of developing knowledge of the region's economies and markets, a capacity has been created within the Ministry's Department for Asia and the Pacific for the analysis of macro-economic developments in Asia and assessments of markets that are of importance to Swedish trade and industry. This should be seen as complementing the capacity that has already been built up within the Government Offices for the analysis of development in the region.
- The central role of Swedish embassies, consulates and trade offices in promoting trade and investment will be further strengthened. In markets where the Trade Council has no office, but where Sweden has a commercial interest, embassies carry out assignments on behalf of companies in return for a fee. Sweden's diplomatic staff will be given supplementary training in export and import matters in order to be better equipped to monitor business opportunities.
- Longer-term initiatives will be developed in close collaboration with individual countries. South Korea is the first country for such an initiative.
- Project exports offer important opportunities for groups of Swedish

companies, including small and medium-sized companies. The Government is looking at the possibility of developing new forms of support for promoting project export initiatives by companies, or groups of companies. The objective is to identify possibilities at an early stage in order to develop proposals for projects that might be regarded as viable and possibly eligible for international or Swedish funding. The support will be aimed at preparatory studies for projects in which small and medium-sized companies can participate and which focus on sectors that are compatible with the resource base in Sweden.

- The possibility of opening, as a number of other countries have done, a Consulate General in Guangzhou (Canton) in southern China to undertake promotional activities will be pursued. In the short term, the Swedish trade office in Hong Kong will be provided with resources that enable it to step up its monitoring of southern China.
- The possibility of opening a Swedish – or Nordic – Consulate General in Osaka, concentrating primarily on promotional activities, are being investigated in the light of the major potential offered by this area.
- An important initiative will be taken to launch Swedish environmental technology. To better use the Swedish resource base, there is a need to strengthen co-operation between the various players in Sweden through closer collaboration between the Government Offices, the National Environment Protection Board, Sida, STATT and the Trade Council.

Development co-operation can promote the enhancement of trade and investment:

- A central objective of Sweden's development co-operation is to create better conditions for long-term growth in the developing countries. Sida provides support for macroeconomic and institutional reforms, legislation, development of the financial sector and assists with the building up of business organisations such as chambers of commerce etc.
- Development co-operation has played, and can continue to play, an important role through the development of contacts between the various Swedish actors, including Swedish trade and industry and institutions in Asia.

- In a number of developing countries in Asia conditions exist that are conducive to the use of the credit and guarantee instrument, especially in the infrastructure field but also in new areas such as environmental technology and services.
- Sida will investigate the possibility of establishing a separate StartAsia programme based on experience gained with StartEast and StartSouth.
- Project exports often include an educational component for which finance within the development co-operation framework can be considered.

Sweden will continue to work actively for the improvement of labour standards:

- Sweden seeks to ensure that questions relating to labour standards, organised labour and child labour are given priority within the ILO. Similarly it is important to strengthen the ILO by ensuring that the conventions are also ratified by the developing countries of Asia. The support for trade-union collaboration should be increased, as should efforts to eliminate child labour.

5.4 Combating poverty and enhancing reciprocity – the future role of development co-operation in Asia

Development co-operation forms an important dimension of Sweden's relations with Asia, and it should continue to do so in the future. The reason for this is that it is in Asia that the great majority of the world's poor is to be found, as well as the possibility of achieving important results in reducing poverty and promoting long-term sustainable development. Development co-operation also offers considerable opportunities for deepening Sweden's relations with the countries in Asia on equal terms and on the basis of reciprocity.

Almost three quarters of the world's poor – one billion people – live in Asia. That in itself is reason enough to continue to engage in comprehensive development co-operation with the Asian countries. Responsibility for relieving the deep poverty so widespread in South Asia rests primarily with the countries themselves, but development co-operation has an essential part to play. Even countries which have com-

paratively good capacity of their own need both financial assistance and the transfer of new knowledge to develop institutions and to bring about sustainable long-term development. The Asian crisis is highlighting the vulnerability of the prosperity which has been achieved over the past decades in some Asian countries.

A wide-ranging network of contacts has been built up over decades of collaboration. Today, Swedish development co-operation with East, Southeast and South Asia amounts to approximately SEK 1.5 billion annually which represents some 17 percent of Sweden's bilateral aid. Twenty years ago the corresponding proportion was double this figure. This in spite of the fact that it is in Asia that the great majority of the world's poor is to be found and the prospects of fulfilling the overall aim of development co-operation, namely to reduce poverty in the world, have proved to be better than anywhere else.

Achievement of the agreed objective of the OECD countries' development co-operation, namely the halving of the number of poor in the world by the year 2015, will require even greater efforts in Asia.

As the total volume of Swedish development co-operation with Asia has fallen in real terms, the number of countries with which Sweden is involved in some form of bilateral co-operation, has steadily increased and now numbers 18 of the 25 countries and economies included in this strategy. In the case of poorer countries such as Bangladesh and Vietnam, the development co-operation is long-term in nature while with a more developed country such as Malaysia, the co-operation takes the form of an invitation to Malaysians to participate in the international courses run by Sida. Each year several hundred highly qualified Asians come to Sweden for training.

With its multiplicity of forms and great flexibility, development co-operation plays a central role in Sweden's strategy towards Asia. New challenges – such as the trend towards globalisation with the difficulties that this brings for the weaker states – make it imperative that the forms and content of development co-operation are kept under continuous review and refinement. The fundamental aim of Sweden's development co-operation remains to raise the standard of living of the poor.

The challenge is to contribute to raise living standards for the millions in Asia who are still living below the poverty line in a way that can be sustained. Development co-operation contributes to make education and health care available to all and to stem the trend towards a widening

of the gulf between rich and poor, to build new infrastructure and start on the rehabilitation of the environment, to realise women's rights to personal development and to implement these far-reaching changes with the active participation of individual members of society.

Sweden also makes important contributions to the aid to Asia provided by the UN, the international financial institutions and the EC. The financial institutions, in particular the World Bank and the Asian Development Bank, have come to play an increasingly central role in the great majority of countries. In most countries Sweden's bilateral aid is fairly small compared especially with the comprehensive aid packages arranged through the World Bank and the Asian Development Bank. At the same time Sweden often has a good knowledge of a particular country and its institutions. It is therefore important to seek closer co-ordination between Sweden's multilateral and bilateral contributions.

Key areas for development co-operation in a Swedish strategy for Asia

The fundamental objective of Sweden's development co-operation activities is, according to the guidelines developed by the Swedish Government and Parliament over the years, to bring about improved living standards and more equitable conditions for those suffering poverty, so enabling their fundamental needs to be met and providing them with the opportunity to become involved in political decisions affecting the development of society, by promoting:

- economic growth,
- economic and social equality,
- economic and political independence,
- democratic development,
- sustainable management of natural resources and environmental protection,
- equality between men and women.

These objectives correspond well with the current needs of the countries of Asia. Conditions for development co-operation have changed for the better now that the deeply polarised debate of the Cold War era has been replaced by a dialogue of the aims and means of development on the basis of real results. Furthermore, the prominence given

to the role of the market, which was a result of the Asian success stories, has given place to a deeper appreciation of the institutional, social and environmental dimensions of development. No country is able to avoid the challenges of globalisation. The need for structural change and reform is great. Increased vulnerability has meant that the need for institutional development and democratic legitimacy are now key questions. In many societies, far-reaching changes in the distribution of power and resources at local level are of decisive importance to the well-being of the poor. The Swedish Government has developed these views in two Communications: *The Rights of the Poor* and *Democracy and Human Rights in Sweden's Development Co-operation*.

There is no such thing as specifically "Asian" development co-operation, nor should there be, since conditions differ radically between individual countries and groups of countries. Development co-operation with Asia today is very different from what it was just ten years or so ago.

Sweden's development co-operation is now significantly more focused on reform and *institutional strengthening*, based on a new awareness of the role of the state vis-à-vis that of the market. Initiatives include support for institutions required for the furthering of democracy and an efficiently functioning economy. The pure financing of shortfalls in the balance of payments, without linkage to a programme of reform, is no longer an acceptable course of action. Sweden's development co-operation with Vietnam, strongly oriented towards reform, has for example been cited by the World Bank as a model for other donors.

Since the end of the 1980s, initiatives designed to promote *democracy and respect for human rights* have emerged as an important part of Sweden's development co-operation.

Initiatives to improve *the environment* and to contribute towards sustainable development play a more important role than in the past. Similarly, aid for infrastructure projects is subject to much stricter environmental requirements than hitherto.

Educational initiatives at primary school level have emerged as a central feature of the aid given to the countries of South Asia and to Cambodia.

Aspects of *equality between women and men* are no longer regarded as extras in the form of additional minor measures, but are now central factors in the consideration of all aid initiatives.

The *prevention and resolution of conflicts* currently form a main theme of Sweden's development co-operation with Cambodia and Sri Lanka. Unresolved conflicts in a number of countries and areas (Cambodia, Burma, Sri Lanka, East Timor and Kashmir) are the prime obstacles to development and often give rise to large refugee movements with serious economic, social and security consequences.

In each particular country the co-operation is concentrated in a few specific areas and in no two countries is the exact nature of the aid the same. The form that the co-operation will take is set out, in the case of those countries with which Sweden is engaged in sizeable programmes of long-term co-operation in country strategies which are subject to Government approval every three years. The purpose of the country strategies is to focus, on the basis of the aims of Sweden's national development co-operation policy, on those areas where Sweden can play a significant role. Consequently development co-operation with the countries of Asia is not dominated by any particular sector or form of aid.

The fundamental objective of development co-operation is *the combating of poverty*. How best to reduce poverty in a particular country depends on the situation in that country. A central feature of Sweden's co-operation with Asia is *institution building and reform*. A lesson learned from the financial crisis in East and Southeast Asia is that a continuing programme of reform is required not least in areas such as the financial sector, debt management, the rules of the game for the private sector and legal questions as well as with policies for health, land conservation and research etc. Like other donors, Sweden is building up a capacity to assist with reform and institution building in all these areas. In Vietnam, for example, Sweden has already worked with the strengthening of the legal and banking sectors but still more work is needed, not least in the area of preventive measures in those countries which were not seriously affected by the crisis. In the poorer countries reform is needed in the fields of education and health to bring these, at reasonable cost, within the reach of the most disadvantaged, not least women, and thus to give them the opportunity to participate in the process of development. In countries such as China, Vietnam, Laos and Mongolia, a broad spectrum of reform is needed spanning all sectors of society to facilitate transition from the earlier centrally controlled models to more open and socially responsible market economies. In the middle income countries of East and Southeast Asia, continuing

reform is the key to renewal. In many countries the need of institutions in the environmental field is great.

Why concentrate on initiatives in the financial sector or the taxation system if the aim is to help the poor? The answer is that development requires the long-term mobilisation of domestic resources for teachers' pay, new primary healthcare clinics, development of the rural infrastructure etc. Using aid to pay for teachers' wages, new clinics or new roads without anchoring such measures to a country's own national finances will not lead to development. Only when the country has built up its own capacity to develop schools or healthcare facilities will the results be lasting. Thus it follows that the really important aid is that which contributes to building up the country's institutional capacity for development in high priority areas.

From a reform perspective, too, support for *democracy and human rights* is a central theme. Those countries in Asia with more democratic forms of government have proved to be more successful in managing the financial crisis. An economy functions better given a clear legal framework. In the end it is a question of the basic freedom and rights of the individual and the importance of a society which is open, and in which responsibility can be asked from those in power. An important part of development co-operation in Asia is therefore directed towards building up the democratic societies in which the rights of the individual are respected. One way of supporting such development is to contribute towards the strengthening of the judicial system and other institutions; another is to provide support for Swedish and local NGOs working together to build a stronger civil society. Particular emphasis is placed on the strengthening of the fundamental rights of women and children. In those countries where the development of schools has been neglected, this area should, for reasons of democracy, be given high priority.

Sweden must always be ready to provide *humanitarian aid*, for example in refugee situations or the relief of natural disasters. Such relief work is channelled primarily through the UN system and individual organisations such as the Red Cross. At the same time it is necessary to place increasing emphasis on the fundamental underlying factors. The major natural disasters that we are currently witnessing in Asia have, for example, a clear connection with environmental mismanagement in the region.

Support for *conflict prevention measures* and for initiatives which serve

to strengthen a country's ability to resolve conflict and to develop sustainable political solutions, are other examples of development co-operation. By such means, aid can contribute towards the creation of new and more constructive conditions for a country's long-term development. The aid given to Cambodia has long been directed towards these ends and, in the new development co-operation programme agreed with Sri Lanka in 1998, conflict resolution has been included as a high priority aim.

There is also a clear reform perspective for development co-operation in the *social sectors*. Swedish support for the major health and education programmes in India and Bangladesh have focused on questions of quality and new institutional solutions. In Cambodia, through UNICEF, Sweden is financing a major programme for the development of primary schools based on a radically new view of the children's ability to influence their school work. Widespread illiteracy must be regarded as unacceptable in this age of information technology. Women's rights and freedom to participate in the process of economic development are priorities. Support for the social sectors also offers a means of improving the economic conditions for deprived groups. A reform-oriented involvement within the social sectors has high priority in Swedish co-operation with a good many of the Asian countries.

For a majority of the countries in Asia, *the environment* already constitutes an important area for co-operation. This applies both to the strengthening of environmental institutions and regulatory frameworks and to initiatives designed to ensure the sustainable management of natural resources and to prevent such adverse environmental effects as water and air pollution. Support for environmental aspects of the modern sector is also increasing. Extended regional co-operation is another important possibility. Sweden possesses considerable environment expertise, both institutional and technological, and this represents an important resource in the context of its future relations with the countries of Asia.

An example of new needs for institutional development, which also create investment opportunities for Swedish companies among others, can be seen in the privatisation of hitherto state-owned monopolies in such fields as telecommunications and energy. The countries need aid in order to carry out such reforms and the work itself requires *project financing* through different combinations of private and public funding. Sweden has introduced a new form of guarantees which

will mitigate some of the risks associated with such long-term involvement. The winding up of unprofitable state-owned enterprises is another major undertaking now facing many countries. The main aim is to free resources which can be used for urgent investment in areas such as health and education for which the state rather than the market has the responsibility.

Asia is largely lacking in well-developed regional organisations, on the government level as well as non-governmental. Sweden provides, through Sida, support for the Mekong Commission and the Asian Institute of Technology (AIT), in both cases with the emphasis on environmental questions. Sida also supports a number of individual organisations working in the field of human rights as well as initiatives associated with the emerging co-operation between Europe and Asia within the framework of the ASEM process. According to a survey of regional co-operation commissioned by Sida in 1997-98 environmental matters and human rights should remain central areas for Sweden's support for regional organisations. At the same time it should be possible to support regional co-operation in a number of other areas where conditions are deemed to be suitable, including initiatives within ASEM/ASEF which Sweden considers important. Sweden will strive to ensure that the EU gives high priority to collaboration with regional organisations. The Nordic Council's experiences of regional co-operation could be useful.

One of the main questions that Sweden's strategy for Asia needs to address is how Sweden can *broaden and deepen its relations with Asia*. As has been noted earlier, there are many aspects of development co-operation which help to foster strengthened relations. In Sweden's new Africa policy the concept of partnership has been given a central role. Partnership means to build relations on an equal basis within a large range of areas. It is based on mutual interests and openly proclaimed objectives. The starting point is a common set of values anchored in the conventions signed by both parties. Such broadened and deepened relations should be the goal also where the Asian countries are concerned. In this way a sound foundation can be created for future relations characterised by a greater degree of reciprocity on an equal basis.

Research collaboration is one area of great mutual interest. Research activity is proceeding apace in a number of Asian countries and the need to build up a national research capability is increasingly being perceived as crucial. Sweden's development co-operation with Asia

now embraces research co-operation with India, Vietnam and Sri Lanka. The extension of the research collaboration with Vietnam and Sri Lanka is under discussion as is the possibility of collaboration with countries such as China, Indonesia and Thailand. Sida has proposed to double the volume of research collaboration in the next three years.

Where *economic development and investment in infrastructure* are concerned, Sweden clearly has an interest in ensuring that Swedish companies and Swedish equipment play a useful part in the process of development co-operation. One area in which there is good growth potential is the environment. Through increased investment in the development of the private sector in Asian countries and new ways of financing projects, this form of co-operation would be strengthened. The special StartAsia programme, mentioned in section 5.3, could be a way to provide fresh opportunities for small and medium-sized companies in Asia.

There are extensive opportunities for Swedish consulting companies to reach new customers and markets in Asia through the so-called contract-financed technical co-operation. This applies mainly to the middle-income countries where the development needs, prioritised within the framework of the Swedish development co-operation, offer opportunities for the establishment of new contacts. In this context, too, the environment is growth area while new issues, such as social insurance and pension systems, are also seen as offering scope for initiatives.

An increase in *trade* between Sweden and the countries of Asia is of benefit to both sides. A relatively significant amount of Swedish government support is available for the promotion of Swedish exports. But also development co-operation is directly beneficial to Swedish trade. Initiatives designed to boost trade are thus included in Sida's mandate and Sida has produced a report on *trade and the environment* which provides new ideas. The possibilities to develop this area should be explored, also as part of Sweden's efforts to seek coherence with EU's policies towards Asia. Increased co-operation between the Swedish Trade Council and Sida regarding the export of environmental technology might be useful.

An important aspect of development co-operation relates to initiatives designed to *pave the way for strengthened relations*. Development co-operation facilitates the creation of an extensive network of contacts. Sida proposes that the promotion of closer people-to-people re-

lations should be given increased support, for example, increased contact between secondary school students in Sweden and their counterparts in other countries and an increase in student exchanges and greater opportunities for Swedish students to study in and write essays on Asian countries. There should also be increased opportunities for young Swedes to work in these countries as volunteers and assistant experts. Such initiatives help to create new openings for contacts and relationships on a foundation of equality. Today only three percent of Swedish students studying abroad do so in the countries of Asia, Africa or Latin America. These figures confirm the need for new initiatives for broader internationalisation. Sida has proposed to introduce a new exchange programme for the countries outside the OECD-area, Linnaeus, inspired by the successful Erasmus programme. In the Swedish National Agency for Higher Education report entitled *Education and Research for Strategic Internationalisation* (1998) the same idea forms the basis of one of the main proposals. Globalisation brings new requirements for internationalisation and the proposals being put forward are of fundamental importance to the possibilities for a deeper understanding of other societies and cultures. The knowledge and experience gained in this way will be of enormous significance in the future.

In the *research area*, too, there is a need to increase the geographical spread of Sweden's co-operation activities. To make this possible will require an increase in the support for *researcher-initiated* co-operation between institutions in Sweden and in the developing countries.

On a professional level, Sida's *international courses* provide a valuable means of exposing professionals to Sweden and Swedish experiences. In 1997 the international courses included some 600 representatives from 16 of the 25 countries and economies embraced by this strategy. Sida proposes to increase this programme and to arrange courses on a regional basis and, where the need is great, for an individual country. The *expert exchange* scheme, administered by the Swedish Institute and covering exchanges between Asian countries and Sweden, similarly deserves to be given higher priority. Today the number of Asian experts invited each year is very small. In autumn 1998 agreement was reached between Sida and the Swedish Institute on a larger contribution by Sida to this part of the Institute's activities.

Cultural exchanges provide opportunities for contacts between individuals with mutual interests and on equal terms. Sweden's development co-operation with Asian countries in the cultural field is cur-

rently limited and basically only involves one country (Vietnam). A new basis for such activity could be established through more cultural co-operation initiatives under the auspices of Sida and specific cultural exchange programs with Asia through the Swedish Institute. To achieve a sufficiently wide range of activities in this area, Sweden will have to be able to support projects of widely differing kinds in many different countries. The ideas must come from right across the cultural spectrum and with the details agreed in collaboration between cultural workers and cultural institutions in Sweden and in Asia.

Developments, both global and regional, are constantly presenting countries with new challenges which, if they are to be met, require updating of the content of development co-operation programmes. Globalisation places new requirements on the international system. Each country must try to take advantage of its opportunities while avoiding its undesired effects. For the countries of Asia, with their rapid social and economic changes, globalisation places exacting demands on the development of *institutions and capacity*, both social and political. It is in these areas, rather than in increased financial flows per se, that the core of future development co-operation with the countries of Asia lies. Fighting poverty, the overarching objective of development co-operation, presupposes the establishment of effective institutions capable of instilling confidence and trust.

Priorities:

- There are three strong reasons for Sweden to continue to engage in development co-operation with Asia at a level corresponding at least to that of today: the fact that the greater part of the world's poor are to be found in Asia. The possibility of achieving concrete results through development co-operation are there. Sweden has a long-term interest in deeper relations with an Asia undergoing a process of rapid development. For these reasons it must be Sweden's objective to increase its development co-operation with Asia.
- Through development co-operation Sweden can actively pursue the deepening and broadening of bilateral relations with the great majority of Asian countries which can still be regarded as developing countries. Development co-operation has enabled Sweden to build up far more comprehensive networks than could be expected and there is room for many new initiatives.

- The orientation of Sweden's development co-operation corresponds well with the areas that stand out as being of central importance in a Swedish strategy for Asia. Three objectives should be given the highest priority:
 - to bring about a clear focus on reform processes and the strengthening of institutions with a view to improving the fundamental conditions for democracy and respect for human rights, equality between women and men, a market economy, reduced poverty, better schools and health facilities and ecologically sustainable development,
 - to build up a long-term involvement in a broad range of environment co-operation, and
 - to develop of relations on a foundation of equality and based on greater reciprocity. This should be seen as an important aim in itself.
- Development co-operation directed towards the build-up of a country's institutions and capacity must be long-term. At the same time it calls for flexibility, co-ordination and partnership:
 - development co-operation requires concentration on selected countries and on selected sectors. Long-term co-operation must be combined with the capacity to provide aid for countries which are at a critical stage in their development. Flexibility is necessary. Co-operation should include a broad spectrum of countries. This breadth allows development co-operation to make an important contribution towards the development of Sweden's overall relations with a large number of countries in the region.
 - The World Bank, the International Monetary Fund and the Asian Development Bank today play dominant roles in development co-operation with the Asian countries. This means that Sweden's own activities in these institutions, in committees and fora dealing with the co-ordination of aid, are of great significance. Greater attention should also be paid, in such an overall assessment, to the aid provided through the EC. It is vital that Sweden takes a comprehensive view in the formation and implementation of an Asian strategy.
 - To be successful, development co-operation requires a partnership built on mutual interests and openly proclaimed objectives. The starting point is a common set of values anchored in the conventions signed by both parties. One of the long-term aims of

- development co-operation is to build, on this basis, future relations characterised by mutual interest and equality.
- Of particular importance where the development of such deepened mutual relations is concerned are:
 - research, an area where developments in Asia also offer new opportunities for co-operative initiatives,
 - greater possibilities for Swedish students to study in Asia and vice versa,
 - the expansion of cultural co-operation and cultural exchanges. A comprehensive initiative is needed in order to broaden the range of contacts,
 - wider co-operation between non-governmental organisations in Sweden and Asia. Particular importance is attached to activities to enhance the capacity of organisations to work within an important area of society.
 - a development of Sweden's trade and industry links with Asia through a new StartAsia programme, project exports, the export of environmental technology, initiatives to promote trade with the developing countries and other initiatives which can help to bring about a new breadth and a new farsightedness in Sweden's commercial relations with Asia.

5.5 The environment – the crucial issue

Perhaps the most serious dimension to what is happening in Asia, and that which concerns the rest of the world most directly, is the development of the environment. The environmental problems are, first and foremost, a threat to Asia, but the scale of the problems has global implications. What makes the environmental issue so urgent is that the degradation is progressing so rapidly and that there are no real signs of improvement. Environmental problems carry low priority in many Asian countries even though they now have reached levels, which involve high costs to society in the form of productivity losses, health problems, loss of biodiversity and increased susceptibility to natural disasters.

It is known that a country's interest to tackle the problems normally increases when it has achieved a certain income level. The problems are so serious, however, that one cannot wait until all Asian countries

have reached that level. Besides, it is generally both easier and less expensive to attack problems at the earliest possible stage. Great advances have been made in the area of international co-operation but the rate of deterioration is such that these are far from sufficient. The knowledge and the technology already exist to a large extent but not the incentive to prioritise, to create systems which can alter behaviour, to introduce clean technology and to set aside the necessary resources. Sweden can play an important role in multilateral fora, through the EU and bilaterally.

The need for international co-operation is great. Because Asia accounts for a growing share of environmental pollution with global effects, environmental co-operation with Asia should be given high priority.

What can Sweden do? What issues should be given priority, and what forms should the co-operation take in order to ensure that natural resources are used in such a way as to benefit future generations? The most important is the international work of implementing Agenda 21 both globally and locally, especially through institutions such as Global Environmental Fund (GEF), the World Bank, the Asian Development Bank and the EU.

Environmental co-operation already has a central role in Sweden's bilateral development co-operation. This will be developed further. From a commercial viewpoint there are also considerable possibilities. In the research field a whole range of contacts has been built up. The Government will be taking an initiative to an integrated approach to the environment and the sustainable management of natural resources in Asia. This will embrace the Swedish Government Offices, trade and industry, the relevant authorities, the research community and the environmental organisations. Such an initiative will form an important complement to Sweden's own efforts to become a sustainable society. The dialogue within ASEM offers a new platform for Swedish environmental initiatives in Asia.

Global environmental policy and environmental policy co-operation

Sweden has traditionally a strong commitment to the environment, both nationally and internationally. Sweden has taken the lead on several environmental conventions and continues to play an active role in the United Nations Environment Programme, UNEP, which aims to

facilitate and co-ordinate global environmental co-operation and to develop the scientific and technical basis for policy decisions at national and international level.

At the UN Conference on Environment and Development, the Rio Conference of 1992, the international community agreed on the overriding aim of sustainable development. The needs of today must be satisfied without jeopardising the chances of future generations to satisfy theirs. A clear link was established between environmental problems and development issues. The Conference adopted the Rio Declaration (a set of principles for sustainable development), Agenda 21 (an action plan for sustainable development) and the statement of Principles on Forestry (guidelines for sustainable forest management). After the Rio Conference the UN Commission on Sustainable Development was formed, which holds annual meetings at which measures under Agenda 21 are followed up and further developed.

Progress has been made in international co-operation, but it is clear that it is inadequate given the rate at which the deterioration is taking place. Despite agreements reached, the environmental problems continue to get worse. Waste volumes continue to grow and emissions of toxic and acidifying substances and greenhouse gases are increasing. Renewable resources are overexploited and biological diversity is diminishing.

Sweden supports the Asian countries' efforts to implement the terms of international agreements and international environmental conventions. It is important to make every effort to ensure that intentions and recommendations are translated into concrete action. Bilateral development co-operation plays an important part. But there are other channels. In particular the Swedish Government will take the initiative to ensure that other authorities, in addition to Sida, will play an active role in environment co-operation with Asia. The Ministry of the Environment, following visits to a number of Asian countries, will set up a work programme based on the guidelines contained in the Asia Strategy. This programme will cover areas including chemicals, air pollution in urban areas and the pollution of water supplies. The bilateral co-operation will focus on China, Thailand and Vietnam. Better co-ordination of Swedish environmental activities in Asia is also necessary. The Swedish diplomatic missions can contribute by reporting back on environmental developments. Environmental issues should also be on the agenda for high-level visits.

It is important to ensure that intentions and recommendations in international agreements and conventions are implemented. Sweden will continue to support the Asian countries in this respect.

Bilateral development co-operation and the environment

Environmental co-operation plays a central role in Sweden's bilateral development co-operation. In the fifth development assistance objective, which was adopted by the Parliament in 1988, it is stated that the aid must contribute to the sustainable management of natural resources and to environmental protection. Environmental problems must not be looked at in isolation but should be viewed in a wider perspective and coupled to the concept of sustainable development. Poverty and environmental problems are linked together in a two-way process. Development co-operation activities which are environment-related can consequently not be singled out.

Institutional shortcomings are one of the main obstacles to the possibilities of improving the environmental situation in Asia. It is therefore important to promote institutional development and capacity building. Swedish expertise can contribute to building institutions and drafting legislation and necessary regulations. The development and transfer of know-how are other areas that should be given priority. Education is crucial and through support for education, training and research on the environment, the recipient country's own ability to deal with environmental problems can be built up. A third important area is support for non-governmental organisations. The scope for NGOs to exert an influence is limited in many countries. Sweden's support for environmental NGOs may lead to growing public demand for measures to improve the environment.

Trade and the environment

The relationship between policies on trade and on the environment has been on the international trade-policy agenda since the end of the 1980s in response to an initiative from the Nordic countries. Work is carried out within the WTO, OECD, UNCTAD and UNEP. The purpose is to make trade and environmental policy mutually supportive. A basis for the work is also the desire to counteract protectionism and

unilateral trade measures and to ensure stable conditions within the trading system.

The developing countries are, for the most part, critical and perceive risks of protectionist abuse of environmental policy. The work carried out within GATT between 1991 and 1994 helped to increase understanding and overcome opposition to discuss trade and the environment. This was also assisted by the Rio Declaration. In the declaration, the countries have been united in the goal of making trade and environmental policy mutually supportive.

Upon the formation of the WTO, a committee for trade and the environment, CTE, was established with the mandate of making proposals for recommendations regarding possible modifications to the regulatory systems. The committee reported to the first WTO Ministerial Conference in December 1996. A resolution was passed instructing the committee to continue its work with the same mandate and work programme as hitherto.

Questions discussed within the framework of the CTE's work programme include the link between environmental measures and market access, with special regard to the developing countries, and questions regarding eco-labelling and other environment-related product requirements.

The export industry is a source of environmental problems in several Asian countries. At the same time, however, manufacturers who do not conform to environmental requirements find it more difficult to enter markets in the industrialised nations. Environmental legislation and voluntary agreements on environmental standards can pose problems for developing countries. They have difficulties adapting to the requirements for several reasons, including inadequate knowledge about eco-labelling schemes and the lack of uniformity between the industrialised nations with regard to standards, procedures and requirements. The market for eco-labelled goods is dominated by industrialised nations. Only a fraction of such products come from developing countries (principally ecologically cultivated products such as coffee, tea, etc).

Consumer demand can have a major bearing on the transition to more environmentally friendly products and production systems. Foreign importers have the opportunity to influence by imposing requirements. Environmental requirements for suppliers are often included in the purchasing terms. In this way, environmental standards that ap-

ply in the industrialised nations can be spread to developing countries via their export industry.

The development of environmentally sound production systems in the developing countries of Asia should be supported in order to accelerate the transition to sustainable development and to increase their competitiveness in the markets of the industrialised nations. Increased demands from consumers (e.g. through consumer organisations and importers) provide an incentive to introduce more environmentally friendly production systems. Development assistance can, for example, support the establishment of infrastructure for certification and education about the development of environmentally sound practices.

Priorities:

- The environment and sustainable development will feature more prominently in Sweden's international agenda in the future. This area already forms an important element in Sweden's relations with Asia, and it will be further strengthened.
- A consolidated Swedish initiative will be devoted to environmental co-operation with Asia and include:
 - a strengthened commitment in the Government Offices and agencies to environmental co-operation with Asia. The achievement of a consolidated approach requires a strengthening of the co-operation between the various parties involved in Sweden through closer collaboration between the Government Offices, the National Environment Protection Board, Sida and the Swedish Trade Council, industry and the research community.
 - Sweden will continue to assign high priority to the environment and sustainable development in its development co-operation with Asia. Institutional development, environmental legislation, training and research on environmental questions and support for NGOs are of great importance.
 - A co-ordinated initiative will be taken to boost export of Swedish environmental technology.
- Sweden will continue to work actively for Asian countries to sign the international conventions on the environment and sustainable development and implement the commitments. The political dialogue will continue to give a high priority to environmental issues.

- Staff of Sweden's diplomatic missions in Asia will be given training in environmental issues in order to be able to monitor environmental developments. The objective is to create new networks between environmental expertise in Sweden and in the Asian countries.
- The development of environmentally sound production systems in the developing countries of Asia will be supported in order to accelerate the transition to sustainable development and to increase the developing countries' access to the European market. Development assistance can provide support for the establishment of infrastructure for certification and for training in the development of environmentally sound practices.

5.6 Research and higher education

Education and research play a strategic role in forging closer relations between countries and cultures. It is important to stress that the exchange has to be in both directions, building on reciprocity and equality. This applies to the internationalisation that Sweden is facing and must be taken into account when developing future relations with Asia. In a rapidly changing environment the education system, in particular the universities and university colleges, has an important role to play, contributing to the accumulated body of international expertise.

A relatively extensive network within the fields of education and research already exists today. Swedish universities have established contacts with a large number of universities in Asia in recent decades, particularly in Japan and China, but also to a certain extent in some of the ASEAN countries. Researchers in Sweden and Asia are involved in joint research projects. About a hundred Swedish university students go to Asia each year to work on special study assignments, with financial support from Sida's programme for Minor Field Studies (MFS) and after completion of their training many of them look for jobs with an international character. Facilities offered by the Swedish universities for both education and research on Asia have improved during the 1990s.

The flow of students and researchers from Asia to Sweden is also considerable. Around 1,000 Asians are currently studying at Swedish universities, including 600 Chinese students. Ninety per cent of them

are graduate students. Under a Swedish Institute programme a number of Asian researchers spend some time at Swedish universities each year. A growing number of Asian professionals come to Sweden for training provided by Swedish firms, and around 600 attend Sida's international courses annually. A further hundred or so come for study visits under development co-operation arrangements.

The rapid increase in the volume of research being carried out and the number of patents originating from some of the countries in Asia show that new opportunities are emerging.

However, Sweden's exchanges with Asia are marginal compared to those with other European countries and with North America. Historically this may be natural, but future perspectives call for a better balance. It does not make sense, for example, that only one per cent of Swedes studying abroad choose an Asian university.

When ASEM was established in 1996, one of the main concerns was that a fundamental change in relations between Europe and Asia must be based on a long-term rapprochement in the fields of education, research and culture. In 1997 and against that background, ASEM's 25 member countries set up ASEF (the Asia-Europe Foundation) in Singapore with objectives which included the support of co-operation between European and Asian universities.

Expertise on Asia in Sweden

Training and research related to Asia increased during the 1990s at Swedish universities and university colleges. There are centres for East and Southeast Asian studies at four of the major universities in Sweden and at the Nordic Institute of Asian Studies (NIAS) in Copenhagen. Asian studies at the small and medium-sized universities are limited, however. Internationalisation ambitions have hitherto concentrated on the EU. But there is an increased awareness of the significance of Asia, and several Swedish universities have concluded agreements with universities and colleges in the region.

Stockholm University's Center for Pacific Asia Studies (CPAS), founded in 1984, is attached to the Institute of Oriental Languages. Gothenburg University has a centre for East and Southeast Asian studies. Its remit was extended in 1997 to include South Asia. The Centre for East and Southeast Asian studies at Lund University was given financial support by the Government in the autumn of 1996, in order

to extend the Centre and to co-ordinate activities on Asia pursued by the university's various institutes. The centre has also been given a national co-ordination remit. The European Institute of Japanese Studies (EIJS) at the Stockholm School of Economics focuses on the economies and societies of Japan and the rest of East Asia. In addition to these centres there are facilities for Asian studies at a number of universities and university colleges spread across the country. The University of Linköping has a four-year civil engineering course with a focus on Japan. The university also offers courses in East Asian studies for engineers and company executives. SWETECH – Swedish Technology in Foreign Countries – offers facilities for practical training for future work in Asia. At Uppsala University the Institute for Peace and Conflict Research, among others, pursues Asian studies.

Sweden has a Nordic resource in the form of the Nordic Institute of Asian Studies (NIAS) in Copenhagen which is administered by the Nordic Council of Ministers. The Institute is an important centre for Nordic and international researchers, especially in the field of social sciences. Since 1998 the Institute has organised a support programme for research workers with teaching focused on East, Southeast and South Asia. The Institute has a strategic alliance with its sister organisation, the International Institute for Asian Studies (IIAS) in Leiden in the Netherlands.

The basis for the development of academic expertise on India and South Asia is comparatively weak. Significant research is conducted at several institutions, including the Universities of Lund and Uppsala, but not in any properly integrated form. India has a well developed academic tradition and many universities, to which academics in Sweden have hitherto paid too little attention. It is in Sweden's long-term interest to change this situation. There is at present a lack of an institutional basis for the development of academic expertise and thematic co-operation on contemporary India and South Asia.

Facilities for area studies with a focus on Asia are still limited. In the future Sweden will need more people who can combine a special knowledge of Asia with the professional skills of engineers, economists, administrators, lawyers, auditors, doctors, agronomists or diplomats. Such programmes have begun to appear at some of the Swedish universities. Interesting initiatives have been taken in recent years at, among others, the University of Linköping in association with SWETECH as mentioned above, and there is the newly launched master's degree

course at the Centre for Southeast and East Asian studies at Lund. The University of Mälardalen has plans for an Asian studies course aimed at giving graduate engineers and economists an extension in Asian studies up to master's level.

Asian studies

A prerequisite for a constructive Swedish commitment to Asia is an improved knowledge of Asian affairs. Interest in training researchers on Asian subjects has increased during the 1990s. But the rate of post-graduate qualification is low. Available figures indicate that about ten dissertations are presented each year.

A measure of the status of Asian activities at universities and university colleges is their share in the research budgets allocated by Sweden's research councils, research foundations and other public bodies concerned with research funding. An analysis of the distribution of the total research budget in 1997/1998 shows that, of the total budget of just over SEK 6,500 million, 2.5 per cent went to research on developing countries. Only 0.8 per cent of Sweden's total research council financing, according to the study, goes to projects specifically focusing on Asia.

Co-operation between departments at universities and university colleges

In order to strengthen the position of Asian studies in the future, there is a need for greater co-operation between University departments or Institutes with regard to facilities for researchers. Today Asian studies and research are spread over many different institutions at which they only account for a small proportion of activities. When limited resources are spread too thinly, the results achieved may be meagre. There is a lack of co-ordination between teaching establishments. Increased co-operation, both regionally and between leading institutions at national level, would produce considerable synergy effects.

There are several areas in which common interests would be served by co-ordination. For instance, universities could join to enter into co-operation agreements with major universities in Asia, in combination with the establishment of permanent Swedish academic bases there. Although Asia-related activities are still small in scope, compared with

those relating to Europe and the United States, those Swedish universities that are most internationally oriented have in recent years begun to upgrade Asia in their strategic planning.

Another co-operation area is that of language training and special study programmes.

Swedish universities, colleges and institutes should be able to pool their expertise in Asian affairs to a greater extent than at present. A first step in this direction could be taken at a conference with leading representatives of the various universities with Asia studies programmes in order to identify needs and possibilities for increased collaboration and the conceivable forms it might take.

Co-operation between the universities, colleges, the Government and trade and industry

In future there will be a need for collaboration between higher education establishments, Government, the development co-operation networks, trade and industry, NGOs and the media. This kind of co-operation could lead to the creation of more effective educational programmes. Participants could also benefit from each others experiences.

Researchers represent a resource which to date has not been fully taken advantage of in raising Sweden's profile in Asia, e.g. in government missions or in connection with State and high level visits. Universities have a high status in Asia, where there are often considerably closer relations between university departments and governments, ministries and industry than we are accustomed to in Europe.

For industry there is great scope for co-operation with the technical universities in the field of applied research in the natural sciences and technology development in Asia. Sweden's technical universities and institutes are keen to establish closer relations with corresponding universities and institutes in Asia. Here more collaboration would give Swedish firms, in particular in the field of advanced technology, new recruitment channels and better access to local talent and local research resources in Asia.

There is a need for a greater degree of collaboration in order to achieve synergy effects which will help to raise Sweden's profile in Asia. Guidelines for such future co-operation could be drawn up at a conference with the various actors. In addition, the Ministry for For-

Foreign Affairs will continue to arrange regular seminars with Swedish and international analysts on current affairs in Asia. It is also important that the network of representatives drawn from different sectors of society, which has been set up in connection with the Asia Strategy Project, be maintained and extended.

Language studies

The Swedish Council for Research in the Humanities and Social Sciences (HSFR) drew attention to the need for increased language tuition at universities, including Asian language studies, in the *Minor Studies Report* presented to the Government in May 1997. The report noted the increased need for a knowledge of Chinese, Japanese and Korean, but also of Bahasa Indonesian and Thai, closely linked with the increasing economic and political importance of East Asia in the world, and that Mandarin, was acquiring a position as the most important language, alongside the mother tongue and English, in Asia. The EU's student exchange agreements make it possible for Swedish students to read lesser-known Asian languages at the major language institutes in London, Paris, Leiden and Berlin.

Increased exchange of students

Student exchanges are an important component of Sweden's relations with the Asian countries. They help to broaden the Asian perspective in Sweden's education and to create new networks of significance not just to Swedish research and education but also to other sectors of society.

Sweden understandably receives fewer Asian students than the larger European countries but has experienced a positive trend over the last decade. During this period the number of students from China has increased sevenfold, that from Japan fivefold, and the number of students from the rest of the region has quadrupled. This reflects the initiatives taken by the universities and university colleges, which over the last three years have made Asian students the largest group at Sweden's universities and colleges from outside the EU. In 1995 Sweden was the sixth largest recipient country in Europe.

The imbalance between the number of Asian students in Sweden and the number of Swedish students in Asia is characteristic of all

European countries. Germany, France and Britain, however, have gone further than the smaller countries in reversing the trend.

Of the 17,000 Swedish students who in the 1996/97 academic year decided to study abroad on their own initiative, 62 per cent went to Europe, 31 per cent to North America and only one per cent to Asia, mainly to China, Japan, South Korea and the Philippines.

How can the number of Swedish students at Asian universities be increased? It is hard to motivate Swedish students to spend long periods of time at universities in Asia. It is considered difficult, expensive and not particularly worthwhile. As long as it has to be done with no more financial assistance than the normal governmental student support, only a small group of enthusiasts will venture out on this course of action.

Swedish students in Asia

In its report *Utbildning och forskning för strategisk internationalisering* (Education and Research for Strategic Internationalisation) the National Agency for Higher Education and Sida jointly propose the setting up of a new higher education programme, Linnaeus, targeted at countries outside Europe and North America. Sida would have financial responsibility for the programme. The programme is based on the model of the established Erasmus programme for Europe which was set up under EU auspices. The purpose is to strengthen the co-operation of the Swedish higher education system with countries in Africa, Asia and Latin America and to extend its knowledge of those countries.

Swedish students would be given an opportunity of spending one or two terms at a university outside the OECD area. The programme is also designed to enable Swedish teachers to work in another linguistic and cultural area than that to which he/she is accustomed. At the same time Swedish students would be able to receive tuition given by teachers from one of these regions.

The aim is that by the year 2001 the number of students studying in countries outside the OECD area will double from the present 600 to 1,200. The programme would mean increased possibilities for Swedish students to expand their knowledge of areas such as Asia. At the same time it is important that the normal governmental student support should still be available for studies in Asia.

Sida's Minor Field Studies (MFS) programme is the largest external programme for studies in countries outside Europe and North America. Each year about 400 students are given an opportunity of about three months' field work, mainly in conjunction with course projects at senior level. A large proportion travel to Asia, mainly to countries covered by Sweden's development co-operation programmes. Discussions are in progress on extending the programme to more countries, since the number of MFS students has become quite large.

Several government and private funds each year allocate money for studies and research abroad. The Sweden-Japan Foundation for Research and Development promotes exchanges in both directions. The Foundation's model could be developed for other countries, for example China and South Korea.

The EU's programme for Japan offers an interesting alternative in combining studies with trainee jobs. This form of collaboration between industry and government could be used to make Asia more interesting to students specialising in a particular subject. Studies in Asia could be combined with a few months' trainee work in a Swedish firm, organisation or a Swedish diplomatic mission in the region.

Asian students and researchers in Sweden

How can Sweden increase the number of Asian students in Sweden?

The Linnaeus Programme, mentioned above, is intended to stimulate student and teacher exchanges in both directions. Students from countries outside Europe and North America will be given an opportunity to spend one or two terms studying in Sweden.

The Government's request to Sida to present proposals for a programme of Palme scholarships may also result in more opportunities for Asians to study in Sweden. The programme will contribute to the building of capacity in Africa, Asia and Latin America and to the development of long-term interactions between young people and thus indirectly support the internationalisation process in Sweden. The subjects chosen must be ones in which Sweden has comparative advantages and which may be in demand by scholarship students from developing countries. Special attention must also be paid to the needs of women and disadvantaged groups.

The Swedish Foundation for International Co-operation in Research and Higher Education (STINT) was set up in 1994 to promote the

internationalisation of Swedish higher education and research. Support for exchanges with North America and Europe is dominant, but certain programmes are targeted primarily at dynamic economies in Asia and Latin America and at South Africa. Such scholarships are available for China, Hong Kong, Taiwan, South Korea, the Philippines, Thailand, Singapore, Malaysia and Indonesia. For 1999 STINT has set aside special funds to promote the exchange of expertise with universities and university colleges in South Korea, Taiwan, Hong Kong and Indonesia. STINT supports long-term bilateral co-operation between Swedish and foreign research groups through the STINT Fellowship Programme. In 1998/99 STINT has 50 projects underway, of which twelve are with countries in Asia (India, Indonesia, Japan, China, Korea, Malaysia and Thailand).

The Swedish Institute's visiting scholarship programme, financed mainly from development co-operation funds, targets students from countries outside Europe and North America. Swedish universities and university colleges can apply for international research scholarships from the Swedish Institute in order to invite foreign researchers to do research in Sweden. The Programme for the Exchange of Experts with Developing Countries is intended for senior officials, experts and persons with a key role in the development of their countries. The purpose is to support the exchange of know-how and experience between Sweden and developing countries in fields of particular interest to the countries and in which Sweden is considered to have special expertise. Under the terms of the programme, the initiative must come from a Swedish institution, including NGOs, or from a Swedish mission abroad. The programme can be made use of at short notice and can be used for visits in both directions. China and India are the main beneficiaries in Asia, but Vietnam, Thailand, Pakistan and Indonesia are also well represented among the applications approved. Sida's support enabled the expert exchange programme to be greatly expanded during 1998.

Extended research co-operation

There has been a rapid increase in the past decade in contacts between Swedish and Asian universities, and many new co-operation agreements have been signed. In spite of this, less than one per cent of the country's total research council and research foundation funding for

1997 went to the development of expertise on Asia. It would be desirable that considerably more resources were allocated for Asia-related research.

In January 1999 the Swedish Government signed an agreement with Japan on research collaboration.

Extensive co-operation has been built up over recent decades with some countries in Asia in the context of the development co-operation. An appreciable expansion now looks likely since Sida (SAREC) is currently stepping up this part of its activity. In order to extend co-operation to a larger number of countries there is a need for more support to be given to decentralised, researcher-initiated co-operation between institutions in Sweden and the developing countries.

Support for Asian research as a feature of development co-operation

Education and research are important elements in Sweden's development co-operation, which increasingly emphasises institutional and capacity building. In the field of education the accent has traditionally been on primary schooling, vocational training and special education, but today higher education in various forms is also covered.

In the field of higher education, one of Sida's initiatives in the 1990s was to support a regional master's programme in economics in Vietnam and one in Cambodia. Postgraduate study forms part of a number of Sida's other research-oriented projects. In the field of research the bulk of Sida's support is channelled through research co-operation with three countries, India, Sri Lanka and Vietnam. Sweden has for many years been engaged in research co-operation with India. In Sri Lanka the focus is on the natural sciences and technology, including biotechnology, electrical engineering, the marine environment and renewable energy. An increased contribution to the social sciences has been introduced, however, as has support for R&D in the field of information technology at Sri Lanka's universities. Co-operation with Vietnam covers such areas as health, the sustainable use of natural resources, technology and research on economic and social reforms. Research co-operation with India covers fields such as food technology and renewable energy. Swedish research institutes take part in all the country co-operation arrangements. In 1997-98 extensive planning was carried out in India with a view to ex-

panding research co-operation through a collaborative research programme involving projects in areas of technology of mutual interest to Indian and Swedish researchers. As a new element in aid-financed research co-operation, one of the Swedish research councils, the Council for Applied Research (TFR), would implement the programme. Preparations for the India programme are currently in abeyance following Sweden's suspension of preparations for new initiatives as a consequence of India's nuclear tests in May 1998. Apart from bilateral research co-operation there are some regional research schemes, covering such fields as renewable energy, marine ecology and environmental economics. Swedish research co-operation with Asia is also supported through Sida's special programmes for Swedish development research (Sida's development research council), whose current funding amounts to about SEK 65 million. In addition backing is given to a number of projects for research co-operation within the fields of democracy and human rights.

Asia does not occupy a particularly prominent position in Sida's total research support. Of all project funding approved in 1997, totalling SEK 65 million, SEK 26 million went to projects which either wholly or partly focused on Asia (slightly over 100 projects). A programme for researcher-initiated project co-operation between institutions in Sweden and developing countries in fields of mutual interest and broad development relevance could increase the coverage of aid-financed research co-operation in Asia and extend it to more countries.

Sida's international courses

About 600 persons from Asia take part each year in Sida's international courses. The aim is to promote the development of expertise in low and middle-income countries by the transference of know-how in areas of strategic importance for the development of the country concerned. At present around 70 courses are provided. Most of the courses are of 2-4 weeks duration. Normally the courses are held in Sweden, sometimes with follow-up seminars in the participants' home countries. The course programme covers fields in which Sweden has knowledge and which are of strategic importance to developing economies, such as telecommunications, energy, the environment, democracy and human rights. The courses are valuable in broadening interfaces be-

tween Sweden and other countries. It is the Government's intention, therefore, that these courses should be extended. The possibility of holding courses linked to a specific region and in that region will be assessed. Swedish companies could provide information on Sweden and Swedish industry.

Co-operation between Europe and Asia and the need for long-term research programmes

The European countries have a number of institutes and research establishments which are concerned with Asia. In recent years the EU has planned a number of new Asian-European co-operation programmes in the academic field. Another step was taken in 1994 by the European Science Foundation (ESF), an umbrella organisation for the European research councils, in setting up an Asia Committee to include representatives of leading institutions in the field from nine European countries. The ASEM process is expected to become a catalyst in the co-operation between Asia and Europe in the academic and intellectual field. A network, the Council for Asia-Europe Co-operation (CAEC), was formed in 1996 after ASEM's first summit meeting in Bangkok in order to bring together institutions in Asia and Europe working on strategic studies and international policy. One of the aims is to develop a policy platform for an informal dialogue between Europe and Asia on security policy questions. The Centre for Pacific Asia Studies in Stockholm is a participant in the CAEC network. Another programme is the Programme for Europe-Asia Research Linkages (PEARL), initiated by the research institutes in Copenhagen and Leiden, which, in co-operation with the Asia-Europe Foundation (ASEF), arranges symposia for co-operation in the social sciences field. Sweden participates actively in this new type of intercontinental academic co-operation and plans to take initiatives in fields where Sweden has special competence.

Priorities:

- The development of relations with Asia in the field of education and research is of central importance to the expansion, in both depth and breadth, of Sweden's relations with Asia.
- It is in Sweden's interest that an increasing number of Swedish

students come into contact with Asia through education and research and that more Asians are given an opportunity for education and research contacts in Sweden. During autumn 1999 a programme for extended student exchanges, Linnaeus, will be put forward by Sida.

- Development in Asia creates new possibilities for mutually advantageous co-operation in the field of research. At the same time there is a considerable need for support in many countries. By extended research co-operation, partially within the framework of the development co-operation, the necessary breadth can be achieved. In the future co-operation should be extended to more countries by way of researcher-initiated co-operation between institutions in Sweden and in countries in Asia.
- There are currently four institutions for East and Southeast Asian studies in Sweden, but there is no institutional structure for the development of academic expertise on contemporary South Asia. One of the universities should be given resources and a mandate to act as basis for future education and research on South Asia. An inventory of the existing knowledge and expertise in this area will be drawn up by Sida for the purpose of identifying a suitable centre for such an initiative.
- There is a need for greater co-operation between universities on tutorial resources and special course facilities for researchers. A conference will be organised, which brings together leading representatives of the various universities, colleges and institutes with Asia programmes, in order to identify needs and possibilities for increased collaboration.
- Language training at the universities in the major Asian languages needs to be stepped up. The Swedish Government Offices, through its dialogue with the academic institutions, will seek to achieve a broader range of language training courses through a clearer division of responsibilities.
- Exchanges with Asia take place both within the academic sphere and in connection with trade and industry. Sweden must take advantage of opportunities for collaboration between the Government and industry. For this purpose a conference will be arranged between representatives of the Government Offices, interested authorities, universities and colleges as well as Swedish industry.

5.7 Popular movements and international networks

Popular movements have played a central role in the development of Sweden's society during the course of the past century. Virtually no other country in the world can boast such a wealth of non-governmental organisations as Sweden. They number over 200,000 in total today, ranging from labour unions with hundreds of thousands of members to tiny organisations in local communities and single issue action groups.

Popular movements and non-governmental organisations (NGOs) have also played a major role in the internationalisation of Sweden, extending from the missionaries who established links between congregations in Sweden and communities in Africa and Asia in the second half of the 19th Century, to the international labour movement and Sweden's engagement for the developing nations which eventually led to the establishment of Sweden's official development assistance. One guiding principle behind the growth of development cooperation was that justice at home and abroad was two sides of the same coin of solidarity. Today over 300 Swedish NGOs are actively engaged in almost 2,000 projects in over one hundred countries.

Contacts between popular movements and NGOs in Sweden and organisations in Asia are many and various. The Country section gives an idea of the existing networks. Contact of some form or another occurs with practically every country in Asia. Such contact includes both developed nations such as Japan, with which for instance the Swedish trade union movement has had extensive contacts for many years, and the developing nations.

Sida supports most of the Swedish organisations' work in Asia. In 1997 21 per cent – around SEK 168 million – of Sida's grants to NGOs went to operations in Asia, compared with 37 per cent for Africa and 19 per cent for Latin America. Far and away the biggest recipients in Asia were Bangladesh and India who together received a third (SEK 55 million) of the total payments. They are followed by Vietnam, which today is Save the Children's largest single partner country in Asia. There were partnerships of some form with 14 countries, plus Hong Kong, in East, Southeast and South Asia.

Poverty related issues have traditionally been central to the work of these organisations. Issues related to social justice and the development of organisations have come to the fore in recent years. The cen-

tre of gravity has thus shifted towards initiatives which aim to promote legislative and opinion forming work within areas of vital significance. Such work is highly dependent on the growth of strong organisations in the individual countries. Support for the development of organisations per se has accordingly gained an increasingly prominent position. This approach has always been central to trade union partnerships. Since 1996 specific funds have also been available to the Swedish political parties to support initiatives in East/Central Europe and the developing nations. As part of Sweden's initiatives to promote democracy and human rights significant direct support is given to NGOs working for the development of civil society in the recipient countries. This task is given high priority in Sida's new guidelines for assistance via non-governmental organisations.

The trade union movement, popular movements and non-governmental organisations

Popular movements and non-governmental organisations have an important role to play in helping to forge broader, deeper relations between Sweden and the Asian countries. The development in Asia brings scope for more comprehensive contacts between popular movements and NGOs in Sweden and Asia.

Globalisation makes new demands on the global civil community. Some areas appear particularly important in an Asian perspective. There is a pressing need for development in the field of organised labour in order to balance the strong economic pressures. Much is already being done by way of international trade union collaboration. Still more could be done in this field which is also of central importance for the development of democracy.

The situation of children, and of children's rights in particular, is another area which deserves high priority.

The environment is a third such area. The development of Asia cannot be turned round without active country-based environmental organisations to play a role comparable with that played by such organisations in Sweden when environmental awareness was coming strongly to the fore. The situation of women and gender equality are one more such area. Yet another relates to the rights of the disabled. In all these areas, Sweden has a strong base on which to build. Sida intends to arrange, together with the Swedish NGOs, a conference for repre-

sentatives of Swedish and Asian organisations to analyse “the role of non-governmental organisations in a changing society”.

An important question is how contacts between popular movements, special interest organisations and schools can assume a more vital role in relations with the region’s developed countries such as Japan and South Korea. Contacts between teachers’ associations and individual schools in Sweden and in these countries, for example, would be highly beneficial.

Popular movements and non-governmental organisations in Asian societies

The Asian countries vary widely when it comes to accepting, and providing scope for, popular movements and non-governmental organisations. The relationship between organisations and the state differs, as do the roles organisations play in the societies. However one thing the countries of Asia have in common virtually without exception, is that NGOs are an increasingly significant factor.

In a broad sense, civil society is made up of the institutions and organisations of a non commercial nature that exist between family and state. In this respect, every society has some form of civil society in the form of religious congregations, guilds, village councils or the like. The caste associations in India and the Islamic so-called ‘madrasah’ schools in Pakistan are two examples. Nor are popular movements and NGOs anything new in Asia. For example, in India the labour movement has played an independent, if still highly political role for decades. Many organisations have developed in the tradition of Gandhi. In Sri Lanka the ‘sarvodaya’ movement has a long tradition. What is new is the increased scope given to such organisations in many countries as a result of new legislation which lays down the rights and obligations. Both the number of organisations and their areas of activity have increased rapidly. And, most importantly, this is also true for non-governmental organisations which are focused on the needs and problems of society. It is chiefly a question of independent organisations with limited membership rather than broadly based popular movements. Legitimacy is often weak and the dependence on aid such that the activity would cease if aid were to be discontinued. The structure is not sustainable.

The Philippines and Bangladesh, with some 95,000 and at least

20,000 registered organisations respectively, represent one end of the spectrum. Here there is plenty of scope for forming organisations and few restrictions. The main problem is the organisations' weak membership and funding base. Many of them are very small and created by a single individual who, often with the help of aid, wanted to make some kind of social contribution. The results are, like the life span of such organisations, extremely mixed. Some are highly effective. A major dilemma for the outside donor can be to conclude projects that are not leading to self-sustainability, but rather to a permanent aid-dependence.

One party states, such as China, have traditionally represented the other extreme and still do so in important respects. Even so, there are over 200,000 registered organisations in China today and a large number of "illegal" ones. The state and party still play a controlling and regulating role which means that virtually no organisation can be said to be totally independent from the state. They can more accurately be described as semi-governmental or semi-voluntary organisations. Their ability to form public opinion is also limited. Social organisations are however permitted to accept foreign aid and are doing so to an increasing extent. Altogether this development means that a civil society – despite the state's ambivalence – is gradually emerging. The same applies in Vietnam. Ambivalence on the part of the party and state is illustrated by the fact that work on a law to regulate the activities of non-governmental organisations has been in progress for several years. The ambition to create greater freedom in law goes against that to continue to control the development of organisations. Traditionally, all organisations have been linked to the party, under the party-controlled umbrella organisation known as "the Fatherland Front". However, in recent years, organisations working on behalf of street children, environmental organisations etc., have developed in what has been described by researchers as a creeping pluralism.

Japan and South Korea make up a third category. They are examples of Confucian infused societies in which popular movements and NGOs have traditionally not played a significant role. A symbiotic structure comprised of the governing party (and in the case of Korea, the military), the state, bureaucracy and business has dominated the development of society while the civil society has remained of limited significance. Together with other factors this has contributed to the social

cohesion which has made the dramatic economic development of these countries possible. The trade union movement and student activism are important examples of alternative structures. In the case of Japan the anti nuclear weapons movement offers a further example. In recent years, a move towards greater pluralism, where the growth of private organisations is playing a prominent role, has been initiated in both countries. In Japan the number of social and civic organisations has increased dramatically. One example is the initiatives which developed after the earthquake in Kobe in 1995. Organisations are mushrooming in a number of areas. Many organisations are geared to international development co-operation, an area where private organisations have so far not played the role in Japan as they have done, and continue to do in Sweden. Development in South Korea is of a similar nature. The country is at an important stage in consolidating its democracy. Both the party system, which has traditionally been closely linked to individuals, factions, regions and economic interests, and the civil society must become both broader and deeper. Today, environmental organisations, human rights organisations etc. pursue various issues with the help of the media. As in Japan, their presence at grass-roots level is little developed.

In the long term, networks of organisations are developing within Asia, between countries in Asia and other parts of the world and globally. There are already many important networks in Asia. One such is Forum Asia, a regional federation of some twenty human rights organisations which work with human rights training and legal assistance etc. with Sida support.

This development is creating new opportunities to forge stronger relations between the Asian societies and Sweden.

Popular movements and non-governmental organisations as bridge builders between societies and cultures

An important objective of Sweden's strategy for Asia is to develop closer relations between Sweden and the countries and societies of Asia. Popular movements and NGOs have a central role to play in this. In Sweden they are a reflection of the entire society with its pronounced international orientation, and in Asia they are developing fast. This is an invaluable basis for developing relations between societies and cultures in vital areas. The organisations themselves must

have a genuine interest in establishing contacts if such co-operation is to occur. There are plenty of opportunities for co-operation both with organisations in developing nations and with those in developed nations. Professional contacts are of prime importance in both cases. Established contacts between organisations with a similar orientation are valuable in themselves. At the same time they have an immediate significance within the framework for an Asia strategy which seeks to build mutual long term relations. Swedish popular movements and NGOs can make important contributions to realise Sweden's international objectives. The active involvement of such organisations increases the opportunities to work for peace and security, democracy, human rights and equality, sustainable development and to fight poverty.

In the Philippines and Sri Lanka, Diakonia has been involved in seeking peace and reconciliation in conflict zones. Many organisations are working to promote democracy and human rights through union co-operation, work with children's rights and initiatives to help street children, gender equality initiatives, support for refugees and initiatives to help the disabled. To this can be added a large number of initiatives within healthcare and education, and a couple of major integrated rural development projects that have the principal goal of combating poverty.

Priorities:

- Sweden's popular movements and non-governmental organisations can make important contributions to realising the objectives of Sweden's international efforts. The active involvement of organisations increases the opportunities to work for peace and security, democracy, human rights and equality, sustainable development and to fight poverty.
- Development of the civil societies in Asia offers opportunities for greater co-operation between Swedish popular movements and NGOs and organisations in Asia.
- A major challenge in the partnership between organisations in Sweden and Asia is to develop democratically based organisations which can form part of a vigorous civil society. Supporting the organisations in this work is one of the central objectives of development co-operation.

- An important way is to support regional organisations which in turn can support and help develop domestic NGOs. A two-stage model of this kind increases the likelihood of the sustainable long-term development of organisations.
- Areas which stand out as being especially important to support include:
 - democracy and human rights,
 - the development of trade unions,
 - children’s rights,
 - equality between women and men,
 - the rights of the disabled ,
 - sustainable development/environmental protection,
 - initiatives which seek to develop the capacity to combat poverty and
 - conflict prevention/conflict resolution
- The Swedish political parties and their associated bodies currently provide very little support to Asia. Such support could be of major significance in the critical phase of development in which many political parties in Asia now find themselves.
- The aim is for NGOs to develop mutual relations of a kind that does not presuppose aid. It is also important to develop relations with the more developed countries and territories in the region, in the first instance Japan, South Korea, Singapore, Hong Kong and Taiwan, between professional associations, environmental organisations, schools, sports associations, associations for the retired, art clubs and Amnesty organisations.
- In order to foster closer contacts between civil society in Sweden and in the countries of Asia Sida, together with Swedish NGOs, will organise a conference, which will analyse “the role of NGOs in changing societies” during Sweden’s presidency of the EU in 2001.

5.8 Cultural co-operation, information about and promotion of Sweden

Sweden’s relations with the countries and peoples of Asia could gain significantly in depth through broader cultural exchanges and cultural co-operation. This implies the participation of the Government and its institutions and those who work in the cultural sector.

The Swedish Government's contribution to cultural promotion takes three principal forms. The main source of government support for international cultural exchanges etc. is the Swedish Institute. However, in 1997 only around SEK eight million (four per cent) of the Institute's total budget of SEK 195 million was allocated to activities in Asia. East and Central Europe was given the highest priority.

The Swedish Ministry for Foreign Affairs has a budget for information and promotion activities, including cultural initiatives, which is mainly distributed to Sweden's embassies around the world. In 1998 this budget amounted to SEK eight million, of which ten per cent was earmarked for Asia.

Sida is involved in cultural partnerships in just under ten countries, of which one (Vietnam) is in Asia. The budget for 1997 amounted to around SEK 100 million, of which SEK 21 million was for Vietnam.

A prerequisite for a long-term involvement in cultural co-operation with the Asian countries is that a higher proportion of the available funding is earmarked for initiatives in Asia.

Cultural exchange

The foregoing has emphasised importance of the broadening and deepening of relations between Sweden and the countries and economies in Asia through an increase in student exchanges, collaboration in research and contacts between popular movements and NGOs. The aim in essence is to understand another culture, to see it from within. Nothing can be more important to mutual understanding and respect than meetings and co-operation in the cultural field. Today everyday life reflects many cultures. There are rich opportunities to learn about another culture. At the same time it is American commercial culture that tends to dominate the global cultural scene. Asia features little in Swedish media except at times of crisis or disaster. The imbalance is overwhelming. Closing the gap will require a shift in priorities and new initiatives by both Government and business sectors. The fact that a key institution such as the Swedish Institute today devotes only four per cent of its budget to initiatives in Asia is due not only to the priority afforded to other areas but also the fact that there have hitherto been comparatively few initiatives originated by Swedish embassies in Asia (with some exceptions, notably those in Tokyo and Peking). In the cultural work being conducted through Sida within the

overall framework of development co-operation, priority is given to only one Asian country – Vietnam.

In this context, the importance of a wider concept of culture should be emphasised, which has already been observed within organisations such as the UN, UNESCO and the World Bank. Cultural co-operation is also an important part of the process of democratisation.

The creation of a special “platform” for cultural exchanges with Asia will enable support to be given to projects, both large and small, in a range of cultural areas. The essential is to identify forms of cultural contact which are more decentralised and multifaceted than they are today.

It should be possible for Swedish cultural institutions and artists to apply for support. Support could also be given, for instance, to a College of Art willing to work in partnership with a corresponding college in an Asian country, or to two theatres wishing to co-operate. Support could also be made available for “writers in residence” programmes between Swedish Writers’ Association and a corresponding association in an Asian country. Or to a specific artist or artists needing finance for a project developed in co-operation with an institution or artist in Asia. It is important to establish projects involving young people.

Long-term co-operation projects, involving institutions, with one partner in Sweden and one in Asia should be given priority. Other projects that are well defined, such as a joint exhibition on an interesting theme, should also be considered. The initiative for the project should come from both Sweden and Asia.

The objective is to bring about more decentralised cultural co-operation with Asia. Resources and structures should be created for a completely new phase of cultural partnership. It is important that the cultural sectors, both in Sweden and in the countries of Asia, appreciate that an important new opportunity for mutual endeavour has been created.

Most of the funding should come from the development assistance budget. This “platform” should not, however, be restricted to projects in developing countries but should be available for all countries in East, Southeast and South Asia. This is one of the reasons why it should be developed in partnership with Sida, the National Council for Cultural Affairs and the Swedish Institute.

Information about Sweden and promotion of Sweden

The Swedish embassies and consulates are the Swedish Government's principal instrument for generating goodwill and confidence in Sweden as an international partner, thus promoting Swedish interests and contributing to economic growth and employment. The degree of involvement of Swedish missions abroad in helping to realise the Swedish Government's growth and employment targets by various means has increased sharply over the past two years. This places new demands on the resources and capacity of embassies to promote Sweden in such a way as to achieve long term success in terms of exports, tourism and investments.

Promotion issues have gained much greater prominence on the agendas of Foreign Ministries around the world. A growing number of countries, not least the other EU countries, are realising the significance of the various branches of PR such as press activities, information and cultural initiatives for reaching specific goals. In addition to acting as promotional tools for export and culture, such activities can serve as a forum for networking.

The Swedish Government's engagement in promoting Sweden is clear. Co-ordinated thinking and planning means that political, commercial and cultural information can be more closely aligned in a new way. As a result, press, PR and cultural exchange activities, in combination with export and other promotional activities, have become increasingly important in generating interest in Sweden. The wide range of promotional work performed by Sweden's missions abroad forms a valuable platform for the directly business-oriented activities designed to promote exports, investments and tourism which the Swedish Export Council, Invest in Sweden Agency (ISA), the Tourist Board and the missions themselves pursue.

The Swedish embassies and consulates in Asia have a high level of ambition where information is concerned, including press, information and cultural activities. The greatest restriction is the limited resources at their disposal.

A principal idea in Sweden's Asia strategy is that it is in Sweden's interest to develop significantly closer relations with countries which are going to play important roles in Asia and the world, politically, economically and culturally, in the coming decades. To make this possible will require increased financial resources, particularly as knowl-

edge of Sweden in Asia is limited today. To start with, the Swedish embassies in Peking and Tokyo should be put on an equal footing with those in the most important capitals in Europe, particularly as relations with Europe are well developed.

At the same time it is clear that promoting Sweden requires to be structured and oriented in a way matched to the country concerned. This depends on a multitude of factors: the character and size of the country and the market, the export potential, the specific structure of each country, the resources at the disposal of the embassy or consulate and the overall Swedish promotion capacity in the country. The missions have the best knowledge of what is required, from the viewpoint of Sweden's interests.

The Asia Strategy Project, in consultation with the Swedish Foreign Ministry's press and information department and the Swedish Institute, commissioned two specialists on China, Chinese public debate and Chinese culture, to undertake a special study with the aim of showing what a more ambitious information programme in China might look like. The assignment was to investigate the possibilities to expand the information efforts and to show via concrete proposals, what could be achieved with a larger but still reasonable budget.

The proposals span a wide field, from seminars on equality, legal issues and the environment, to exchange of films, translations of Swedish literature, tourist information and academic exchanges. One main theme was to focus on key issues and specific target groups in the contemporary Chinese discussion with relevance to the effort of democratisation and establishment of a rule of law.

Similar studies – *country specific* plans – will be undertaken in key nations in Asia in the coming years. This should create opportunities for a significant increase in information activities in China, Japan, India, South Korea etc. more on par with the importance of those countries.

Bringing Sweden closer to the countries of Asia requires the creation of resources for stimulating a deeper interest in Sweden, its society and culture, in its products and in Sweden as a tourist destination. In this way more attention can be drawn to issues that Sweden regards as important.

Priorities:

- Deepening the relations with the countries and societies in Asia will require a significant expansion of Sweden's cultural co-operation and information activities there. It is a vital Swedish interest to develop the co-operation in these areas, especially with those countries which are, or can be expected to become, important markets. A greater proportion of the resources available for cultural exchange and information activities abroad should be earmarked for Asia. The goal is to attain, over the next few years, a decentralised cultural co-operation with more countries than at present. This is to be achieved through:
 - The creation of conditions for a significant expansion of cultural co-operation between Swedish cultural institutions and artists and their counterparts in Asia. The basis for this exists within the Swedish Institute and Sida. What is now needed is a clear platform for the support of sound co-operative projects, whether large or small.
 - The allocation of more financial resources to selected embassies in Asia for information activities. The goal must be to provide a significant increase in the long term information budgets for the Swedish embassies in Tokyo, Peking and New Delhi and some increase in the budgets for embassies in other priority countries.
 - The development of country specific information strategies for some of the larger countries, to include both activities financed by the Swedish Ministry for Foreign Affairs' information budget and activities within the Swedish Institute's area of responsibility. Sweden promotion should be a central theme and sponsorship welcomed as an important additional source of financing.
 - Sweden, within the framework of the ASEM, should take the initiative for a project aimed at developing cultural co-operation between the countries of Europe and Asia.

6 Sweden's bilateral relations with countries and economies in Asia

6.1 History in retrospect

Sweden's contacts with the countries of Asia extend back further in time, and embrace more areas of society, than many might imagine. Swedish interest in Asia became marked towards the middle of the 18th century when two main strands can be discerned. One had Carl von Linné as the central figure while another emerged with the expansion of trade. In 1731 the Swedish East India Company was founded and in 1739 the Royal Swedish Academy of Science was established with Linné as one of its most prominent members. In the 1740s Linné, the Academy of Science and the East India Company entered into a co-operative arrangement whereby the ship's priest, or other suitable person on board the Company's ships, acted as an amateur botanist on behalf of Linné or the Academy of Science. Some ten years later Linné's pupils began to undertake long research voyages. The most important contributions were made by Carl Peter Thunberg. With the account of his voyages, *Resa uti Europa, Africa, Asia, förrättad åren 1770–1779*, (Travels through Europe, Africa and Asia, undertaken during the years 1770–1779), knowledge especially of Japan began to gain a more general foothold in Sweden.

Economic relations

The Swedish East India Company had an important influence, not least on the development of the city of Gothenburg. In Asia at that time, China occupied a central position, in many ways providing a model for other countries, and Canton was the destination for most of the Company's ships. Even after the formal dissolution of the Company in 1813, the contacts between Sweden and China were maintained and a trading agreement was signed in 1847. During the 19th

century a number of trading houses were established in Sweden to ensure that Asia was supplied with Swedish goods and vice versa.

During the period between the First and Second World Wars the economic significance of Asia to Sweden declined, even though the maritime trade was still important, and by the end of the Second World War the role of Asia was marginal.

During the 1990s, the rapid economic development in East and Southeast Asia resulted in rapidly increasing levels of trade. In 1997 Swedish trade with Asia exceeded that with North America. In 1998, the Asian crisis led to that Asia's share of Swedish total exports fell for the first time for many years while imports from Asia, on the other hand, continued to rise.

Political relations

The establishment of political relations between Sweden and the countries of Asia only began to gather momentum in the post-war years, in a number of cases as a direct consequence of former colonies becoming independent. Wherever possible, Sweden has sought to play an active and constructive role.

Diplomatic relations with India were established as early as 1948 leading to good personal contacts between Swedish and Indian politicians.

In 1950 Sweden was the first western country to enter into diplomatic relations with the People's Republic of China.

Sweden's Vietnam policy in the 1960s resulted in much international attention to be focused on our country. The protests against the Vietnam war voiced by the Swedish government, and by Swedish society at large, established Sweden's position as a committed partner in the display of international solidarity and brought criticism as well as considerable goodwill.

Development co-operation

When Swedish bilateral development co-operation was established in 1952, Pakistan was among the first recipient countries, followed by India and Sri Lanka. To begin with, Swedish aid was not extensive.

The establishment of Sida in 1965 led to a rapid increase, and better targeting, in the provision of aid. At the present time Sweden is en-

gaged in bilateral development co-operation in some form with 18 countries in Asia. In addition Sweden channels aid to Asian countries through the UN, the World Bank and the Asian Development Bank. Seven countries currently dominate Swedish development co-operation with Asia – Bangladesh, Cambodia, China, Laos, the Philippines, Sri Lanka and Vietnam. The development co-operation agreement with India was cancelled in 1998 as a consequence of the Indian nuclear tests. Broadest in terms of coverage are the international courses and the aid channelled through non-governmental organisations.

Mission work

The Swedish church's contacts with Asia date back to the latter half of the 19th century and were concentrated to China and India. In India the work done both by the Church of Sweden and by the Free Churches has been largely confined to the south of the country (the Tamil Church). The dismantling of colonial power was accompanied by the emergence of independence movements in the mission field, leading in turn to the creation of autonomous churches. The upheavals in China in 1948-49 meant that the missionaries were forced to flee the country or, in some cases, were put to death. Today many of the Swedish religious community's contacts with its Asian counterparts are channelled through such multilateral bodies as the World Council of Churches and the Lutheran World Foundation. For the Free Churches, Diakonia has taken over as the co-ordinating body with Caritas performing the same function for the Catholic Church.

Party contacts, trade union contacts and the Co-operative movement

Of the Swedish political parties the Social Democrats have the best developed network of contacts in Asia, in many cases through their membership of the Socialist International. Personal and informal contacts with political leaders in Asia also play an important part. Through the Olof Palme International Center aid is channelled to various countries for the purpose of stimulating the development of free and democratic organisations.

The trade union movement's contacts, up until the mid-1970s, were largely limited to multilateral links through the International Confed-

eration of Free Trade Unions (IFCTU) and other international bodies. Multilateral aid to Asian trade union organisations subsequently came to play an increasingly important role. Over the last decade the range of bilateral contacts has increased markedly.

In 1957 the Swedish Co-operative Union arranged a congress in Stockholm with the aim to initiate an involvement by the co-operative movement in developing countries. This led to an extensive collection campaign, the proceeds of which were devoted to assisting co-operative projects in India. Subsequently, with the establishment of the Swedish Co-operative Center (SCC), the centre of gravity of the activities in Asia was shifted to Sri Lanka. Other international contacts of the Swedish Co-operative Union are looked after by the commercial Project Centre, the most important areas of activity being Singapore and Thailand.

Academic contacts, cultural exchanges

In the past, Swedish academics' interest in Asia related primarily to the Asian languages. The Chinese language has traditionally featured strongly in Swedish universities, thanks to a number of Swedish sinologists of international repute. The courses of study have been conducted largely in Sweden. In recent years, the orientation of the university courses has been broadened to include, for example, the social and natural sciences with the result that it has become increasingly common for both researchers and students to conduct part of their work in Asia.

Official Swedish cultural exchanges with Asia have hitherto been relatively limited in extent. The main exception relates to Japan where, through the good offices of the Swedish embassy, a broad spectrum of Swedish culture is displayed. Many Swedish authors have been translated into Japanese. Over the past year, some 15 titles have been published in the field of children's books alone. In spite of the award of the Nobel Prize for Literature to one Indian and two Japanese authors, there is relatively little Swedish interest in modern Asian literature with the recent exception of some Indian writers. The number of present day Asian authors whose work is available in Swedish is around 20 in the case of Chinese, 10–15 for Japanese and 4–5 for other Asian authors. In recent years Swedish music has met with some success in Asia while Asian films have attracted increased interest in Sweden.

Migration

Immigration from Asia is at a comparatively low level. In 1994 it was estimated that there were about 70,000 people living in Sweden who were Asian by birth, of whom about 10,000 had come to Sweden as adopted children from India and 8,500 from South Korea. Otherwise the largest groups of Asian immigrants in Sweden currently consist of Vietnamese, Thai, Chinese and Sri Lankans.

6.2 East Asia

Japan

Japan is today the world's second largest economy and by far the largest in Asia. In the field of foreign policy, Japan has become increasingly important. For a number of years, Japan has been the world's largest single donor of development assistance.

The economic crisis which Japan has faced during the 1990s is the most serious that the country has experienced since the war. The underlying problems are deeply rooted and recovery will necessarily take time. Given an effective process of change and reform, it is probable that Japan will emerge with its standing as an economic superpower unscathed and with an even stronger position in the international community.

Sweden's relations with Japan are consequently of particular importance. These relations are also very good. In matters of foreign policy, both countries often share similar views on important issues relating, for example, to the UN and disarmament. Sweden engages in regular dialogue with Japan on international questions as well as such issues as trade policy, financial policy and international development co-operation.

The flow of trade has shown positive development in recent years. Japan is Sweden's largest export market outside the EU and North America. In 1998, however, Sweden's exports to Japan fell by 23 per cent. Swedish investment in Japan has been considerable and a large number of companies are represented there. Similarly a relatively large number of Japanese companies are represented in Sweden. Within the EU, Sweden is actively working for deregulation of the Japanese market and thereby better market access.

Sweden's co-operation with Japan is also comparatively far-reaching in the research field and both countries have recently signed an agreement on co-operation in science and technology. Many Swedish universities have exchange programmes with their counterparts in Japan. Traditionally, non-governmental organisations have never played a major role in Japan but this is now changing. Numerous NGOs are emerging, especially in areas relating to development co-operation and the environment, and interest is being shown in Swedish NGOs. Cultural exchange is considerable and there is also a growing number of exchange visits and other arrangements between towns and cities in Sweden and Japan. The Nordic countries are an important destination for Japanese tourists. An interesting aspect in this respect has been the study visits focusing on special areas such as care of the disabled and the elderly.

The EU attaches much importance to its relations with Japan and this was demonstrated by the signing of a joint declaration in 1991. There is now a formal framework consisting of yearly summit meetings, ministerial meetings and regular consultations at official level.

It should be possible to develop Sweden's relations with Japan still further. Sweden is regarded as a leader in such fields as social welfare, development co-operation, the environment and equality issues. Swedish companies are enjoying success and their products are considered to be of a consistently high standard. The potential for broader co-operation is thus considerable, the only real limitations being the lack of capacity on the part of Sweden to invest more in the Japanese market and to receive more Japanese visitors with due care.

If Sweden is to be able to capitalise on the existing potential, it is of prime importance to devote more attention to the development of the bilateral relations with Japan. High level visits are important and more frequent official exchanges, especially at ministerial level, are therefore being sought. Other contacts too, are valuable. Exchanges should be planned strategically in order to focus attention on sectors of society in which Sweden has particular expertise and where there is thus a clear potential for extending the exchange.

The consensus that exists between Sweden and Japan in many areas of international policy provides a motive for deeper dialogue and co-operation in such fields as training for peacekeeping operations. Co-operation in the field of development assistance could also be extended to include exchanges between staff involved in aid administration.

Other areas, for example the environment, social welfare and the labour market, offer scope for further dialogue. More scholarships for study and research in Japan, also covering longer visits, should help to promote exchanges. A study of the possibilities for Sweden's future co-operation with Japan in the field of R&D should be carried out. Efforts should also be made to facilitate contacts between Swedish companies and the R&D organisations in Japan.

Further contacts between Swedish and Japanese NGOs, popular movements, schools and the like would contribute to closer co-operation between the two countries and should be encouraged.

Membership of the EU provides Sweden with further opportunities to develop contacts with Japan through the various fora established between the EU and Japan.

In the long term, prospects for increased trade between Sweden and Japan are good. Over the next decade it should be possible to make Japan one of Sweden's top ten markets provided that Swedish industry can capitalise on its comparative advantages in particular product areas while following up with innovative product development. Sectors which have good potential in this market include health care, care of the disabled, construction and information technology.

Continuing efforts should be made to attract Japanese investment in Sweden. Sweden's central position in the Baltic region can contribute to increased interest from Japan.

In order to promote Sweden as a destination for Japanese tourism it is imperative to give travellers good information. For example, the Scandinavian Tourist Office in Tokyo needs sufficient resources to deal with the enquiries that it receives and more Japanese language material and Japanese-speaking guides should be available in Sweden.

The Swedish Embassy in Tokyo, an attractive property situated in a central location and equipped with an exhibition hall and conference facilities, has become a centre for a wide range of company-oriented activities and cultural events. It thus serves an important purpose. In contrast there is no Swedish representation in Kansai, the area round Osaka, Japan's second city. This region, with a GDP almost equal to that of Britain, accounts for an appreciable proportion of Japanese industrial activity and all the major EU countries are represented there. The possibility of establishing a Swedish – or Nordic – Consulate General in Osaka is being investigated.

China

China is the world's most populous country and a great power in the ascendant. Over recent decades China's importance, in both political and economic terms, has increased in a way that has few equals in history. Since the introduction of reform policies some twenty years ago, China has experienced the world's highest rate of economic growth and has achieved significant results which mark the transition from a planned to a market economy. China's exports already correspond to a quarter of total world trade and account for 20 per cent of the country's GDP. The private sector represents a considerable and growing proportion of the economy. China's transformation of its economy has thus, in many respects, been successful but it is far from complete and the country is facing a range of major restructuring problems affecting, for example, the banking and finance sector, the loss-making state enterprises and the question of employment. Continued growth presupposes continuing integration with the global economy. China has been negotiating membership of the WTO (formerly GATT) since 1987. Membership will result in the Chinese economy being increasingly exposed to competition and becoming increasingly sensitive to the swings in world economic cycles.

The effects on the environment of overpopulation, poverty and the unrestrained drive for growth are extremely severe. There is great inequality in the distribution of incomes due to the different degrees of development between the various regions and between the cities and the rural communities.

The Chinese reforms also have a political dimension. High priority is given to legislation and administrative reforms. Great efforts have been made to reform the legal system, mainly in the fields of the financial and civil legal codes, but also in the areas of the criminal code and procedural law. For the individual, the changes of the last two decades have meant greater personal freedom of action and freedom of choice with regard to jobs, housing, pattern of consumption and culture as well as the dawning of a fair legal system and reduced political control over everyday life. One factor of great importance is the increased availability of literature and periodicals and access to information via new media. The growing English language skills among the well educated provide a new basis for the exchange of information with the outside world. A fair system of law and order has not yet

been achieved, and cannot be fully realised under a single-party system. A clear boundary is drawn with regard to political activity. Freedom of expression and free association are still constrained. Public criticism of the system, either spontaneous or organised, can lead to severe punishment. This situation leads to growing tension which can only be resolved through deeper political and civil reforms.

In 1998 China signed both the UN's central Covenants on human rights, the Covenant on Economic, Social and Cultural Rights and the Covenant on Civil and Political Rights. By promising to ratify these Covenants, China has taken upon itself certain obligations and a new foundation has thus been laid for dialogue and co-operation with China in this area of central importance.

Sweden was the first western country to establish diplomatic relations with the People's Republic of China. Sweden's contacts with China date back to the days of the Swedish East India Company in the 18th century. Ever since then there has been a strong Swedish interest in China, so forming the basis for the broad interchange that has developed over the years, not least on the cultural side. China, excluding Hong Kong, is Sweden's second largest trading partner in Asia. In 1998 exports, which were dominated by the telecommunications sector, increased by nearly 30 per cent. The number of Swedish-Chinese joint venture companies has shown a steady increase. There have also been less fortunate ventures and these have served to show the necessity for knowledge of the Chinese market and what is required of companies if they are to operate successfully there. In the longer term China stands out as a significant supplier both of traditional consumer products and of goods and components with a high technical content.

Sweden's development co-operation with China is directed towards projects to support the environment, development of the legal system, democracy and equal rights. In recent years export credits have been granted in the environmental field. Research work and student exchanges are expanding. Contacts between NGOs are limited by the fact that fully independent organisations are not permitted to function in China. There are, however, contacts with existing organisations and these can often provide useful channels for passing on Swedish experience in fields of common interest.

The EU's China policy forms an important dimension of Sweden's relations with that country. The document "Building a comprehensive partnership with China", adopted in 1998, sets out a number of objec-

tives for the EU's co-operation with China aimed at supporting China's further integration with the international community, both economically and politically.

Relations with China form a central element of Swedish foreign policy. The significance of China, both today and to an even greater extent in the future, is a major determining factor in the shaping of the next century. In this perspective, therefore, it is increasingly important that the outside world should encourage China to adopt international norms and to share, as a responsible partner, in the work in pursuit of peace and security, respect for human rights, democracy and free trade. A political dialogue with China at government level is an important means of promoting this integration. Such a dialogue is conducted in a range of contexts, within the UN system and in other international fora as well as within the framework of the EU's contacts with China and through bilateral government contacts. It is important that the EU should continue to pursue its long-term China policy and that Sweden plays an active part in this. Human rights form a vital part of this dialogue. Sweden takes a serious view of the abuse of human rights that are committed in China and regularly voices its views and its criticisms both in international fora and in its bilateral contacts.

Sweden can contribute to China's integration with the world community by responding actively to, and further stimulating, the interest in Sweden and Swedish experience that is shown from the Chinese side. It is in Sweden's interest to make a contribution to such exchanges with the emphasis on such key areas as the reform process and environmental policy. One of the preconditions for a constructive dialogue and a meaningful exchange is that Sweden takes full advantage of and develops the knowledge and understanding of China that many Swedes have acquired, not least in the form of language skills.

China is an important trading nation and the structure of Swedish industry is well suited to respond to China's ongoing process of development. Experience suggests that Swedish industry is welcome in China and can establish itself effectively on the Chinese market. There is great potential for more Swedish firms to take initiatives and to engage in new collaborative projects. High level contacts and political exchanges are of key importance to the activities of Swedish companies in China. Export promotion is a priority for Swedish missions in China. The possibility of establishing an official Swedish presence in Guangzhou (Canton) is being investigated in view of the importance

of southern China to Swedish industry and commerce. A knowledge of the country and the conditions for operating in the Chinese market is vital if companies are to succeed in their endeavours.

Development co-operation should remain an important feature of Sweden's bilateral relations with China with the primary objective of contributing to its reforms and opening up to the outside world. Support for the environment, human rights, democracy and issues of equality match the overall objective and are promoted through, for example, continuing legal support, contract-financed technical co-operation and export credits in the environmental field. With regard to environmental co-operation, there are good opportunities for joint action with the commercial sector. Joint initiatives with Sida and the Swedish Trade Council should be considered. Research collaboration with China should be developed. Sweden's experience of working with China in developing the legal system enables Sweden to make a contribution to the EU's dialogue with China. The objective is to make a lasting contribution towards increased respect for the fundamental rights and freedoms and to a fairer legal system.

Cultural and information exchanges with China are of considerable mutual interest. The demand for information material on China's part will increase as Sweden and China make more contacts through, for example, the opportunities for co-operation offered by twinning arrangements between towns and cities. Information and promotional activities should be stepped up to meet increasing demand. It is essential that more information material about Sweden should be available in Chinese. Resources should also be provided to enable material to be produced in Chinese as required in connection with specific events and visits. As part of the work of developing the Asian strategy, a special study has been conducted to identify a strategy for information and cultural co-operation that may contribute to the deepening of the relations, stimulating a dialogue on matters relating to civil society, and an increasing interest in Sweden and in its trade and industry.

Expanded contacts between NGOs and professional associations are of mutual interest. If NGOs are to play a more active role in Chinese society, it is important that they should be able to maintain and develop international contacts.

Language skills provide an important foundation for expanding the Swedish knowledge of China and Chinese development. At present the opportunities for young people with a language aptitude who wish

to use and develop their linguistic skills following studies in China are limited. More opportunities in trainee and project posts should enable better use to be made of a valuable skill resource. Supplementary Chinese language training for professionals in the economic and engineering fields, for example, should enhance the prospects for long-term success in China's growing markets.

Sweden should expand its capacity for receiving Chinese trade and study delegations and arranging suitable programs for them in Sweden. Growing prosperity in China will eventually mean more private tourism visits to Sweden. Joint Nordic tourism initiatives would be a desirable step forward.

Hong Kong

Hong Kong has since 1 July 1997 the status of a Special Administrative Region (HKSAR) of the People's Republic of China. The documents which define Hong Kong's autonomous status also guarantee that its rights and freedoms will be maintained and that Hong Kong's political, financial, social, cultural, legislative and legal systems will remain separate from those in the rest of China. Foreign policy and security policy will, however, be determined by the central government in Peking.

Many misgivings were expressed prior to the handover of Hong Kong. After the first 18 months, however, it cannot be said that these fears have been realised. The region has continued to exhibit all the signs of remaining a successful, dynamic economy with an efficiently functioning administration and an impartial legal system. Press freedom and the freedom of opinion and association have so far remained intact even though an increased tendency towards restraint and a reduction in transparency could be seen as potential clouds on the horizon. The long-term outcome remains difficult to predict.

Hong Kong's per capita GDP is of the same order as that of Sweden. With its strategic position as an entry port to China, Hong Kong had by 1997 become the world's seventh largest trading partner. Since then Asia's financial crisis has also affected Hong Kong with a resulting decrease in GDP and heavy falls on the stock market.

Sweden's trade with Hong Kong has increased markedly in recent years and Hong Kong is now one of Sweden's 20 largest markets. In 1998, however, Swedish exports to Hong Kong showed a fall for the

first time for many years. A considerable proportion of trade with China passes through Hong Kong. A large number of Swedish companies are represented in the area. Cultural exchanges and academic collaboration also feature to a certain extent. The Swedish trade union movement has a collaborative arrangement with its counterpart in Hong Kong.

Sweden plays an active part in the EU's co-operation with Hong Kong which is important not least by virtue of its support for the process of democratisation after the change of sovereignty. In the EU's political dialogue with China, emphasis is placed on the importance attached to China's undertaking to respect Hong Kong's autonomy.

Hong Kong is, and will remain, important to Sweden for several reasons. The world community has a duty to protect Hong Kong's internationally acknowledged autonomy and Sweden should play its part in this, for example by respecting fully the competence of Hong Kong's authorities and courts. Extended bilateral co-operation and broader contacts with Hong Kong through the EU can contribute to the preservation of this autonomy. Similarly Sweden and the EU should seek to ensure the consolidation of Macao's autonomy following the transfer of sovereignty to China at the end of this year.

Hong Kong remains important to Sweden for commercial reasons, not least as a gateway to the southern China region which is of great interest to Swedish industry and commerce. The environmental sector can be cited as one of the areas of particular interest from the point of view of Swedish exports to Hong Kong. The prospects of attracting investment in Sweden from Hong Kong in the longer term are judged to be good.

Hong Kong's desire for favourable visa treatment, including the possibility of visa-free travel for HKSAR passport holders, should be given careful consideration from the Swedish side and should be approached in a positive spirit in consultation with other EU countries concerned. Increased investment in information about Sweden and PR activities, including exchange visits in the media, research and teaching fields, can promote an interest in Hong Kong for co-operation with Sweden.

Taiwan

Taiwan has developed into one of Asia's most important economies with a GDP exceeding that of Sweden. Taiwan occupies 14th place in

the world trade statistics and is on the verge of entry to the WTO. Although Taiwan has been affected by the financial crisis, its currency reserves remain amongst the largest in the world despite a reduction of 20 per cent. The structure of the Taiwanese economy is generally regarded as sound. The financial sector, however, needs reform. There is a comprehensive range of commercial interchange with mainland China. Taiwanese companies are responsible for a significant proportion of foreign investment in China.

Since the late 1980s Taiwan has undergone a gradual but virtually complete transformation into a democracy in which human rights are genuinely protected. A culture of democracy is emerging.

Taiwan's international status is largely governed by the fact that Taiwan, which officially calls itself the Republic of China, is not recognised as an independent state except by some 20 or so of the UN's member states which thus maintain diplomatic relations with the government in Taipei. Foreign nations follow a so-called "one China" policy which rules out the maintenance of diplomatic relations with both Peking and Taipei simultaneously. The Taiwanese government advocates reunification with the mainland as a long-term objective, but has stated that this cannot be contemplated as long as China retains its Communist system and remains at an appreciably lower level of economic development. For Peking the reunification of Taiwan is a high priority objective. Disagreement over the question of reunification constitutes one of the region's most serious potential sources of conflict.

With its growth in economic significance, the introduction of democracy and an increased openness towards China, Taiwan has won respect in the eyes of the world. The strength of the Taiwanese economy has made the island an important international trading partner despite the lack of diplomatic recognition, but the attitude of China makes it difficult for Taiwan to play a more active role in the international community, for example as a donor of aid through the UN. Conditions in Taiwan suggest that the prospects of remaining a significant international trading partner are good, however, and in other areas too, contacts seem set to develop further. In the political field the most likely scenario is that Taiwan will maintain its present status, with all the difficulties that this entails for its relations with other countries, so that an open confrontation with China over the sensitive issue of reunification can be avoided.

Sweden maintains diplomatic relations with Peking, and consequently not with Taipei. The absence of diplomatic relations does not prevent the cultivation of contacts in a wide range of areas and the same applies to trade, exchanges in the academic field and at parliamentary level, cultural exchanges, tourism etc. The key point with regard to Sweden's relations with Taiwan is that the substance of the co-operation should remain in focus while certain definite limits should be imposed on formal dealings at the state-to-state level. Unofficial contacts at departmental minister level are made when judged to be of particular interest.

The flow of trade between Sweden and Taiwan has increased steeply. The Taiwanese market is the fourth most important in the region and one of Sweden's most important export markets. Many Swedish companies are represented by their own subsidiaries in Taiwan. Sweden is also seen as an appropriate base for investment in northern Europe and the Baltic area and Sweden is a relatively well established destination for Taiwanese tourists.

There is in Taiwan considerable interest in Sweden as a country, in its economic and social solutions, innovations and products, companies and technology as well as in Swedish achievements in education, research and development.

Through the increase in contacts in general, the level of cultural exchange has also increased. A number of Swedish universities and colleges have established academic co-operation and exchanges with their counterparts in Taiwan. There are good prospects for extending and intensifying exchanges in a range of areas building on the contacts that already exist. More information about Sweden should be available in the Chinese language.

There are good possibilities for building up trade and investment. One factor with an important bearing on future trade, however, is the need to reach agreement between Sweden and Taiwan on solutions to such problems as double taxation and capital flight. As a country to invest in, Sweden can raise its profile and attract more Taiwanese risk capital for investment in Swedish companies and industrial projects. Joint venture initiatives in third countries, primarily China and the Baltic states, also offer development possibilities. Continuing promotion of tourism offers the prospect of more tourists, especially if direct flight connections can be established in the longer term. The conditions are also in place for an expansion of research collaboration, more

co-operation in the field of technological development and an increase in academic contacts in areas in which both Swedish and Taiwanese research is either pre-eminent or complementary, such as electronics, telecommunications, IT, medicine and biotechnology. Co-operation in the environmental field is also of great interest to both parties.

The restrictions on dealings with Taiwan are well known. The practice that has become established has shown, however, that contacts can be cultivated over a broad front and that exchanges of substance can take place to the benefit of both parties while remaining within the framework of Sweden's official China policy. A well-established network of contacts between Taiwan and the outside world strengthens Taiwan's prospects of standing out as an example of democracy in the region and thus constitutes the best form of support that Sweden can give to the democracy of Taiwan.

South Korea

In the course of 35 years South Korea has been transformed from a developing country into the world's 11th largest economy and the 12th ranking trading nation. Moreover, it has over the last decade turned away from military dictatorship to become a democracy. The country was hard hit by the financial crisis in Asia. Since the IMF made available the largest assistance package in its history, South Korea has succeeded in stabilising its economy through the liquidation of debts, deregulation and reform of, for example, its labour laws. Much remains to be done, especially with regard to reforms in the financial sector and corporate restructuring. The crisis has left deep scars in society, not least in the form of high unemployment. Reforms that have already been implemented have started to result in greater transparency, higher efficiency and improved conditions for foreign investors. It is likely that South Korea will emerge strengthened from the crisis.

Of decisive importance to the future of both South and North Korea is the security situation on the Korean peninsula, which is still very tense. North Korea's acute need for assistance may lead to the establishment of new contact interfaces and it is possible that the four-party talks and the South Korean President Kim Dae-Jung's so-called "sunshine policy" may lead to some further easing of the tension. Sweden has been involved in the NNSC (Neutral Nations Supervisory Commission) in Panmunjom ever since the end of the Korean War.

The image of Sweden perceived in South Korea is positive but unclear. Bilateral trade has been increasing steadily, up to the onset of the crisis in 1997. A comparatively large number of Swedish companies are established in South Korea but there have been few instances of investment. Collaboration between universities takes place to some extent and the Swedish trade union movement has contacts with its South Korean counterpart.

South Korea has the potential to play an important role in the region, and is politically seeking to act as a link between Asia and the rest of the world. The country is an active member of most international organisations. In international and regional fora, the interests of South Korea and Sweden often coincide with regard, for example, to international security, confidence-building measures and peace-keeping initiatives, the liberalisation of trade and investment, environmental co-operation and the promotion of democracy and human rights.

South Korea is both economically and politically of great interest to Sweden as a trading partner in Asia. Sweden should move forward to enhance the position that it already enjoys there. A broader spectrum of contacts will provide the basis for the development of a mutually rewarding partnership. Regular meetings at political and official level in selected sectors need to be pursued further and deepened in scope. Areas offering promise in the longer term include trade and investment in both directions, political dialogue and scientific collaboration. A major Swedish initiative is planned for 1999-2000 with the focus on trade and investment. The initiative, commencing with a visit to South Korea in April 1999 by the Swedish Minister for Trade, will also encompass a more comprehensive programme including cultural and sports exchanges.

The South Korean society is undergoing rapid change and some Swedish socio-political solutions concerning, for example labour market policy and care of the elderly and environmental issues are well suited as topics for dialogue. In the longer term the Korean market is likely to be of interest to companies which can offer energy-efficient and environmentally friendly technology. The two most important sectors are the automotive and shipbuilding industries in which Sweden occupies a strong position with excellent prospects for the future as well. Sweden is acquiring an increasingly strong profile in South Korea in the medical and healthcare sectors and in the areas of transport and

building materials. The consumer product sector will soon be of interest since the distribution structure is currently undergoing changes through the establishment of large foreign companies which thus provide channels for imported goods previously excluded. Over recent years Swedish companies have become more interested in investing in South Korea. The country has become a strategic base for production and marketing in East Asia as a result of a marked improvement in the conditions for foreign ownership as a consequence of the crisis. Prior to the crisis South Korea was a growing investor in Europe. Sweden will follow up the work that had already been done to attract Korean investors to Sweden.

Continuing support and encouragement should be given to academic co-operation. Korean research and development has reached a significantly high level and it is in Sweden's interest to build up forms of collaboration for the longer term.

The Swedish trade union movement has for a number of years been providing training in South Korea, an activity that can serve as an inspiration for other forms of co-operation between organisations. Environmental issues, women's rights and social justice are areas in which Swedish and Korean organisations should find an exchange of experiences to be of mutual benefit. Such exchanges should prove highly valuable in helping to deepen the scope of our bilateral relations.

North Korea

North Korea is in a state of deep crisis. The country's previous dependence on China and the former Soviet Union has been replaced by a dependence on the world community for support, primarily through the supply of oil and food. North Korea's GDP is reported to have fallen by five per cent each year during the 1990s. Even before the help from Moscow came to an end, the North Korean economy was following a negative trend as a result of the unsustainability of the system and the huge sums devoted to arming the military forces. The poor harvests of the last three years have further reduced the ability of the agriculturally dependent Korean people and their ability to feed themselves. Widespread famine and starvation is reported.

Divided Korea represents one of Asia's most serious security problems. North Korea poses a direct threat to the security of the region by virtue of its level of militarisation which encompasses missiles, chemi-

cal weapons and possibly nuclear weapons as well. Fundamental political freedoms and rights are denied. Economic reforms, increased openness and the gradual integration of the country with the international community are factors of decisive importance both to the country's ability to support itself and to an easing of tension on the Korean peninsula.

Sweden has diplomatic representation in Pyongyang, primarily for the purpose of carrying out tasks as protecting power for the United States, Germany, Australia and Canada. Sweden is the only EU country with diplomatic representation in North Korea. Over the last year it has been entrusted with important reporting and monitoring tasks.

Since 1995 the UN has launched five appeals for humanitarian aid to which Sweden and the EU have contributed. UN bodies and NGOs from countries including Sweden have consequently started to play a role in North Korea.

The North Korean system is characterised by its closed nature. Those opportunities for contact with North Korea that Sweden may have, for example through its presence in Pyongyang, should be used in seeking to contribute experience which could support eventual tendencies in the direction of a process of reform. The experience gained by Sweden and other countries in the NNSC during the years should likewise be put to use, for example in confidence-building measures when the parties so wish. Multilateral institutions such as UNDP, the World Bank and the IMF have begun to play a certain role aimed at transferring skills and possible reforms. Swedish support for these efforts may well arise.

Mongolia

Following the collapse of the Soviet Union, Mongolia has undergone a rapid transition to democracy. The economy suffers from major structural problems and there is a high degree of dependence on international aid. How far Mongolia will succeed with its process of reform depends to a large extent on the support received from the outside world. Mongolian government representatives are receptive to outside ideas in their work of deepening their democracy and hastening the development of such areas as administration, education, healthcare and the labour market.

Development co-operation between Sweden and Mongolia has gone

on for a couple of years. Mongolia is now at a stage when a broader range of contacts and more exchange of experience are of great importance. The potential is there for an increase in contacts in many fields. For the foreseeable future, however, development co-operation is likely to be the most dominant factor. Extending the range of contacts could well contribute also to increased trade and investment in certain sectors.

6.3 Southeast Asia

Indonesia

Indonesia's deep economic crisis is likely to leave its mark on the country's development for many years to come. Several years of growth, both economic and in the field of social welfare, have been replaced by a crisis of a depth and extent that few could imagine and which now strikes Indonesia's 200 million inhabitants hard. Nevertheless, the country has taken important steps in the direction of reform including the foundations laid for the June 1999 general election. The Indonesian government's statement in January, expressing its readiness to grant independence to East Timor, if the offer of a degree of autonomy was not accepted, may mean that a solution is on the way. Developments in Indonesia remain hedged in by considerable uncertainty and risk. Ethnic and religious antagonisms, as well as general social disquiet as a consequence of the economic crisis, pose a risk that Indonesian society may be plunged into a state of increasingly widespread violence. Even in the most favourable scenarios the country faces a hard and difficult process lasting several years before democracy can be expected to gain a firm foothold and the economy can be restored to an even keel.

By virtue of its strategic position, not least with regard to seaborne trade, developments in this, the world's fourth most populous nation, are of great importance both regionally and internationally. Security in Southeast Asia is very much dependent on the stable development of Indonesia. The country has long played a prominent part within ASEAN and its security forum shared with its dialogue partners from the outside world, the ASEAN Regional Forum (ARF).

Sweden's relations with Indonesia are good, even though these have for many years been marked by a critical Swedish view of the human

rights situation in Indonesia and, more particularly the situation in East Timor. Partly for these reasons, contacts with Indonesia have been somewhat sparse, perhaps more so than would otherwise be desirable. Best developed are relations on the economic side. Swedish exports, especially, have developed very favourably. The economic crisis has, however, substantially affected the flow of trade. A large number of companies with Swedish associations have been established in Indonesia and, despite the crisis, there is much evidence to suggest that Swedish industry and commerce retains its interest in the Indonesian market. Development co-operation has been limited but support has been provided in such key areas as forestry, the environment and human rights. A certain amount of academic collaboration has also emerged over recent years.

Sweden is seeking to increase the depth and breadth of its connections with Indonesia. Because of its size and economic importance, and its role as a heavyweight player both in the region and internationally, Indonesia is a country with which it is in Sweden's interests to develop wide-ranging links. The process of change that has now been introduced represents fertile ground for dialogue.

Sweden should also be prepared to contribute to efforts to find a peaceful solution to the long-running conflict over East Timor. Moreover, Sweden should be ready, once a settlement has been reached, to make a continuing contribution to the development of East Timor.

The role of the international financial institutions is of central importance to the critical situation in Indonesia. Particular attention needs to be given to how the process of reform can best be furthered and how the social consequences of the crisis can be mitigated.

Bilateral development co-operation should also play an increased role in helping to promote the process of reform and in contributing to the alleviation of the social consequences of the crisis. Increased institutional co-operation should be sought in areas which can contribute to the process of political and economic reform, for example with regard to the judicial system. In the environmental field, Sweden should make further efforts to provide Indonesia with both technical and organisational support. On the cultural side there is fertile ground for wider contacts including, for example, increased collaboration between Swedish and Indonesian museums.

There should be good prospects for Swedish industry to make an impact in the longer term in areas prioritised by Indonesia once the

country again has the resources to invest in domestic development, for example in sectors such as the environment, forestry, communications and other infrastructure areas as well as in healthcare.

The promotion of trade should continue to play a central role in the years to come since Indonesia will remain an interesting long-term market for Swedish industry. Again in the longer term, the possibility of creating a forum for contacts between Swedish and Indonesian industry should be investigated with the aim of stimulating an expansion of business in both directions.

A broader range of personal contacts between NGOs should be encouraged. Today in Indonesia there are organisations flourishing in such fields as the environment and consumer rights, women's movements and organised labour. There are opportunities for Sweden to contribute to the vitality of these organisations and institutions and to assist in the development of civil society in Indonesia.

Sweden should also seek to improve conditions for a broader range of academic exchanges between students as well as between institutions. Co-operation of this kind contributes both to an increase in bilateral contacts and to a strengthening of Swedish academic knowledge concerning Asia.

With a strategy aimed at broadening and deepening co-operation in these and other areas, Sweden should be able to contribute to the realisation of Indonesia's ambitions of developing the country in the direction of democracy and an open, reformed economy.

The considerable degree of uncertainty that still exists only serves to highlight the urgency of following closely the course of development in Indonesia.

Cambodia

Following the summer 1998 election, a new government was formed in Cambodia. With political stability newly won, the work of rebuilding this ravaged country can begin. Over the last few years, attempts at a planned economy and state enterprises have been replaced by a rudimentary market economy accompanied by a good deal of corruption. Cambodia remains one of Asia's poorest countries with weak institutions. The country's economic situation, after a number of years of comparatively good growth, has now suffered a downturn. Cambodia's considerable forestry and mineral resources are suffering from

overexploitation. Under such conditions the future of Cambodia is difficult to foresee. The country lacks democratic traditions and there are serious abuses of human rights. The 1998 election process, although successful, was also marred by serious problems caused by shortcomings in the country's political culture. Political institutions and administrative structures now need to be built up. The new government must assist the UN in helping to bring to justice those responsible for the Khmer Rouge's reign of terror. The marginalisation of the Khmer Rouge has made it possible to introduce demobilisation and increased investment in the country's social development. Cambodia's membership of ASEAN is likely to have a favourable effect on the country's development.

Cambodia has not for decades experienced better conditions for long-term development than at present. Whether the opportunity can be grasped remains to be seen. Improved co-ordination and integration of international development co-operation with Cambodia's own efforts to develop its society is a vital precondition. At present there is a risk that international development co-operation only will serve to increase the country's aid dependence. The donor community is rightly insisting that the country should strive to raise the level of domestic savings and get to grips with the very widespread deforestation through illegal logging.

As early as 1979 Sweden began a humanitarian program of support for reconstruction. Today development co-operation dominates bilateral relations. It covers rural development, primary education, mine clearance and the promotion of human rights. Financial assistance is channelled mainly through the various UN agencies. Sweden also supported the 1998 election in a number of different ways. A couple of non-governmental organisations are active in Cambodia. The volume of trade with Cambodia is insignificant.

Development co-operation will continue to form the basis of bilateral relations between Sweden and Cambodia. A condition for this co-operation is that the democratic process should continue. Immediate measures to combat poverty at local level, such as rural development, education and roads, will in future continue to form important aspects of Swedish assistance. Mine clearance is an area in need of urgent attention, as are measures to promote respect for human rights. An important aim for each initiative should be to help to develop the country's institutional capacity.

Development co-operation will enable bilateral relations to be broadened.

Trade and investment in Cambodia offer potentially interesting possibilities for Swedish industry and commerce. Swedish commercial involvement can also result from participation in procurement made through the Asian Development Bank, the World Bank and the UN. Increased commercial activity will be dependent, however, on a more stable situation in Cambodia and a more positive course of development, both economically and politically.

Laos

Laos is amongst the world's poorest countries. Following some years of experimentation with far-reaching socialist policies, the Communist Party changed its policy and, since the mid-1980s, a process of reform and market adaptation has led to a breakthrough in the form of higher growth. Today Laos is a rudimentary market economy. The previously closed country has opened up to the outside world. In 1997 Laos became a member of ASEAN. Relations with the international community are good and the country receives comprehensive development assistance.

Politically Laos is a one-party state. The private sphere of the individual has been extended significantly, the National Assembly has a growing role and the legal system is under development but the country shows few signs of political liberalisation. Laos has still not signed the UN's two fundamental Covenants on human rights. Corruption poses an increasing problem.

Sweden is one of the largest donors of development assistance to Laos. The purpose of the Swedish aid is to contribute to the reduction of poverty in the rural areas and to promote democracy and human rights. The volume of trade with Laos is very limited.

Sweden's relations with Laos will, for the foreseeable future, continue to be dominated by development co-operation. Through dialogue and the work of development co-operation, Sweden seeks to contribute to increased openness and a vigorous process of reform in Laos. In concert with other EU countries with an involvement in Laos, high priority is given to Laos' signing of the fundamental human rights Covenants. The economic prospects for increased trade are limited. There are, however, possibilities in, for example, the area of energy.

Malaysia

Since the 1970s Malaysia has gradually made the transition from a producer of raw materials to an export-oriented industrial nation. Economic growth has been impressive and has led to a general raising of the level of standard of living even though the distribution of income has remained relatively uneven. The Asian economic crisis has hit the country hard. Malaysia, however, has not sought assistance from the IMF but has instead chosen to introduce currency controls. How long it will be before Malaysia again experiences good economic growth is difficult to say. A recovery will require far-reaching reforms, especially in the financial sector.

The country has a parliamentary system in which UMNO (United Malays National Organisation), which has been dominant since independence, has gained a majority in essentially fair elections. Rights of expression, association and other political freedoms are, however, restricted and the authoritarian nature of the exercise of power has been demonstrated in recent times. A popular demand for strengthened rule of law has emerged as a consequence.

For Sweden Malaysia remains an important – and potentially even more so – trading partner. Sweden's main objective should continue to be to promote economic relations. The positive image of Sweden and of Swedish trade and industry, Swedish expertise, Swedish culture and the Swedish education system that exists in Malaysia should be consolidated and maintained.

Exports to Malaysia have increased markedly during the 1990s and a number of Swedish companies have made major direct investments in the country. In 1994 an agreement was signed concerning collaboration in the defence field. Such collaboration has yet to be elaborated. Since Malaysia is already relatively highly developed, there is only limited scope for development co-operation. A considerable number of Malaysians participate annually in Sida's international courses. Collaboration between universities has expanded.

Sweden should follow up and deepen those contacts that have already been established, both the official contacts and those between representatives of industry and commerce, the research community, trade unions and the environmental organisations. Both countries' participation in UN peacekeeping initiatives provides an important point of contact.

Swedish small and medium-size companies should be able to make better use of the goodwill that has been built up by the larger Swedish companies in Malaysia. In such fields as the environment, healthcare, communications and road safety, and in the IT sector, there should be an interest in Swedish ideas which can eventually lead to sales of Swedish products. The promotion of exports remains important.

There is also scope for increased collaboration in research and university teaching. Malaysian participants should continue to be invited to attend Sida's international courses.

Co-operation in the environmental field, which in Malaysia has suffered severely as a result of economic growth, could be further developed. Malaysia's high standards of economic and institutional development should enhance the prospects of achieving good results. A new foundation for such co-operation can be created through a long-term exchange of experience and know-how in areas such as the control of chemicals, waste processing, expertise in the areas of air and water pollution as well as technology transfer. Several of Malaysia's active environmental organisations already have Swedish contacts.

It should be possible to consolidate and enhance the image of Sweden through a greater range of cultural initiatives and more contacts with the Malaysian media. Tourism is also important in this context and the possibilities for Nordic collaboration in promoting the Nordic countries as destinations for Malaysian tourism should be explored.

The Philippines

By comparison with the earlier spectacular growth of its neighbours, the Philippines was long described as the "sick man" of Asia. The fall of the Marcos regime in 1986, however, signified the end of decades of political misrule and a return to democracy. With the deregulation, liberalisation and privatisation measures brought in during the first half of the 1990s, growth has been gathering speed. The Philippine economy is today regarded as one of the most open in the region with low tariffs and competitive conditions for foreign investors. While the economy has been badly affected by the Asian crisis, the country is not among those which have suffered worst.

The social structure is an inheritance from colonial times. Regional differences are great. Poverty, together with weak institutions and short-

comings in the legal and regulatory framework, still poses problems for the country. It remains to be seen whether the government that came to power in 1998, through its practical policies, will give more emphasis to the fight against poverty than its predecessors. In 1996, after 30 years of war, a peace agreement was signed between the government and the Moro National Liberation Front (MNLF), the largest of the Muslim separatist movements on the island of Mindanao. The agreement forms the basis of the ongoing peace process and permits some degree of self-determination for the Muslim parts of the island. The peace process has received international support from a wide range of countries including Sweden. The Philippines is an active member of the ASEAN group of countries and a committed participant in multi-lateral co-operation in both the Asia-Europe (ASEM) and the Asia-Pacific (APEC). In recent years there has also been a tendency towards seeking to balance these links through closer bilateral contacts with Europe. In common with a number of other countries in the region, the Philippines claims sovereignty over islands in the Spratly area.

Relations between Sweden and the Philippines are good. The volume of trade has trebled during the 1990s and had by 1997 reached SEK 2.1 billion. Preliminary statistics indicate a steep fall in Sweden's exports in 1998 as a result of the Asian economic crisis. Exports are dominated by manufactured goods with telecommunications accounting for half of the total. Sweden's direct imports during the same year amounted to SEK 295 million, a fall compared with previous years, and consisted primarily of electronics, food products, shoes and sports goods. Some thirty Swedish companies are established in Manila.

In 1997 the Swedish Government laid down a country strategy for Sweden's development co-operation with the Philippines. This strategy gave priority to co-operation which "through the transfer of knowledge supports processes and institutions which are essential to the continuation of positive economic and social development". Particular attention should be paid to activities in Mindanao. Efforts should be made to provide increased support in the environmental field. The form of co-operation should be designed to contribute to a wider exchange, in both economic and other areas, between the two countries.

The Philippines, as one of Asia's democracies and a vigorous participant in ASEAN co-operation, is an attractive collaborative partner for Sweden and for Swedish industry and commerce. Sweden has an interest in expanding its exchange of views with the Philippines on such

topics as the economic, political and security developments in Asia, environmental issues and trade related questions. The dialogue on democracy and human rights, in which the Philippines play an active role within ASEAN, should form part of this co-operation. High level exchanges represent a valuable instrument in the process of extending the breadth and depth of these contacts. Trade promotion remains an important task, Sweden's aim being to broaden bilateral trade links while at the same time making full use of the possibilities offered as a result of the Asian Development Bank being located in Manila. Commercially, the greatest opportunities for Swedish exporters will, over the next few years, probably continue to be dominated by the infrastructure sector (telecommunications, transport, energy etc.). In the longer term the country should also be an interesting market for Swedish healthcare expertise and environmental technology. Modernisation of the Philippines defence forces will provide opportunities for the Swedish defence industry to offer technology and know-how in both naval and aircraft fields. The offset purchase arrangements that any eventual orders would generate could stimulate increased economic co-operation and a broader range of contacts for the years to come.

Further expansion of development co-operation activities should be possible. The environmental initiatives currently financed through contract-financed technical co-operation and export credits provide an excellent basis for expanding existing co-operation in the environmental field to include commercial activity and collaboration in the research and institutional areas.

Singapore

Since the late 1960s, aided by effective export-oriented policies, Singapore has achieved impressive economic growth. The republic, with a population of slightly over three million, today enjoys a per capita GDP which is among the highest in the world. Singapore is a parliamentary democracy in which, however, the electoral system ensures that the ruling party, the People's Action Party, is overrepresented. The country espouses the rule of law but personal and political freedoms are restricted and freedom of expression is limited. Opposition politics are hedged around with difficulties. Singapore has been one of the driving forces behind ASEAN and has invested in strong defence forces.

Sweden has good relations with Singapore. These relations are based

on trade and Singapore is Sweden's fourth largest export market in Asia. Some 170 Swedish companies are established in Singapore and many have their regional headquarters there. Ten or so have manufacturing facilities in Singapore. Commercial and technical collaboration between Sweden and Singapore in the military field is considerable, not least in the naval sector. Cultural exchanges also take place, albeit to a limited extent, and there is also fairly comprehensive co-operation at research and student levels.

Singapore's small land area and population does not detract from the significance of the role that Singapore plays in the region both economically and politically. The country follows an active foreign policy. It is one of the states that sets the tone within ASEAN and was one of those behind the ASEM dialogue initiative. Sweden and Singapore have similar views on the liberalisation of trade and the two countries have thus been able to work well together, for example in the WTO context. The flow of trade between the two countries represents by far the most significant aspect of Swedish-Singaporean relations and this will naturally remain the case. Singapore attaches great importance to a balanced relationship embracing not only trade but also political links, and there are good reasons developing the political contacts further. It should be possible to arrange seminars in Singapore on themes which cover both state and private sectors as well as the crisis in the financial sector, research and development collaboration and co-operation in the environmental field.

The inhabitants of Singapore, four fifths of whom are Chinese, provide a possible gateway to collaboration with the comprehensive and all-pervading Chinese business network that exists in East and South-east Asia.

Exchanges in the academic field are an important facet of the work of forging closer links between Sweden and Singapore. One possible means of extending this exchange could be to devise a bilateral trainee programme for students.

Defence materiel will continue to represent a highly important area of collaboration between Sweden and Singapore. Significant new collaborative projects may well emerge over the next few years.

Activities designed to attract Singaporean tourists to Sweden (and the Nordic area) should continue to be pursued through the Scandinavian Tourism Promotion Centre.

Singapore has a declared aim of becoming a cultural capital in the

region. Its interest in foreign cultures which is now being encouraged should be seen as a spur to increased Swedish efforts of cultural exchange.

Thailand

After several decades of strong export-led growth, Thailand was hit by the financial crisis in the summer of 1997. The country concluded an agreement with the IMF and adopted a number of measures recommended by the Fund. This enabled the economy to be stabilised and it has proved possible to realise a gradual improvement in several macro-economic indicators, but the recovery will take time. It still remains for Thailand to complete the work of reform which is required to restore confidence in the Thai economy.

The rapid economic growth of recent decades has in general raised the standard of living for most Thais, even though there is a greater disparity in the distribution of income than in many other Asian countries.

Thailand today, after a brief period of military rule in the early 1990s, is a vital democracy with a high degree of freedom of expression and a new constitution with the emphasis on human rights. The fact that Thailand today is founded on democracy has proved to be a strength in the work of bringing about an economic recovery.

In its foreign policy, Thailand increasingly reflects democratic values. Within ASEAN it has tried to introduce a discussion of the established principles of non-interference.

Bilateral relations between Sweden and Thailand are, by tradition, good and their origins go far back in time. Diplomatic relations were established as early as 1883. The main focus of co-operation between the two countries is in the economic area and trade relations are well developed. Long-standing collaboration in the area of defence has embraced both exports of defence materiel and training initiatives, mainly in the naval area. A number of Swedish companies are established in Thailand.

Development co-operation has been focused primarily in areas such as the environment and energy. Co-operation in the environmental field, where Thailand experiences difficult problems, also takes place between universities and research institutes in the two countries.

By virtue of its position as one of Southeast Asia's leading democra-

cies, and because of its commercial importance, Thailand is a natural and valuable partner.

From Sweden's point of view, the obvious potential for closer co-operation and dialogue should be developed in areas of mutual interest in the fields of foreign policy and trade policy as well as in such areas as the environment and social issues.

The ongoing process in Thailand of building up and strengthening democracy and a society based on the rule of law creates a potential for dialogue, both at a parliamentary level and between popular movements, trade unions and other special interest organisations. In this way it should be possible for Sweden to contribute constructively to the process of reform and modernisation.

In the field of foreign policy, Sweden and Thailand often have similar views. With regard to UN issues, Sweden and Thailand frequently share opinions in important issues.

During 1999 a new strategy for development co-operation with Thailand will be prepared. During Thailand's period of recovery, development co-operation – and especially contract-financed technical co-operation – should play an increasing role in support of the country's efforts to implement reforms.

Sweden will seek increased long-term economic co-operation with Thailand. The environment represents an area of considerable mutual interest. Within the framework of Sweden's efforts to export environmental technology to Asia, particular attention should be paid to Thailand. Development co-operation, research exchanges and trade can interact in this respect. Swedish industry has a long-term interest in the development of the Thai infrastructure (including energy, telecommunications and transport) as well as in the modernisation of the Thai defence forces.

Vietnam

Having become, during the 1980s and in the shadow of the Cambodian conflict, a deeply isolated country in conflict with its neighbours in ASEAN, Vietnam is today an integrated member of the Association of Southeast Asian Nations. Relations with the outside world have been normalised and developed. For the last ten years the Communist Party, the party of government, has been engaged in a policy of reform, *doi moi*, which, thanks largely to rapidly growing foreign trade and

large scale foreign investment, has resulted in considerable economic growth.

The process of reform also has a political dimension, but it has been regarded as subordinate to the requirement to preserve the one-party state. The economic progress and the liberalisation of the economy have meant that the private sphere of the individual has grown tangibly and that people, because of the corruption that is rife, have developed a more critical attitude to the state and to the Communist Party. The human rights situation has improved but fundamental freedoms are not protected. The Asian crisis has accentuated the need for reform, especially since both foreign trade and foreign investment have been adversely affected. The country is still in great need of development, especially in the rural areas which have been neglected in the process of development to date. The country's social indicators, especially literacy and life expectancy, remain substantially better than the actual income levels would suggest.

Sweden has close links with Vietnam. The long-standing support for Vietnam, both political and in the form of development co-operation, has meant that Sweden today enjoys considerable goodwill in the country. There is much interest in Swedish experience in the context of Vietnam's consideration of its own reform process. Vietnam is one of the larger recipients of Swedish development assistance. The purpose is to contribute to the process of developing institutions, support the transition to a market economy and promote democracy, human rights, equal rights for men and women and sustainable development. In the areas of culture and the media, the objective of the co-operation is to promote a more open society. Research collaboration through SAREC is also relatively important. Development co-operation has made a tangible contribution to the creation of the many close links that currently exist between Swedish and Vietnamese organisations, authorities and individuals in many sectors of society.

Trade between Sweden and Vietnam has increased over the 1990s but remains small in volume. Some thirty Swedish companies have been established locally but there has been little investment. Save the Children and a few NGOs, trade unions and the Social Democratic Women's Federation are active in Vietnam.

Sweden's possibilities of developing deeper relations with Vietnam are good as there are already many contacts between the two countries. Swedish know-how has a good name in Vietnam.

Over the course of the next decade, the scope of co-operation should be broadened from being largely aid financed to including a progressively larger element of exchange in such areas as trade, technology and science as well as in the cultural field. Deeper contacts should be sought not least in areas relating to the democratic development of society as well as to the environment and the sustainable use of natural resources. Within the framework of development co-operation, collaboration between institutions has been built up in many areas.

There is much interest in Vietnam in extending collaboration between research and educational establishments. Development assistance is currently a precondition but the aim should be to identify areas of long-term mutual interest.

It will not be possible in the foreseeable future for Vietnam to become a major market for Swedish exports. Vietnam's income levels and import structures set the limits. A large number of Swedish companies have, however, shown a long-term interest in this potentially important market in a region which, in some years time, can once again be expected to be moving into a more dynamic stage. Development co-operation with Vietnam covers a range of projects relating to the environment. This sector should be a priority commercially as well as in development co-operation. There is a marked interest in Swedish investments. The consulate in Ho Chi Minh City is an example of the Swedish ambition to broaden the range of contacts in the economic area.

Contacts between popular movements and between various professional groups or NGOs should be promoted wherever possible. The contacts between trade unions now being established can play an important part in the Vietnamese reform process.

Burma

Burma is a country rich in natural resources but which has had its economy plunged into ruin by decades of misrule. From having been one of the regions most developed countries during the 1940s and '50s, Burma – or Myanmar as the country is called by the present regime – has since been lagged behind and it is now amongst the world's least developed countries.

The military regime in Burma is strongly authoritarian and repressive. The democratic opposition is subjected to comprehensive and systematic pressure. Burma is one of the world's leading centres for

the trading and production of narcotics. International regard for the country has suffered greatly as a result of the military regime's failure in 1990 to hand over power to the opposition party led by Aung San Suu Kyi who had emerged as victor in the democratic elections. Burma's relations with its neighbours are characterised by the many armed conflicts which traditionally have been waged between the central government and the country's various ethnic groups. The country shares a border with China and economic relations with the neighbour are of great importance. Burma also maintains a wide range of contacts with China in the military area.

The country's accession to ASEAN in 1997 has contributed to increased international exposure. Within ASEAN too, there are beginning to be clear signs of irritation at the regime's widespread violation of human rights. The fact that Burma is a member of ASEAN places a considerable strain on co-operation between the EU and ASEAN.

Sweden has diplomatic relations with Burma but only a minimum of official contacts are maintained. Trade links are minimal and few Swedish companies have been inclined to trade with Burma under the present conditions. Together with other EU countries, Sweden's attitude to the regime is highly critical. The EU has adopted a common position which includes a whole series of measures designed to limit the extent of contact with Burma. Sweden has no development co-operation with Burma but provides humanitarian aid to Burmese refugees in Thailand together with support for organisations working for the restoration of democracy in Burma.

Sweden will continue, both within the EU and in international fora – primarily the UN – to work for the broadest possible opinion to press for a return to democracy in Burma. For several years Sweden has co-ordinated a human rights resolution on Burma in the UN General Assembly. Support for the democracy movement is still urgently needed, as is aid for Burmese refugees. Sweden supports international efforts to counter the Burmese drug trade.

Brunei

Brunei, a Sultanate and former British colony, became independent in 1984. Thanks to its oil and gas, Brunei is a rich country and its wealth has, through generous welfare policies, benefited large sections of its population.

Sweden's relations with Brunei are modest in extent, and trade is relatively undeveloped. A number of Swedish companies are, however, active there. The potential exists for some expansion in economic co-operation, for example in the form of the supply of Swedish defence equipment.

6.4 South Asia

Bangladesh

From 1947 until independence in 1971, today's Bangladesh formed the poorest and most neglected part of Pakistan. After that the political development of Bangladesh was marked by occasional violence with a number of bloody coups. During the 1990s, however, the political situation has been characterised by free elections and a shift towards democracy. Bangladesh has however remained one of the world's poorest countries with a high, albeit somewhat reduced, population growth rate. It is often suffering from drought and floods. In spite of this, the country's dependence on development co-operation, measured in aid percentage of GDP, has fallen rather than increased and is currently far lower than for the majority of the poor countries of Africa. Development co-operation brings in less foreign currency than is sent home by Bangladeshi emigrant workers in the Middle East. Infant mortality is high but life expectancy has risen appreciably. Literacy among women is low.

The level of investment remains substantially below that required for rapid economic growth but the economic situation in Bangladesh has improved in recent years. Exports are dominated by textiles and ready-made clothing products.

Bangladesh has a free and critical press which writes about shortcomings and problems regarding democracy and human rights. Misuse of power and abuse of human rights do occur and the possibilities for the poor to obtain justice are limited. Especially women are disadvantaged, although they were given the opportunity of voting at the recent local elections.

Bilateral relations between Sweden and Bangladesh have, ever since independence, been characterised by relatively comprehensive development co-operation. Swedish development co-operation is directed

towards education, rural development and healthcare as well as the promotion of democracy and human rights. Efforts to strengthen the position of women in society are important.

Interest in an expansion of trade and direct investment has increased in recent years. The flow of trade has shown improvement and several Swedish companies have major projects in Bangladesh.

Strengthening the country's social institutions is of paramount importance and development co-operation has a complementary role to play here. At the same time, Sweden's relations with Bangladesh should not be confined to development co-operation. Bangladesh is potentially an interesting trading partner and the country also offers investment opportunities for Swedish industry and trade in, for example, infrastructure, energy, the environment, telecommunications and IT.

India

India is striving, both politically and militarily, to play the role of a regional, and eventually global, power ranking with China. This ambition was underscored by India's nuclear weapon tests conducted in spring 1998. From an economic viewpoint, India is now often regarded as one of the potentially most important players of the next century. But the country still has a long way to go. India's exports are less than half those of Sweden. Even though a modernised industry, with advanced technology and research expertise at its disposal, has been established over the past few years, most Indian companies still use out-of-date technology. Growth has in the past been held back by an inefficient and heavily regulated development policy. A policy of economic reform introduced in the early 1990s resulted in increased growth. These reforms have, however, met with considerable political resistance. There is a growing middle and upper middle class but poverty remains the country's greatest problem. The social sectors suffer from severe neglect and the same applies to the infrastructure and the environment.

The importance of the fact that India, with one sixth of the world's population, has chosen the path of democracy can scarcely be exaggerated. Despite poverty, religious, social and cultural antipathies, as well as widespread corruption, the country has remained a vital democracy. There are, however, shortcomings in the area of human rights, especially with regard to the situation of women.

If India continues to implement economic reforms and combines

efforts for social development with environmental improvements, this should probably create the conditions to allow India, at the start of the next century, to find a place in the international community that is commensurate with its size and capability.

India's conflict with Pakistan over Kashmir continues to pose a risk to the security of the region. The development of nuclear weapons by both countries has given the conflict an even more serious implication.

Bilateral relations between Sweden and India are by tradition comprehensive and good. Diplomatic relations were established as early as 1948 and leading Swedish and Indian politicians reached good personal contacts at an early stage. India was one of the earliest and largest recipients of Swedish development assistance. During the first part of the 1990s Swedish exports to India trebled and Swedish investment has increased over the last few years. Contacts between Swedish and Indian universities and research institutes have in the past been relatively few. There is a certain cultural exchange, for example between Swedish and Indian writers.

Sweden's cordial and long-standing connections with India form an important element of Swedish relations with that country. The continuing development of these relations remains an important objective. Sweden can also be able to play a constructive role as a partner in political dialogue. It is a Swedish aspiration to see India, unconditionally and as soon as possible, as predicted during autumn 1999, signing the Comprehensive Nuclear Test-Ban Treaty (CTBT). Sweden is also working to encourage India's signing of the Non-Proliferation Treaty (NPT). The more open and market-oriented policies introduced at the start of the 1990s have meant that trade and economic co-operation have become an increasingly dynamic element of our bilateral relations. Even with the present slower rate of liberalisation, the conditions are there for India to become a significant market for Swedish industry and commerce in five to ten years time.

The potential that exists in Swedish-Indian economic relations is by no means fully taken advantage of yet. High priority should continue to be given to this area. To achieve greater breadth and depth in Sweden's bilateral relations with India, there is an urgent need to maintain a dialogue at government level and to strive for continuing frequent exchange visits. Where trade-related issues are concerned, the growing aspirations of state governments should be given due attention.

During the current phase of economic build-up in India, the export of systems and projects in areas such as infrastructure, telecommunications and shipbuilding, as well as IT, environmental technology and healthcare equipment are of particular interest. Good local business contacts and a long-term approach are prerequisites for becoming established in the Indian market. The Swedish trade office in Delhi represents an important new contribution and should be given adequate resources. In Sweden, there is a need for strong back-up which can effectively create interest in, and make available, knowledge of the Indian market, especially for the benefit of small and medium-size companies with no previous experience of South Asia.

The Indian nuclear arms tests in 1998 resulted in the termination of the agreement on development co-operation. Development co-operation in the forms, and in the volume, that has applied hitherto was rendered impossible. A degree of co-operation does continue, however. At the end of 1998 the Swedish government resolved that continued support should be provided in the area of education. At the same time Sida was given the opportunity to prepare new, less comprehensive initiatives via NGOs and within the areas of trade and industry, research and the environment. The aim for the future should be to continue to conduct development co-operation with India oriented towards combating poverty and initiatives intended to strengthen the human rights of the poor as well as towards areas of mutual interest such as the environment, education/research and economic co-operation.

Cultural and information-oriented exchanges as well as the academic exchanges with India, should expand.

The EU's relations with India have acquired a stronger emphasis through the so-called *Declaration on Strengthened Partnership* which was issued in 1996 as a part of the EU's Asia strategy. It is in Sweden's interest to play an active part in this strategy in order to strengthen the partnership with India. The EU countries often make use of the attention focused on them during their chairmanship in order to carry through major information initiatives. This is worth consideration on Sweden's part.

Nepal

Nepal is a constitutional monarchy with a democratic parliamentary system. It is one of the world's poorest countries and it is burdened

with widespread illiteracy and environmental degradation. The lack of respect for human rights has long been a problem in Nepal.

The Nepalese economy is heavily dependent on India. The energy area has great economic potential with some of the world's largest unexploited reserves of hydroelectric power. Sources of finance are lacking, however, and international opinion in environmental circles has called into question the ecological consequences of exploiting these resources. Tourism is also of major economic importance to Nepal.

Sweden's co-operation with Nepal consists primarily of limited development assistance and a certain volume of trade. The possibility of concessionary credits is of major significance from the point of view of raising the level of interest in Nepal among Swedish companies. The country's limited capacity as a recipient and the large number of donor countries should, however, be borne in mind. Attention should be given to Nepal's serious environmental problems, both in the form of commercial initiatives and in the course of the continuing development co-operation. At the same time it is important that the democratic development of the country should be given support.

Pakistan

The history of Pakistan since independence 1947 has been characterised by its strained relations with India, which have resulted in three wars. The military, together with the Muslim priesthood, the feudal land-owning classes and the bureaucracy have traditionally exercised great influence. For long periods Pakistan has been under direct military rule. Today the country is a democracy, albeit a democracy threatened by unstable civil structures, corruption, regional antagonisms and an increasing trend towards fundamentalism. The situation with regard to human rights is of concern. The high level of foreign debt makes the future course of development difficult to predict. The sharp international reaction to the nuclear arms tests conducted in May 1998 also contributed to a further deterioration in the country's economy. Poverty and the social problems are exacerbated by the high population growth rate. Only one woman in four can read.

Pakistan is involved in two serious regional conflicts, Kashmir and Afghanistan, which strongly colour the country's relations with the rest of the world. Pakistan's nuclear tests have created new tensions in its relations both with its neighbours and with the outside world.

Sweden's relations with Pakistan are good but not especially comprehensive. The country was one of the first recipients of Swedish development assistance but the extent of co-operation is now limited. The nuclear weapon tests have meant restrictions on the scope of development co-operation. Exports to Pakistan have increased substantially during the 1990s but were halved in the course of 1998. The larger Swedish companies are represented in Pakistan. Some exchange takes place in the research field.

For Pakistan to develop its potential, the domestic political situation needs to be stabilised, the Kashmir conflict resolved and a peaceful solution found in Afghanistan. Peace in the area should enable the rich oil and gas reserves in Central Asia to be exploited and a pipeline to be built through Afghanistan to Karachi, bringing with it increased economic activity in Pakistan. A more peaceful relationship with India should provide both parties with opportunities for mutually beneficial trade.

A priority for Sweden is to continue to seek ways to contribute to the strengthening of Pakistan's democratic institutions. Future development co-operation initiatives should be directed towards this objective and towards measures to support democracy and human rights as well as development co-operation through NGOs, and Pakistani participation in Sida's international courses.

Sri Lanka

Sri Lanka has, after the Maldives, the highest per capita GDP in South Asia. Income distribution is reasonably equitable and literacy and other social indicators are high by comparison with other countries in the region. Sri Lanka is a democracy. The political issue that constantly overshadows the situation in Sri Lanka is the armed conflict between the Sri Lankan government and the Liberation Tigers of Tamil Eelam (LTTE). At present there is no solution in sight to this devastating conflict which since the early 1980s has cost over 50,000 lives. The war brings abuses of human rights in its wake and it has led to greatly increased defence costs at the expense of education and other areas of benefit to society. In spite of the conflict with the LTTE, the Sri Lankan economy has developed favourably over recent years.

Sweden's relations with Sri Lanka are good. The two countries have frequently worked together in international fora. Development co-

operation has taken place since the 1950s, when successful collaboration in the field of family planning was introduced. Education, research, rural development and energy supply are other areas in which initiatives have received funding through Swedish development co-operation.

Trade flows are limited but are expanding. The same applies to investment. A total of some ten companies with Swedish connection have invested in export-oriented manufacturing industry.

Sri Lanka's future development possibilities depend largely on the outcome of the LTTE conflict. The country has a relatively well developed infrastructure, a market oriented economy, a good level of education and a favourable geographic location. For these reasons Sri Lanka is seen as an interesting market and collaborative partner for Sweden in future years.

Development co-operation remains an important part of Sweden's relations with Sri Lanka. The orientation of development co-operation in the future will be towards measures to promote peace and to support economic development, research and the development of institutions. Collaboration in the areas of education and research will form an important part of Sweden's future and, it is to be hoped, broader span of relations with Sri Lanka.

Bhutan

Bhutan is a small country with limited economic resources situated between the major regional powers, India and China. The country has long been governed by a sovereign monarch. Certain reforms were introduced in 1998 to give the parliament greater impact. Since the early 1990s some 90,000 Bhutanese refugees (Hindu ethnic Nepalese) have sought shelter in camps in East Nepal. Despite bilateral negotiations between Bhutan and Nepal, it has not been possible for the refugees to return. Since Bhutan has no written constitution, there is no fundamental protection of human rights. The country has, however, ratified the UN Convention on the Rights of the Child and the Convention on Elimination of All Forms of Discrimination against Women.

In the environmental field, Bhutan has come a relatively long way. Sweden's development co-operation will continue in areas such as the environment, the strengthening of institutions and the development

of democracy as well as encouraging Bhutan's participation in Sida's international courses.

The Maldives

The Maldives form the smallest country in Asia, both in terms of area and in population. Fishing and tourism represent the main sources of economic support. There is a certain amount of development co-operation between Sweden and the Maldives, primarily through Sida's international courses. The environment is one possible area for increased co-operation.

Abbreviations

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
APEC	Asia-Pacific Economic Co-operation. A body concerned with co-operation on matters of trade policy. There are 21 members, mainly in the Pacific region, including the ASEAN countries, China, Japan, South Korea, the United States, Canada, Australia, New Zealand and Russia
ARF	ASEAN Regional Forum. Security policy forum. Members: The ASEAN countries and 12 dialogue partners – the EU, Japan, the United States, China, Australia, Canada, South Korea, New Zealand, India, Cambodia, Russia and Papua New Guinea
ASEAN	Association of Southeast Asian Nations. Members: Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam
ASEF	Asia-Europe Foundation. A foundation for intellectual, cultural and international co-operation between ASEM's member countries (see below)
ASEM	Asia-Europe Meeting. Forum for dialogue and co-operation. Members: The EU member countries and Brunei, the Philippines, Indonesia, Malaysia, Singapore, Thailand, Vietnam, Japan, China and South Korea
CPAS	Center for Pacific Asia Studies at Stockholm University
CTBT	Comprehensive Nuclear Test-Ban Treaty
EIJS	European Institute of Japanese Studies at the Stockholm School of Economics
GATT	General Agreement on Tariffs and Trade
ILO	International Labour Organization
IMF	International Monetary Fund
KEDO	Korean Peninsula Energy Development Organization. An international consortium which is to replace North Korea's nuclear energy program with light water reactors
NAFTA	North American Free Trade Agreement. Trade agreement between the United States, Canada and Mexico
NIAS	Nordic Institute of Asian Studies in Copenhagen

NNSC	Neutral Nations' Supervisory Commission (in Panmunjom on the border between South and North Korea)
NPT	Non Proliferation Treaty
OECD	Organisation for Economic Co-operation and Development
SAARC	South Asian Association for Regional Co-operation. Members: Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka
SEK	Swedish Kronor
Sida	Sweden's International Development Co-operation Agency
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNMOGIP	United Nations Military Observer Group in India and Pakistan
UNTAC	United Nations Transitional Authority in Cambodia
WHO	World Health Organisation
WTO	World Trade Organisation

IN MARCH 1999, THE SWEDISH GOVERNMENT submitted the Communication *Our Future with Asia – A Swedish Asia Strategy for 2000 and beyond* (1998/99:61), to Parliament.

The report describes the Government's strategy for deepening and widening Sweden's relations with Asia. The starting point is Sweden's international interests and obligations as expressed in its foreign policy, and Sweden's desire to promote its own welfare through economic growth and a high level of employment, coupled with the objectives and needs of the Asian countries.

The Communication outlines the policy of the Government towards Asia in a number of areas such as political relations, democracy and human rights, trade and direct investment, development co-operation, environmental co-operation, research and education, popular movements and non-governmental organisations as well as culture, information and the promotion of Sweden. A range of courses of action are presented – at bilateral level, EU level and multilateral level.

Further information and additional copies of the report may be obtained from the Department for Asia and the Pacific, Ministry for Foreign Affairs.



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