

CHAPTER 2

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# Regional Diplomacy

## A Asia and the Pacific

### Overview

Ensuring the stability and prosperity of the Asia-Pacific region surrounding Japan is essential for the security and prosperity of Japan itself, and therefore, strengthening Japan's relations with the countries of this region is an important task. For this reason, Japan's Asia-Pacific diplomacy is conducted in various contexts as follows.

The Asia-Pacific is now the center of the world's economic potential and dynamism against the background of the rapid economic development of the People's Republic of China, India, and other countries in the region.<sup>1</sup> Relations of interdependence are rapidly developing among the countries of the region, particularly in East Asia, in a variety of fields. Moreover, as seen in the formation of Economic Partnership Agreements (EPAs) and cooperation on transnational issues, such as terrorism, piracy, and people trafficking, functional links are also becoming deeper. Besides Japan, the Association of Southeast Asian Nations (ASEAN), China, and the Republic of Korea (ROK), these developments are increasingly involving India, Australia, and New Zealand, and the possible formation of an East Asian community in the future is coming into view (see the section on ASEAN+3). The countries of the Asia-Pacific region have diverse political values, stages of economic development, cultures, and religions, but amid these circumstances the trend toward deeper multitiered cooperation has positive implications for regional stability and prosperity.

Meanwhile, there remain elements of instability that pose obstacles to ensuring the peace and stability of the region. These include the situations on the Korean Peninsula and in the Taiwan Strait—issues with a direct bearing on Japan's security—and so-called transnational issues, such as terrorist incidents, piracy, and organized crime in Southeast Asia. Also, the devastation caused by the major earthquake off the coast of Sumatra and tsunami in the Indian Ocean that occurred on December 26, 2004, demonstrated that some areas of the region are vulnerable to natural disasters.

Based on these contexts, Japan has been working on Asia-Pacific diplomacy with the following three basic principles. First, in order to build stable international relations in this region, Japan will continue to ensure deterrence against any movement that might destabilize this region, make efforts to resolve issues by diplomatic means, and exert various efforts for the consolidation of peace. Second, Japan will actively take the lead in functional cooperation in a wide variety of areas, including finance, economic partnership, and transnational issues, to help the entire region achieve further development. Third, Japan will work to make the Asia-Pacific region an "open" region by continuing and strengthening dialogue and cooperation among not only countries within the region but also outside countries and regions that play important roles in ensuring the stability and prosperity of Asia and the Pacific.

Under these basic principles, the government of Japan worked to promote regional cooperation in 2004 by advancing dialogue through a variety of bilateral meetings with the leaders and ministers of each country and region as well as multilateral conferences, such as the ASEAN+3 Summit, the Japan-ASEAN Summit, and the Japan-China-ROK Trilateral Summit. Japan has also been making efforts to resolve security issues, for example by participating in the Six-Party Talks regarding the North Korean nuclear issue with the United States (US), ROK, China, Russia, and North Korea, and has been actively promoting cooperation in a variety of fields. In the economic context, the Japan-China Economic Partnership Consultation, the Japan-Korea FTA Joint Study Group, and the Framework for Comprehensive Economic Partnership between Japan and ASEAN are typical examples. Furthermore, the government has strengthened partnerships together with countries and regions outside the Asia-Pacific region, in a wide range of fields, through multilateral frameworks such as the Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), ASEAN Regional Forum (ARF), and the Forum for East Asia-Latin America Cooperation (FEALAC).

In January 2004 Prime Minister Koizumi Junichiro visited the Yasukuni Shrine. China and the ROK expressed dissatisfaction at the visit.

1. The region's total gross domestic product (US\$8.828 trillion in 2003) accounts for approximately one quarter of the global total, its total trade volume (US\$3.781 trillion in 2003) for 23.5% of the global total (Source: World Bank, *World Development Indicators Databook, September 2004*), and its foreign currency reserves (US\$1.718 trillion as of the end of 2003) for 55.4% of the global total (Source: *International Monetary Fund, International Financial Statistics May 2004*).

## The Major Earthquake off the Coast of Sumatra and Tsunami Disaster in the Indian Ocean

At about 10:00 a.m. (Japan time) on December 26, 2004, a massive undersea earthquake with a magnitude of 9.0 on the Richter scale occurred off the coast of Sumatra, Indonesia, triggering huge tsunamis that caused unprecedented destruction in countries bordering the Indian Ocean. This disaster claimed the lives of over 210,000 people in Asia and Africa, including 26 Japanese and numerous people from Western and other countries and regions around the world (as of February 4, 2005). The social infrastructure of affected countries also suffered severe damage.

Japan reacted swiftly to the devastation of this disaster. In light of the humanitarian needs, the casualties among Japanese nationals, and the friendly relations Japan enjoys with the affected countries, Japan announced on December 28 that it would, if necessary, provide US\$30 million for immediate emergency aid and reconstruction. It also contributed US\$3.02 million in emergency grant aid to Indonesia, Sri Lanka, and the Maldives and provided tents, water purifiers, blankets, electricity generators, medical supplies, and other emergency assistance in kind worth ¥60 million to these three countries and Thailand. Japan also dispatched rescue, medical, and DNA identification teams several times to affected regions as Japan Disaster Relief (JDR) teams, and the Self-Defense Forces (SDF) that were also sent there engaged in search and rescue activities, the delivery of aid supplies, medical care, and infectious disease control. The Japan Platform and other non-governmental organizations (NGOs), too, undertook emergency humanitarian assistance using government funds. Further, in order to ensure that aid in the initial stages was implemented effectively, Japan participated in the Core Group<sup>2</sup> set up on the initiative of the US and worked to coordinate its assistance with other major donor countries and the United Nations (UN).

On January 1, 2005, Prime Minister Koizumi announced that Japan would provide assistance to the maximum extent in three fields—financial resources, knowledge and expertise, and human resources—and would extend to affected countries and international organizations concerned up to US\$500 million in grants as interim emergency aid. He also declared his intention



Malaysian policemen searching for bodies in Banda Aceh in January 2005. (Photo: AFP/ijji)

to attend the Special ASEAN Leaders' Meeting on Aftermath of Earthquake and Tsunami to express Japan's determination to render the maximum possible assistance commensurate with its responsibilities as a fellow Asian country, to demonstrate its solidarity, and to announce concrete action. On January 6 Prime Minister Koizumi attended the ASEAN meeting in Jakarta with Minister for Foreign Affairs Machimura Nobutaka. He expressed condolences for the victims and Japan's special feelings of sympathy stemming from its own experiences of natural disasters. He declared that Japan would cooperate with the UN Flash Appeal to the maximum extent and again stressed its commitment to provide assistance in three fields: financial resources, knowledge and expertise, and human resources. He stated that US\$250 million out of the US\$500 million in grant aid would be disbursed to affected countries through relevant international organizations in response to emergency appeals by the UN and other international organizations, while the other US\$250 million would be provided as bilateral grant aid to the countries that suffered serious damage. In the field of human resources, he announced that the SDF would undertake measures to assist transportation and improve the hygiene situation. In the area of knowledge and expertise, he proposed that a special session on the disaster in the Indian Ocean be held at the UN World Conference on Disaster Reduction during January 18-22, 2005, in Kobe, the area hit by the Great Hanshin-Awaji Earthquake 10 years earlier. Furthermore, Senior Vice-Minister for Foreign Affairs Tanigawa Shuzen attended the Ministerial Meeting on Regional Cooperation on Tsunami Early Warning

2. Core Group: After Japanese Foreign Minister Machimura and US Secretary of State Colin Powell agreed on the importance of swiftly forging international cooperation in telephone talks on December 29, 2004, Japan, the US, Australia, and India started telephone conferences on December 30 (the UN also participated from the second conference, Canada and the Netherlands from the third). The Core Group closed its activities at the end of the Special ASEAN Leaders' Meeting on Aftermath of Earthquake and Tsunami on January 6, 2005.



Senior Vice-Foreign Minister Tanigawa in talks with President Abdul Gayoom of the Maldives in January 2005.

Arrangements, which was held by the Thai government in Phuket, Thailand, on January 28–29. Based on proposals from Japan, the delegates announced in the ministerial declaration that each country and institution would cooperate toward establishing an interim tsunami early-warning system.

Under the initiatives launched by Prime Minister Koizumi, the government has united behind the effort to provide maximum assistance to affected areas (as of February 3). In terms of financial resources, out of the US\$250 million<sup>3</sup> in bilateral assistance announced by Prime Minister Koizumi, Japan decided to provide Indonesia with ¥14.6 billion, Sri Lanka with ¥8 billion, and the Maldives with ¥2 billion in nonproject grant aid, each of which was completed on January 19. Senior Vice-Foreign Minister Tanigawa attended the Ministerial Meeting on Humanitarian Assistance to Tsunami Affected Countries in Geneva on January 11 and declared that Japan would offer US\$250 million in response to the UN Flash Appeal, which had requested urgent assistance for the following six months (totaling US\$977 million) to related international institutions, including the United Nations Children's Fund (UNICEF), the World Food Programme (WFP), the International Organization for Migration (IOM), the United Nations Development Programme (UNDP), the Office of the United Nations High Commissioner for Refugees (UNHCR), the International Red Cross, the International Federation of Red Cross and Red Crescent Societies (IFRC), and the International Com-

mittee of the Red Cross (ICRC). Japan's pledge constituted about one-third of the total funding (about US\$756 million) announced by about 60 donor countries, and was promptly completed on January 21. These funds were channeled into assistance in the fields of temporary housing provision, health and medical care, water and sanitation, and food as well as emergency humanitarian assistance, based on a recognition of the importance of protecting children in particular, who were affected severely by the disaster. Moreover, Japan provided Grant Assistance for Grassroots Human Security Projects in Indonesia, Thailand, and Sri Lanka (totaling approximately ¥160 million) to help victims at the grassroots level.

In terms of human resources, Japan has dispatched a total of about 1,600 personnel from the Ground, Maritime, and Air Self-Defense Forces as JDR teams. In addition to the search and rescue activities carried out by the Maritime Self-Defense Force (MSDF) in the immediate aftermath of the disaster, an Air Self-Defense Force (ASDF) C-130 transport aircraft transported aid supplies in Sumatra, and personnel dispatched by the Ground Self-Defense Force (GSDF) proceeded to the offing of Sumatra by an MSDF transport vessel carrying helicopters and vehicles, contributing to transportation, medical care, and disease-control assistance (as of February 3, 2005).

In terms of knowledge and expertise, Japan announced at the UN World Conference on Disaster Reduction that it would actively contribute to building an Indian Ocean tsunami early-warning mechanism through international institutions and bilateral cooperation. It also unveiled the Initiative for Disaster Reduction through ODA, a program for providing support in the field of disaster reduction. This initiative aims to strengthen support for self-help efforts and disaster prevention of developing countries, as well as to actively provide seamless and coherent cooperation corresponding to each phase of disaster through dialogue with developing countries, making effective use of the experience, advanced expertise, and technology<sup>4</sup> that Japan has acquired.

The tsunami caused severe damage to the social infrastructure of affected countries, and it needs to be repaired and rebuilt as soon as possible. It is essential to

3. In addition to the US\$4 million initially contributed (including US\$3.02 million in emergency grant aid and ¥60 million in emergency assistance in kind), ¥24.6 billion in grant aid was provided to Indonesia, Sri Lanka, and the Maldives, giving a total of about US\$250 million.

4. For example, expertise in the form of disaster-reduction infrastructure, such as the establishment of earthquake-resistance standards to make cities more resilient to earthquakes and the formulation of hazard maps by local authorities and communities, and such earthquake-resistance technology as reinforcement of residential housing built from bricks using chemical fibers as well as bridge-strengthening technology for long-span bridges.

provide not only short-term emergency assistance but also, in cooperation with the international community, medium- and long-term uninterrupted support. Japan is committed to offering the maximum support based on the circumstances of each country and in consultation with related countries and institutions. In addition to the US\$500 million in assistance previously announced, the government of Japan announced on January 11 that it would provide a total of US\$40 million (US\$20 million to the World Bank and US\$20 million to the Asian Development Bank [ADB]) in reconstruction assistance through the trust funds set up in the World Bank and the ADB.

At a meeting of the Paris Club<sup>5</sup> held on January 13, the participating countries agreed not to expect any ex-

ternal public debt payments from countries placing such a request until the World Bank and the International Monetary Fund (IMF) had conducted a complete evaluation of the reconstruction and funding needs of affected countries. They also agreed to consider the need for further steps based on the results of that evaluation.

In harmony with related countries and institutions, Japan is determined to implement pledged assistance announced so far in an earnest and efficient manner as well as to provide the maximum possible assistance based on medium- and long-term reconstruction plans formulated in response to the circumstances and situation of each country.

## 1 Korean Peninsula

### (a) Overview

The Korean Peninsula is one of the most important regions to Japan.

The Republic of Korea (ROK) is not only the geographically closest country to Japan, but it shares with Japan such basic values as democracy and market economy, and these two countries are extremely important to each other as political, economic, and cultural partners. In recent years, the bilateral relations have deepened and widened even further. Developing friendlier and more cooperative bilateral relations is crucial for the peace and prosperity not only of Japan and the ROK ourselves but also of the Northeast Asian region as a whole.

In 2004, mutual interest and exchange between the peoples of Japan and the ROK rose to unprecedented levels, with TV dramas and movies from the ROK gaining tremendous popularity in Japan and the annual number of people traveling between the two countries reaching 4 million. There was active exchange at the inter-governmental level too, including summit meetings between Prime Minister Koizumi Junichiro and President Roh Moo Hyun on Jeju Island, ROK, in July and in Ibusuki City, Kagoshima Prefecture, in December.

As regards North Korea, Japan has continued to devote diplomatic efforts to achieving a comprehensive resolution of the issues of its concern, such as the abduc-

tion, nuclear, and missile problems, based on the Pyongyang Declaration. These efforts are in line with Japan's basic stance to normalize relations with North Korea in a manner that would contribute to the peace and stability of the Northeast Asian region. Japan's concerns have yet to be resolved, however.

Regarding the abduction issue, following Prime Minister Koizumi's second visit to Pyongyang in May 2004, all the family members of the returnee abductees returned to Japan. Although since August 2004 three rounds of working-level consultations have been held on the abductees whose whereabouts still remain unconfirmed, the abduction issue is yet to be resolved. The government of Japan continues to make every effort to achieve a convincingly satisfactory resolution of this issue.

The North Korean nuclear issue is not only a direct threat to the peace and stability of the Northeast Asian region, including Japan, but also a serious challenge to the international nuclear non-proliferation regime. Following on from 2003, the second round of the Six-Party Talks was held in February 2004, and the third round in June, and the related countries made diplomatic efforts to achieve a peaceful resolution of the issue. Subsequently, however, given that North Korea became negative toward further meetings around the time of the November 2004 US presidential election and the start of the second term of the Bush administration, the fourth round of talks was not held in 2004.

5. The Paris Club is an unofficial group of creditor countries that gather to discuss extending debt-rescheduling of public loans to specific countries. The group was named the Paris Club because France, the chair, has been inviting the creditor countries to Paris for consultations in response to requests from countries with accumulated debts.

Situation Surrounding the Korean Peninsula

Month	Japan–North Korea relations	Movement concerning the nuclear issue	Inter-Korean relations	North Korea's third-country relations
<b>2004 January</b>	13–17 Visit to North Korea by government officials	6–10 US private members' visit to North Korea 21–22 Japan-US-ROK trilateral consultations (Washington)		17–20 Head of International Liaison Department of the Communist Party of China Wang Jiarui visits North Korea
<b>February</b>	11–14 Japan–North Korea High-Level Consultations (Pyongyang)	23 Japan-US-ROK trilateral consultations (Seoul) 25–28 Second round of the Six-Party Talks (Beijing)	3–6 13th Inter-Korean Ministerial Talks (Seoul)	7–10 Vice Foreign Minister Kim Gye Gwan of North Korea visits China
<b>March</b>			3–5 8th Meeting of the Inter-Korean Economic Cooperation Promotion Committee (Seoul) 29 The ROK government decides to send North Korea assistance in the form of 200,000 tons of fertilizer beginning in mid-April	9–13 A high-level delegation from the Korean Peninsula Energy Development Organization (KEDO) visits North Korea 23–25 Chinese Foreign Minister Li Zhaoxing visits North Korea
<b>April</b>	25 Japan decides to provide US\$100,000 in assistance following the Ryongchon train explosion	7–8 Japan-US-ROK trilateral consultations (San Francisco)	Following the Ryongchon train explosion, the ROK decides to donate US\$200,000 to the World Health Organization (WHO) and US\$1 million through the ROK National Red Cross	10–August 3 King Sihanouk of Cambodia visits North Korea 19–21 Chairman of the DPRK National Defense Commission Kim Jong Il visits China 22 A train explodes in Ryongchon, North Korea 29 The US State Department announces its 2003 report on international terrorism
<b>May</b>	4–5 Unofficial intergovernmental talks (Beijing) 22 Japan–North Korea summit meeting (Pyongyang)	12–15 Six-Party Working Group Meeting (Beijing)	5–7 14th Inter-Korean Ministerial Talks (Pyongyang) 26 First Inter-Korean General-Level Military Talks (Mt. Kumgang)	14 Normalization of relations between North Korea and San Marino 18–22 Maurice Strong, special adviser to the UN secretary-general, visits North Korea
<b>June</b>		13–14 Japan-US-ROK trilateral consultations (Washington) 21–22 Six-Party Working Group Meeting (Beijing) 23–26 Third round of the Six-Party Talks (Beijing)	2–5 9th Meeting of the Inter-Korean Economic Cooperation Promotion Committee (Pyongyang) 3 Second Inter-Korean General-Level Military Talks (Mt. Solak) 29–30 Inter-Korean Working-Level Military Talks (Paju)	
<b>July</b>	1 Japan–North Korea foreign ministerial talks (Jakarta) 9 Abductee Soga Hitomi reunited with her family (Jakarta) 18 Soga and her family return to Japan		14 A patrol vessel of the North Korean People's Armed Forces crosses the Northern Limit Line (NLL) and intrudes into ROK waters, and the ROK side fires warning shots	4–5 Russian Foreign Minister Sergey Lavrov visits North Korea 12–14 Minister of the People's Armed Forces Kim Il Chol of North Korea visits China 23 US announces food assistance (50,000 tons) to North Korea
<b>August</b>	5 Japan decides to provide 125,000 tons of food aid through the World Food Programme (WFP) and US\$7 million of medical supplies through the United Nations Children's Fund (UNICEF) and the WHO 11–12 First Japan–North Korea Working-Level Consultations (Beijing)			4–7 UN Food and Agriculture Organization (FAO) Director-General Jacques Diouf visits North Korea 17–18 Australian Foreign Minister Alexander Downer visits North Korea
<b>September</b>	24–25 Second Japan–North Korea Working-Level Consultations (Beijing)	9–10 Japan-US-ROK trilateral consultations (Tokyo)		10–13 Li Changchun, a member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China, visits North Korea 11–14 British Deputy Secretary of State for Foreign Affairs Bill Rammell visits North Korea
<b>October</b>				18–20 Kim Yong Nam, president of the Presidium of the DPRK Supreme People's Assembly, visits China
<b>November</b>	9–14 Third Japan–North Korea Working-Level Consultations (Pyongyang)	20–21 At the Asia-Pacific Economic Cooperation (APEC) Summit five of the six parties (excluding North Korea) agree to restart the Six-Party Talks 30 US–North Korea contacts (New York)		9–14 Vice Foreign Minister Kim Yong Il of North Korea visits China 13–16 KEDO executive director visits North Korea 13–16 The EU Troika delegation visits North Korea
<b>December</b>	24 Japan releases the results of detailed tests conducted to verify the authenticity of information and evidence provided by North Korea at the Japan–North Korea Working-Level Consultations in November 25 Japan conveys the test results to the North Korean side	3 US–North Korea contacts (New York)	15 Ceremony to mark the start of production at the Gaeseong Industrial Complex	1 Suspension of the KEDO light-water reactor project extended by one year



## (b) The North Korean Nuclear Issue<sup>6</sup>

Two rounds of the Six-Party Talks were held in 2004, in February and June, and they indicated some signs of progress for the future resolution of the nuclear issue. Particularly at the third round in June, concrete proposals were presented by both the US and North Korea. Since this meeting, however, North Korea became negative with regard to participation in the Six-Party Talks. As a result, the fourth round was not held in 2004, despite the agreement reached at the third round to schedule the next round of talks before the end of September.

The Six-Party Talks went through the following process in 2004. In February Japan took part in the second round of the Six-Party Talks held in Beijing in a manner consistent with the first round to peacefully resolve the nuclear issue by North Korea's dismantlement of its nuclear programs through the Six-Party Talks process for peace and stability in Northeast Asia. At the second round, the six parties reaffirmed the common goal of denuclearization of the Korean Peninsula, and agreed to hold the third round of talks in Beijing by the end of June and to establish a working group to prepare for the next round. The second round thus succeeded in institutionalizing the Six-Party Talks process and marked a step forward toward the resolution of the nuclear issue. However, perceptions and stances remained divergent among the six parties over the scope of the term "all nuclear programs" and the existence of North Korea's uranium-enrichment program. Japan, the US, and the ROK are of the view that "all nuclear programs" must be completely, verifiably, and irreversibly dismantled, while North Korea claims that peaceful use of atomic energy should be permitted and that the dismantlement should be limited to "nuclear weapons programs."

For a while after the second round, North Korea made a series of positive statements regarding the resolution of this issue. When Chairman of the National Defense Commission of the DPRK Kim Jong Il visited the People's Republic of China in April, for example, he as-

serted his commitment to the final goal of denuclearization of the Korean Peninsula and to seeking a peaceful resolution to the nuclear issue through dialogue. He also indicated North Korea's active participation in the Six-Party Talks process and its possible contribution to achieving progress in the talks. On the visit of Prime Minister Koizumi to North Korea in May, Chairman Kim Jong Il made a statement defining denuclearization of the Korean Peninsula as the final goal and expressed his desire to make efforts toward a peaceful resolution through the Six-Party Talks. He also affirmed that a freeze on the nuclear programs would be the first step toward denuclearization and that it would be accompanied by inspections.

Amid these developments, in May the first meeting of the working group was held, and views were actively exchanged in preparation for the third round. In June, the third round of talks was held, preceded by the second working group meeting. At the third round of the Six-Party Talks, both the US and North Korea made concrete proposals for a peaceful resolution of the nuclear issue. As a result, although differences in perception and stance over issues such as the existence of a North Korean uranium-enrichment program remained among the six parties, there was a highly substantive ex-

(Photo)

6. The nuclear crisis began when North Korea declared its withdrawal from the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) in 1993. The situation was defused by the signing of the Agreed Framework between the United States (US) and North Korea in October 1994, promoted by the visit of former US President Jimmy Carter to North Korea in June that year. Under this framework the US agreed to supply light-water reactors and alternative energy to North Korea in return for North Korea's freezing its nuclear-related facilities, complying with the NPT, and implementing the International Atomic Energy Agency's (IAEA) Safeguards Agreement. (The Korean Peninsula Energy Development Organization [KEDO] was established in 1995 based on this agreement.)

However, on the visit of US Assistant Secretary of State James Kelly to North Korea in October 2002, the North Korean authorities admitted their clandestine uranium-enrichment program, and the suspicions over North Korea's nuclear ambitions were revived. In November 2002 the KEDO Executive Board decided to suspend the heavy fuel oil supply to North Korea. In response, North Korea expelled IAEA inspectors in December 2002, and in January 2003 it announced its withdrawal from the NPT. However, following vigorous diplomatic efforts made by the countries concerned, in April 2003 the Three-Party Talks were held among the US, North Korea, and China, and the first round of the Six-Party Talks among Japan, the US, the ROK, China, Russia, and North Korea was held in August that year.

change of opinions. During the talks, North Korea outlined details of its proposal for compensation in return for freezing its nuclear programs, and it asserted: that the freeze should cover currently operational nuclear-weapons-related facilities; that the US must participate in the provision of 2 million kilowatts of energy assistance as compensation for the freeze; and that the US should remove North Korea from its list of “state sponsors of terrorism.”<sup>7</sup> The US also made a proposal that on the premise of North Korea’s dismantlement of its nuclear program, in the initial phase of the freeze, North Korea declare, stop, and place under surveillance all of its nuclear programs. And in response to these steps being verifiably taken, the proposal stipulated that related countries including the US would provide a provisional multilateral “security assurance” and begin consideration of long-term energy assistance to North Korea.

After the third round of talks, however, North Korea adopted a negative attitude toward the talks. Referring to the entry of a large number of North Korean defectors into the ROK in July, the revelation of the ROK’s past uranium-enrichment and plutonium-separation experiments in September, and the enactment of the North Korean Human Rights Act<sup>8</sup> in the US, North Korea claimed that the foundation of the Six-Party Talks had been destroyed and refused to participate in the fourth round of talks, which the parties had agreed to hold before the end of September 2004 at the third round.

Following the reelection of US President George W. Bush on November 2, diplomatic efforts were made to restart the Six-Party Talks by the end of 2004. At the Asia-Pacific Economic Cooperation (APEC) Economic Leaders’ Meeting held in Chile in November, for example, the leaders of the five parties other than North Korea agreed to the early resumption of the Six-Party Talks. Meanwhile, in talks with North Korean Vice Foreign Minister Kim Gye Gwan at the Third Japan–North Korea Working-Level Consultations held in Pyongyang in November and at the US–North Korea contacts in New York, respectively, Japan and the US called on North Korea to agree to the early resumption of the Six-Party Talks. On the other hand, however, North Korea repeatedly made statements that the environment was not conducive to holding the talks, criticizing US policy to-

ward North Korea. On December 4 North Korea released a statement by a Foreign Ministry spokesman that North Korea would wait and see the second Bush administration’s North Korea policy, and in the end the fourth round of the Six-Party Talks was not held in 2004.

In 2005 North Korea has maintained its highly unproductive attitude toward the resolution of the nuclear issue, as demonstrated in its Foreign Ministry statement on February 10 to announce production of nuclear weapons and its indefinite suspension of participation in the Six-Party Talks.

### (c) Abduction Issue

There was some progress in the abduction issue in 2004, including the return to Japan of family members of the returnee abductees as a result of Prime Minister Koizumi’s second visit to North Korea in May. At the Japan–North Korea Summit Meeting held in Pyongyang, both leaders reaffirmed the Pyongyang Declaration as the foundation of Japan–North Korea relations and their adherence to this declaration. Based on this, Chairman Kim Jong Il promised to conduct from scratch a thorough reinvestigation regarding the abductees whose whereabouts remain unconfirmed. The government of Japan, meanwhile, announced provision of 250,000 tons of food aid and US\$10 million worth of medical supplies and other humanitarian aid to North Korea through relevant international organizations. As a result of the summit, five family members of the returnee abductees returned to Japan with Prime Minister Koizumi and were reunited with their families. Although Charles Jenkins, husband of returnee abductee Soga Hitomi, and their two daughters did not travel to Japan with Prime Minister Koizumi, they were reunited with Mrs. Soga in Indonesia in July and traveled to Japan on July 18. On November 3, a US court martial sentenced Mr. Jenkins to up to 30 days’ imprisonment and a dishonorable discharge. After serving his sentence he was released on November 27, and on December 7 the four members of the family arrived home in Sado.

Meanwhile, the issue of the abductees whose whereabouts are still unconfirmed remains unresolved and continues to be a major issue. Given a promise made by Chairman Kim Jong Il, Japan–North Korea

7. North Korea is described as a “state sponsor of terrorism” in the US State Department’s 2003 *Patterns of Global Terrorism* report, which was released in April 2004.

8. The North Korean Human Rights Act stipulates that the human rights of North Korean residents should be improved and assistance be provided to North Koreans in need of help and to North Korean defectors. In the provisions on US assistance to North Korea other than humanitarian aid, the act mentions the issue of abductions of Japanese citizens by North Korea. The bill was passed by the House of Representatives in July 2004 and by the Senate after some amendments on October 4, 2004. It was signed into law by President Bush on October 18.



(Photo)

Working-Level Consultations were held in August and September 2004 as a follow-up to the Japan–North Korea Summit in May, but the North Korean authorities failed to provide a convincing account of the victims’ whereabouts. At the third round of working-level consultations in November, a Japanese delegation traveled to Pyongyang to directly interview the officials of the North Korean “Investigation Committee” responsible for reinvestigating the 10 abductees whose whereabouts are still unconfirmed. The delegation also met “witnesses” in an effort to reveal the truth about the abductees whose whereabouts remain unconfirmed. However, there was no change in the conclusion the North Korean authorities provided that eight of the 10 victims were already dead and that the other two’s entry into North Korea was not confirmed. The Japanese delegation took the information and evidence it had gained through the consultations back to Japan and conducted a thorough examination of them.

As a result of this examination, DNA extracted from “remains” provided by the North Korean authorities, alleged to be those of Yokota Megumi, one of the abductees, was found to be that of different persons. Following this, the government of Japan lodged a vehement protest with North Korea through the North Korean embassy in Beijing. However, the government of North Korea made a statement not to accept or to admit the results of the examination and that it hoped the truth would be revealed in the future. Besides, the examination of the other information and evidence revealed no objective basis for North Korea’s claim regarding the deaths of eight of the 10 abductees and the unconfirmed entry of the other two into North Korea. On December 24, following these developments, the government of Japan released the results of the exami-

nation, and the next day, as well as reporting the results of the examination to North Korea through its embassy in Beijing, the government of Japan conveyed the message that unless North Korea acted swiftly and with sincerity it would take stringent measures. A North Korean Foreign Ministry spokesman released high-handed statements on December 31 that North Korea would “neither accept nor admit the results but resolutely reject them,” and that North Korea “no longer believes that any DPRK–Japan inter-governmental contact is meaningful.”

On January 26, 2005, through its embassy in Beijing, North Korea delivered a “memorandum” dated January 24 to Japan, which claimed that the results of the Japanese examination of the remains supposed to be those of Yokota Megumi were a “fabrication.” In response, Japan released a statement by the Ministry of Foreign Affairs (MOFA) press secretary noting that North Korea’s response was extremely unconstructive. Commenting on the North Korean memorandum on February 10, the government of Japan again demanded that North Korea immediately return the abductees who are alive and promptly provide a full account of all the abductees whose whereabouts remain unknown. It also repeated that if North Korea continuously takes no measures requested by the Japanese government, Japan would take stringent measures. Following North Korea’s persistence in its unconstructive attitude, demonstrated in a responding statement on February 24 to the Japanese comments, on February 25 the government of Japan released a statement by the MOFA press secretary urging North Korea “to take prompt and satisfying measures,” and again it warned that if North Korea maintained its unconstructive stance the government of Japan would take stringent measures and that this would bring no benefit to North Korea.

In response to North Korea’s inaction, in December 2004 the National Diet special committees on North Korea’s abductions of Japanese nationals, which were established in the House of Representatives and the House of Councillors in October and November 2004, respectively, adopted resolutions urging the implementation of effective sanction measures that can be taken under current Japanese law.

Given the promise of Chairman Kim Jong Il at the May 2004 Japan–North Korea Summit Meeting to conduct a reinvestigation of the 10 abduction victims whose whereabouts were still unconfirmed, coupled with the Pyongyang Declaration that stipulates that both sides “sincerely tackle outstanding problems between Japan and the DPRK,” the government of Japan has strongly

requested that North Korea accept the test results presented by the government of Japan with sincerity and the Japanese requests grounded on these results, return the abductees who are alive to Japan immediately, and provide a truthful account of the abduction issue as soon as possible.

Furthermore, the government of Japan has been conducting investigations regarding missing Japanese nationals about whom the possibility of abduction by North Korea cannot be ruled out. If any further cases are recognized as abductions, the government of Japan will urge North Korea to confirm their whereabouts. Indeed, the government of Japan raised this issue at the three rounds of Japan–North Korea working-level consultations and requested that North Korea promptly present any information available.

Regarding the humanitarian assistance announced by Prime Minister Koizumi on his visit to North Korea in May, on August 5 the government of Japan announced the provision of 125,000 tons of food aid through the World Food Programme (WFP) and US\$7 million worth of medical supplies and other humanitarian aid through the United Nations Children’s Fund (UNICEF) and the World Health Organization (WHO). On September 30, parts of the aid started arriving in North Korea. To confirm these aid supplies were properly distributed to citizens, staff of MOFA participated in monitoring conducted by the WFP and other relevant international organizations. During the monitoring activities, they confirmed that recipients had received the Japanese aid with gratitude.

However, following later developments, including the examination that revealed that the “remains” provided by North Korea alleged to be those of Yokota Megumi were false on December 8, 2004, the government of Japan adopted the stance that it would be difficult to provide the rest of the humanitarian aid even with a request from the relevant international organizations.

Related to the abduction issue, Japan has called for North Korea to hand over the *Yodo-go* hijack suspects over the years. Testimony by the former wife of a *Yodo-go* suspect and other evidence has made evident that the suspects were also involved in the abduction cases that took place in Europe. Uomoto Tamiko (on the international wanted list for alleged violations of passport regulations), the wife of *Yodo-go* suspect Uomoto Kimihiro (formerly named Abe Kimihiro), and Tanaka Kyoko, the wife of Tanaka Yoshizo, who was handed over to Japan in June 2000, arrested, tried, and is currently serving a prison sentence for his role in the hijacking, re-

turned to Japan in 2004. The Japanese authorities arrested them and are working to find out the full truth regarding the abduction cases.

#### **(d) The “North Korean Defectors” Issue**

North Korean citizens who have escaped from North Korea to foreign countries are generally called “North Korean defectors.” It is speculated that severe food shortages and economic difficulties in the country lie behind their escape. In its policy vis-à-vis North Korean defectors, the government of Japan takes into account every sort of perspective including the safety of people concerned and other humanitarian considerations.

Coping with this issue matters also for the entire Northeast Asian region, and, as such, it is beneficial for the countries concerned to exchange their views on this issue. Japan has exchanged views on various levels with the countries concerned, including China.

#### **(e) ROK–North Korea Relations**

The Roh Moo Hyun administration advocates the Policy for Peace and Prosperity as the centerpiece of its policy toward North Korea. This policy aims to firstly ensure the “peace” and “security” of the Korean Peninsula through the resolution of the North Korean nuclear issue, and then to achieve “prosperity” on the peninsula through the advancement of the reconciliation and exchange between the ROK and North Korea. To that end, it presents four principles: (1) resolution of pending issues through dialogue; (2) mutual trust and reciprocity; (3) smooth international cooperation based on initiatives by the authorities in the ROK and North Korea; and (4) the expanded participation of the public. The Peace and Prosperity Policy is basically the heir to the “Reconciliation and Cooperation Policy” under former President Kim Dae Jung, which sought to “actively promote exchange and cooperation with North Korea, while maintaining a strong defense posture.”

In the first half of 2004, South–North dialogue was maintained, and exchange/cooperation projects between the ROK and North Korea made further progress, with ministerial-level meetings held in February and May, meetings of the Inter-Korean Economic Cooperation Promotion Committee held in March and May, and general-level military talks held in May and June.

To ensure the substantive development of South–North relations, the ROK government is aiming to develop balanced relations in the economic and security fields. To this end, while promoting three major economic cooperation projects—the Gaeseong Industrial

Complex, Inter-Korean Road and Railroad Reconnection, and the Mt. Geumgang Tourism program—it has pursued measures to alleviate military tension and build trust by regularizing military meetings at the general level.

However, when the ROK government allowed a group of over 460 North Korean defectors who had been living in “third countries” in Southeast Asia to enter the ROK on July 27 and 28, 2004, North Korea reacted by releasing a statement criticizing this decision. The statement said that North Korea considered this action as a flagrant violation of and challenge to the Inter-Korean Joint Declaration on June 15, 2000, and as the most hostile conduct to destroy the system in the north. North Korea subsequently did not cooperate in holding the 15th Inter-Korean Ministerial Talks scheduled for August 3-6 as well as the 10th Inter-Korean Economic Cooperation Promotion Committee scheduled for August 31-September 3. Even under such circumstances as these, however, work has continued on the three major North-South cooperation projects. In particular, an ROK company began production at the Gaeseong Industrial Complex in December 2004.

## (f) North Korean Domestic Politics and Economy

Chairman of the National Defense Commission Kim Jong Il rules all of North Korea, mainly through the Workers’ Party of Korea, and has been implementing a military-first policy known as the “Songun Policy.”<sup>9</sup> In November 2004 it was reported that some portraits of Chairman Kim Jong Il had been removed. The same month, it was also reported that North Korea’s official media had dropped an honorific title when mentioning Chairman Kim by name. However, there is no definite information that change has occurred within the North Korean regime.

Since 1998 North Korea has been advocating the construction of a “powerful nation”<sup>10</sup> that is a major

power in terms of ideology, politics, the military, and the economy. In recent years it has made particular efforts to reconstruct its economy, and since 1999 it has maintained positive economic growth for five straight years. Nevertheless, the economic conditions remain in a difficult situation, and in particular the shortage of electricity is thought to be severe. Furthermore, although agricultural production has continued to recover since 2001 and food production in 2004 is thought to have been 3% up on the previous year’s crop, the domestic production of food remains below the minimum necessary to sustain the population, and North Korea is still thought to be forced to rely on assistance from outside.

Due to its severe economic difficulties since the collapse of the socialist bloc, North Korea has been implementing reforms limited to partial and gradual steps while emphasizing its economic interests since the mid-1990s. In particular, on July 1, 2002, North Korea carried out comprehensive reforms in a broad range of fields called the “Measures to Improve Economic Management.” These reforms consisted of (1) the normalization of the price system through major adjustments to prices, wages, and the exchange rate,<sup>11</sup> (2) the improvement of production motivation and efficiency by expanding the independence of individual units<sup>12</sup> and introducing an incentive system,<sup>13</sup> (3) the gradual abolition of the distribution system, and (4) the scaling back of social security through increases in public-service charges.

What is more, there are now over 300 “general markets,” which were first established in 2003, in North Korea, where a wide variety of goods such as home appliances, clothing, and foodstuffs are dealt with.

Observers are waiting to see how quickly the reform measures are implemented and how wide-ranging they are, as well as how influential any downside to the reforms is, such as triggering the worship of money or increasing the gap between rich and poor.

9. General Secretary of the Workers’ Party of Korea Kim Jong Il serves as chairman of the National Defense Commission, a body described in Article 100 of the North Korean constitution (revised on September 5, 1998) as “the highest military leading organ of State power and an organ for general control over national defence.” According to the explanation in the ROK’s 2004 *White Paper on Defense*, the “Songun Policy” means maintaining the regime, strengthening its military power, giving the military a leading role in building up the economy, giving the military favorable treatment, and spreading the revolutionary spirit throughout society. North Korea has about 1.08 million military personnel (*The Military Balance 2003–04*), accounting for about 5% of the country’s total population. Defense spending accounts for 15.5% of the national budget (the ROK’s 2004 *White Paper on Defense*).

10. North Korea aims to build a powerful socialist country in all fields, including politics, ideology, the military, and the economy.

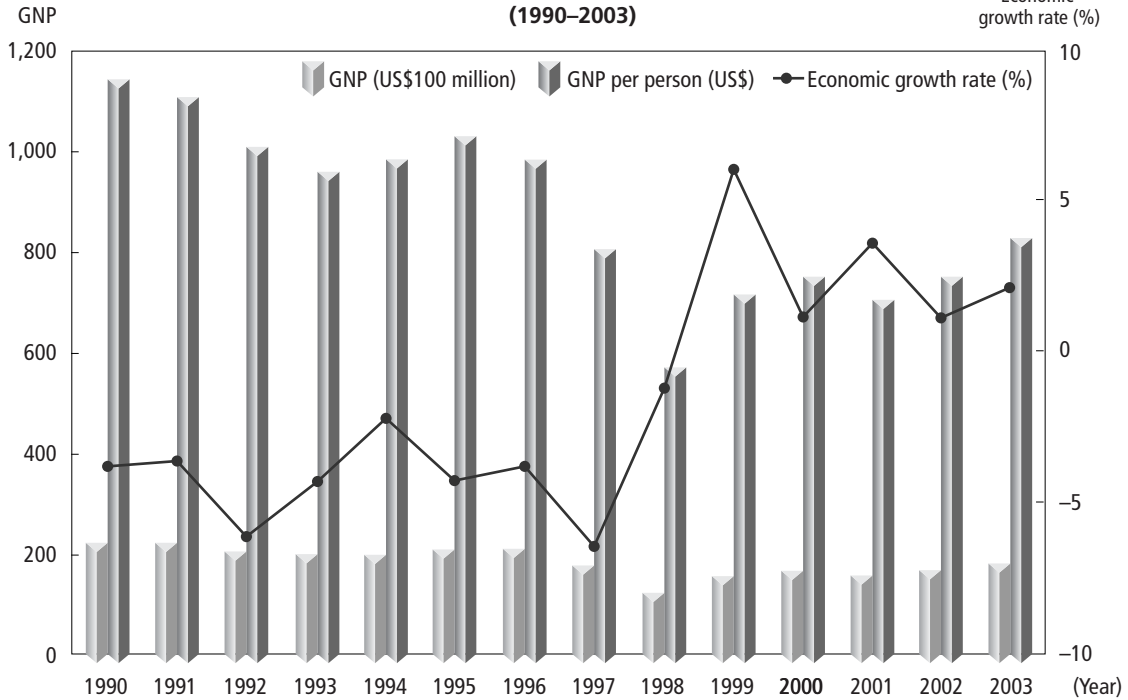
11. It is thought that government-set prices and wages were raised, and the exchange rate was normalized, taking into account black-market prices.

12. This aims to expand the independent disposal right of cooperative farms to increase the permitted acreage of individual plots, and to expand the operational independence of factories and companies. It also permits those who exceed financial production targets to sell their excess produce.

13. Extra rewards are given to factories and companies with high profitability, and extra wages (bonuses) are paid to their workers.

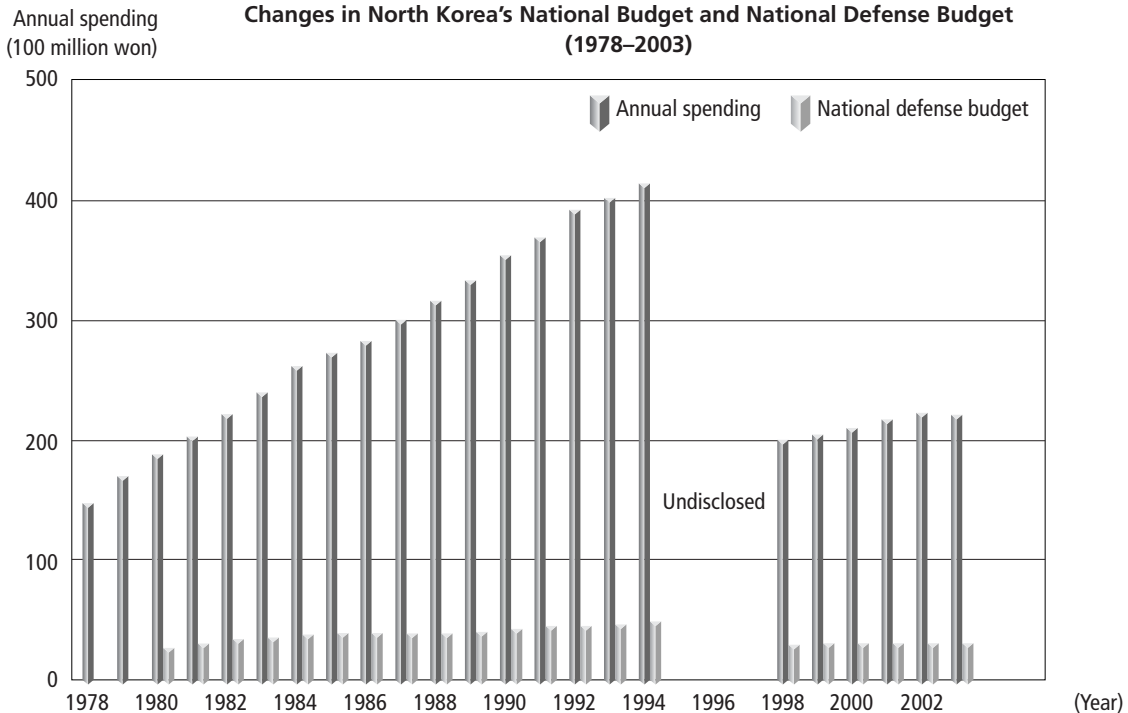
Economic Conditions in North Korea

North Korea's Economic Growth Rate (1990-2003)



Source: Bank of Korea

Changes in North Korea's National Budget and National Defense Budget (1978-2003)



Note: Annual spending for 2002 is an estimate, as the final value was not disclosed. One won equals approximately ¥0.8 as the official rate for North Korea became equal to approximately 150 won per US\$1 around July 2003. Therefore, one billion won is equal to ¥800 million.

Source: Radio Press

## (g) Japan-ROK Relations

Mutual interest and exchange between the peoples of Japan and the ROK expanded substantially during 2004, spurred by the joint hosting of the 2002 FIFA World Cup, the holding of the Year of Japan-ROK National Exchange<sup>14</sup> and the Japan-ROK Joint Project for the Future,<sup>15</sup> and the *Hanryu* (Korean style) boom in Korean popular culture in Japan.

Regarding people-to-people exchange between Japan and the ROK, the leaders of the two countries agreed in the Japan-ROK Summit Joint Statement at a summit meeting in June 2003 to hold Japan-Korea Friendship Year 2005<sup>16</sup> to commemorate the 40th anniversary of the normalization of relations between the two countries in order to further solidify mutual understanding between the two peoples.

The ROK government, as part of its policy of opening Japanese popular culture to ROK citizens, announced that it would embark on the fourth phase of liberalization in September and December 2003 and removed the ban on all sales of Japanese movies, records, and game software in January 2004. In the broadcasting field, although some restrictions still remain, the government has implemented drastic market-opening measures.<sup>17</sup>

As for exchange at the governmental level, Prime Minister Koizumi visited Jeju Island in the ROK from July 21 to 22 and held a summit meeting with ROK President Roh Moo Hyun. Both leaders agreed to hold summit meetings when necessary to further the development of friendly relations between the two countries. Regarding issues of the past, Prime Minister Koizumi said that Japan would reflect where reflection is needed concerning past history and, based on that, make efforts to promote future-oriented bilateral relations. On the issue of

visa exemptions for ROK citizens, Prime Minister Koizumi confirmed that the government of Japan would give a temporary exemption during Expo 2005 Aichi, Japan, from March to September 2005 and that, after due consideration of the results of this, it would take a permanent exemption into consideration. The leaders also discussed issues relating to North Korea, and Prime Minister Koizumi outlined the results of his visit to North Korea on May 22. They also affirmed the importance of encouraging cooperation among Japan, the US, and the ROK and of calling on China to play a positive role in order to achieve further progress toward a resumption of the Six-Party Talks.

Minister for Foreign Affairs Machimura Nobutaka, appointed in September 2004, visited the ROK from November 5 to 7. Besides paying a courtesy call on President Roh Moo Hyun, he held talks with ROK Minister of Foreign Affairs and Trade Ban Ki Moon. They exchanged opinions on the North Korean nuclear issue and on practical cooperation measures to advance Japan-ROK relations. They also confirmed the need for cooperation in the regional and international community, including efforts to assist reconstruction in Iraq.

From December 17 to 18 President Roh Moo Hyun visited Japan and held a summit meeting with Prime Minister Koizumi in Ibusuki City, Kagoshima Prefecture. At the meeting, the two leaders agreed that regular summit meetings should continue under the name “Shuttle Summit Meetings”<sup>18</sup> and strengthened their trust-based personal relationship. They also agreed to cooperate toward the success of Japan-Korea Friendship Year 2005, which marks the 40th anniversary of the normalization of Japan-ROK relations, and to work together to promote commemorative events. Furthermore, the two leaders decided to give positive consideration to increasing the number of daily flights between Haneda and

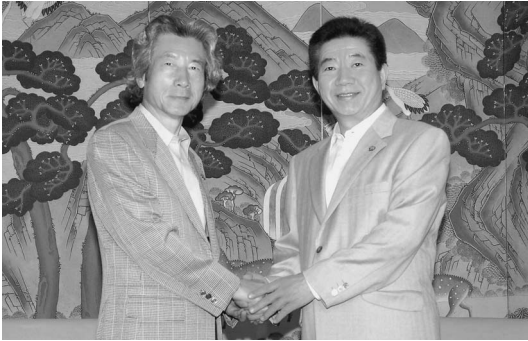
14. This aimed at promoting exchange projects not only between the two governments but involving the peoples of the two countries in exchange in a wide range of fields, based on the important opportunity afforded by the joint hosting of the World Cup by Japan and the ROK. It was proposed at talks between then Prime Minister Obuchi Keizo of Japan and then Prime Minister Kim Jong Pil of the ROK in September 1999 and was officially agreed at Japan-ROK ministerial-level talks in October the same year.

15. At the Japan-ROK Summit Meeting in July 2002, Prime Minister Koizumi and then President Kim Dae Jung agreed to implement this project in order to commemorate the success of the World Cup jointly hosted by the two nations and promote youth, sports, and grassroots exchange with a target of over 10,000 participants annually. As part of this project, sumo tournaments were held in Seoul and Busan in February 2004, the first sumo tournaments to be held in the ROK since World War II.

16. In Japan-Korea Friendship Year 2005, the slogan of which is “Together! Toward the Future, Into the World,” the public and private sectors of the two countries will work together to hold exchange events in a variety of fields, including culture, the arts, sports, and tourism. In June 2004 the Japanese organizing committee was launched, with President Hirayama Ikuro of Tokyo National University of Fine Arts and Music as chairman.

17. The Japanese movie *Love Letter* and Miyazaki Hayao’s animated film *Sen to Chihiro no Kamikakushi (Spirited Away)* were released in the ROK and attracted 1.2 million and 2.0 million moviegoers, respectively. Meanwhile, *Sekai no Chushin de, Ai o Sakebu (Crying for Love at the Heart of the World)* set a record for ticket reservations for a Japanese movie. Recently the movie *Seoul* and the TV series *Friends, Sonagi, and Stars Echo* have been produced jointly by Japan and the ROK, and there is a growing atmosphere of joint endeavors in a variety of fields, including cinema, theater, opera, and sports.

18. “Shuttle Summit Meetings” means that Prime Minister Koizumi and President Roh Moo Hyun will visit each other about twice a year to exchange their opinions.



Prime Minister Koizumi meets President Roh Moo Hyun for summit talks in July. (Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

Kimpo airports from the current four to eight. In addition, they reached an agreement on a speedy conclusion to negotiations on a Japan-ROK Treaty on Mutual Legal Assistance in Criminal Matters<sup>19</sup> and the entry into negotiations toward concluding an agreement for the protection of migratory birds.<sup>20</sup> Regarding the North Korean nuclear issue, both leaders confirmed that this issue must be resolved peacefully through dialogue under the framework of the Six-Party Talks and that cooperation between Japan, the ROK, and the US should be further strengthened. Since the beginning of 2005, the grand opening of Japan-Korea Friendship Year 2005 was held in Tokyo on January 25, and Prime Minister Koizumi attended the reception. On January 27 an opening ceremony was also held in Seoul, attended by President Roh Moo Hyun. Following this, various related events are now being held.

There remain unsettled issues between Japan and the ROK, such as the issue of territorial rights over Takeshima Island and the issue of the name of the Sea of Japan. It is Japan's consistent position that in the light of both historical facts and international law, Takeshima is clearly an integral part of Japan. At the same time, in the light of the current situation regarding Japan-ROK relations, it is not appropriate that the differences in the stances of the two countries should develop into an emotional confrontation between the two peoples, spoiling the friendly cooperative relations between Japan and the ROK. It is necessary to work toward the resolution of the issue through discussions. Therefore, the government of Japan will constantly consider more effective

measures for asserting Japan's position. Recently, prompted by the enactment by the Shimane Prefectural Assembly of the "Takeshima Day" ordinance on March 16, 2005, the ROK has hardened its stance toward Japan, as illustrated by the fact that President Roh Moo Hyun released an open letter to the ROK people on Japan-ROK relations on March 23. But the Japanese government, while clearly explaining Japan's position, has requested the ROK government to act calmly.

When the ROK issued postage stamps depicting the subject of Takeshima in January 2004, Japan protested strongly, appealing through the Secretariat of the Universal Postal Union (UPU) to all UPU member states in the form of a diplomatic circular that the postage stamps were against the spirit of the Preamble and other decisions of the UPU Constitution.

With regard to the issue of the name of the Sea of Japan, the "Sea of Japan" is the only internationally established name for the relevant sea area, and the Japanese government has elucidated the same position. In March 2004 the United Nations (UN) officially accepted that it will adopt a policy that the "Sea of Japan" must be used as the standard name in official UN documents.

## (h) Japan-ROK Economic Relations

In the economic field, Japan and the ROK have been working to promote trade and investment and establish closer economic relations, based on the Japan-ROK Summit Joint Statement issued on the occasion of President Roh Moo Hyun's visit to Japan in June 2003.

Concerning a Japan-ROK Economic Partnership Agreement (EPA), five meetings were held in 2004 for the negotiations, which have begun since December 2003. Groups on (1) general rules and dispute resolution; (2) trade in goods; (3) duty-free measures, plant quarantine measures, and technical barriers to trade; (4) investment, cross-border trade in services, and temporary entry and stay of nationals for business purposes; (5) other trade-related issues (government procurement, intellectual property); (6) cooperation; and (7) mutual recognition have been discussing draft texts and other related issues. At the Japan-ROK summit meetings held in July and December 2004, the leaders of the two countries reaffirmed the goal of concluding substantive negotiations on the agreement in 2005.

19. This treaty would provide for cooperation between the investigating authorities in the two countries, such as the provision of evidence in criminal cases. At the Japan-ROK Summit Meeting in July 2004, Prime Minister Koizumi and President Roh Moo Hyun agreed to start negotiations toward the conclusion of this treaty. The first round of negotiations was conducted in November 2004 and the second round in February 2005.

20. This treaty would set out a legal framework for the effective protection of migratory birds that travel between Japan and the ROK, based on standards agreed by the two countries. Its provisions would include measures to protect migratory birds and the promotion of joint research on their ecology.



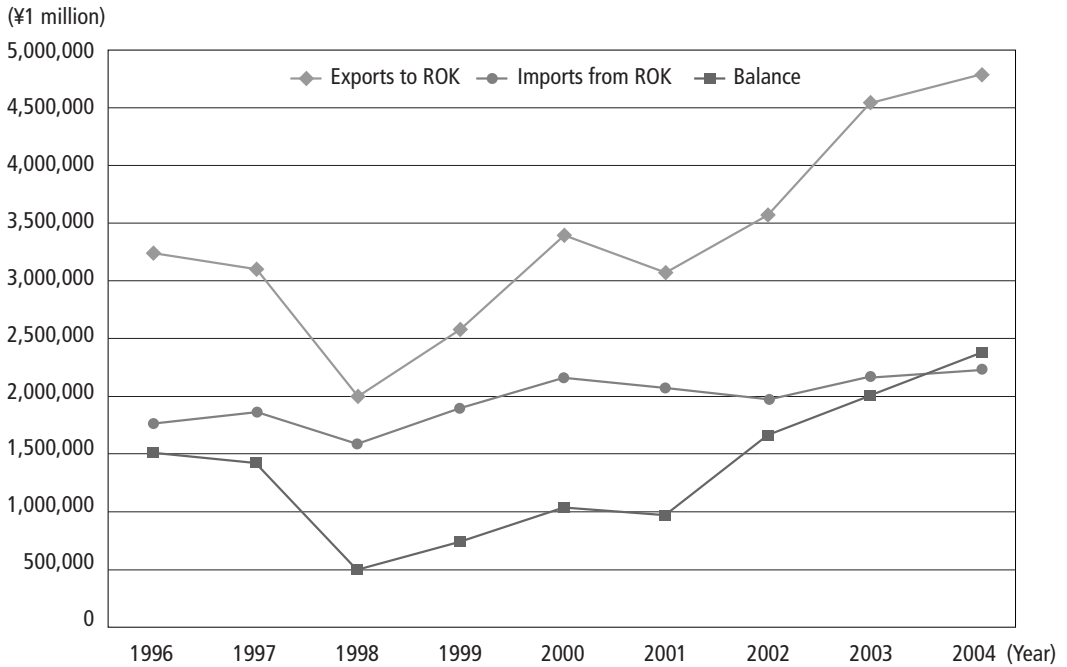
Japan-ROK Economic Relations

Japan's Trade with the ROK

(Unit: ¥1 million)

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports to ROK	3,192,333	3,153,238	2,004,542	2,606,234	3,308,751	3,071,871	3,572,439	4,022,469	4,785,617
Imports from ROK	1,735,329	1,762,757	1,577,250	1,824,286	2,204,703	2,088,356	1,936,787	2,071,182	2,385,074
Balance	1,457,004	1,390,481	427,292	781,948	1,104,048	983,515	1,635,652	1,951,287	2,400,543

Source: Ministry of Finance

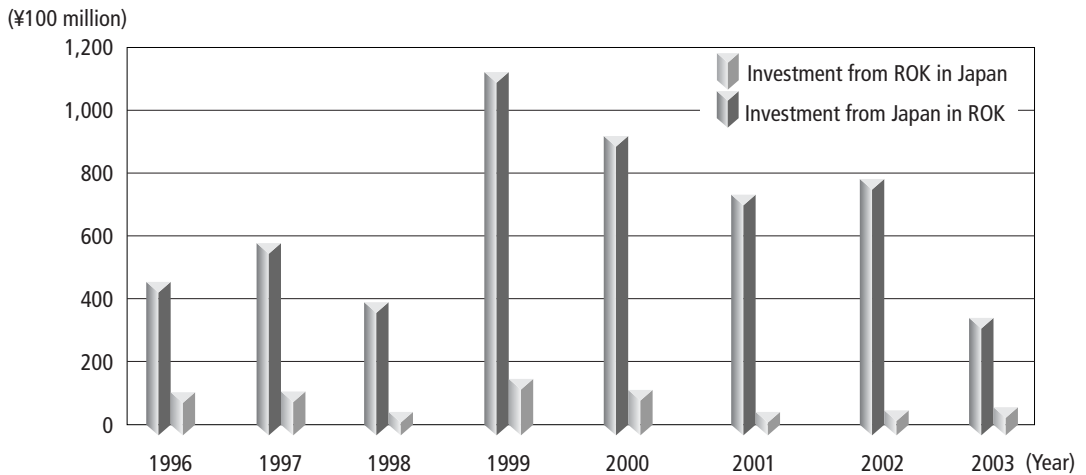


Direct Foreign Investment between Japan and the ROK

(Unit: ¥100 million)

	1996	1997	1998	1999	2000	2001	2002	2003
Investment from Japan in ROK	468	543	389	1,094	902	704	763	321
Investment from ROK in Japan	80	84	20	106	53	30	31	38

Source: Ministry of Finance Note: Years refer to fiscal years (April 1–March 31).



The Agreement between Japan and the ROK on Social Security was signed on February 17, 2004. This agreement avoids the double payment of social security premiums through compulsory membership of both countries' pension systems. It is also expected to further promote human and economic exchange between Japan and the ROK.

The Agreement between the government of Japan and the government of the ROK regarding Mutual Assistance in Customs Matters was signed on December 13, 2004, and came into force the same day. This agreement makes cooperation centering on information exchange between Japan and the ROK smoother, and thereby enables the speeding up of customs procedures and the more effective control of smuggling.

## (i) The Situation in the ROK

### *Domestic Politics*

The Roh Moo Hyun administration came to power in February 2003 with high approval ratings, but various negative factors such as a fragile power base caused its opinion-poll ratings to fall and remain low. Under these circumstances, the opposition Grand National Party (GNP) and Millennium Democratic Party (MDP) proposed to the National Assembly a motion to impeach the president on March 9, 2004, pointing out the fact that some close aides of President Roh Moo Hyun had received illegal campaign contributions in the 2002 presidential election and the fact that President Roh Moo Hyun stated that he hoped the Uri Party, the ruling party, would win the general election in May 2004, in addition to referring to the poor performance of the Korean economy. When the motion was passed by the National Assembly on March 12, President Roh Moo Hyun's powers were suspended until the Constitutional Court of Korea pronounced its final judgment, with Prime Minister Goh Kun assuming the president's powers in the interim.

As a result of the subsequent general election on April 15, the Uri Party increased its seats in the National Assembly from 49 to 152 (out of a total of 299), making it the leading party and heralding a two-party system be-

tween the Uri Party and the GNP (121 seats). About 63% of the members of the National Assembly were elected for the first time, and the election was marked by the rise of young politicians who are members of the so-called 386 generation.<sup>21</sup> Meanwhile, since campaign activities had been tightly restricted in that election in terms of greater transparency in campaign spending after the revision of the Elections Law (Act on the Election of Public Officials and the Prevention of Election Malpractices) on March 9, 2004, 46 incumbent legislators were charged with violations of the new regulations.<sup>22</sup> If, as a result of their trials, these lawmakers or members of their families or associates receive confirmed sentences above a certain level, their election will be invalidated, and by-elections will be held in their seats on April 30, 2005.

On May 14 the Constitutional Court overturned the impeachment of President Roh Moo Hyun. This decision lifted the suspension of President Roh Moo Hyun's powers and enabled him to return to his job the same day after an interval of two months. Regarding the three reasons for the impeachment, although the Constitutional Court acknowledged that the president had violated his duty to respect the Constitution and broken the Elections Law, it judged that these violations were not grave enough to justify impeachment. It also decided that the improprieties by associates of President Roh Moo Hyun and economic failure were insufficient grounds for impeachment.

Despite this judgment, however, the Roh Moo Hyun administration faces a variety of domestic political challenges. As President Roh Moo Hyun had made an election pledge to transfer the administrative functions of the capital city from Seoul to the Chungcheong region, his administration has actively promoted this goal on the grounds that the country should develop in a balanced form. In a judgment on a constitutional case on November 21, however, the Constitutional Court of Korea struck down the Act on Special Measures for Construction of New Administrative Capital by reason of unconstitutionality.<sup>23</sup>

The Special Act to Find the Truth of Anti-National Acts under the Colonial Rule of Japanese Imperialism,

21. "386" refers to people in their thirties who entered university in the 1980s and were born in the 1960s. As they took part in the pro-democracy and student movement in their college years, they are said to have a strong inclination for political engagement.

22. The Elections Law (Act on the Election of Public Officials and the Prevention of Election Malpractices) as revised on March 9, 2004, established and bolstered proper systems so that elections could be conducted fairly through the free will of the people and democratic procedures by (1) ensuring the transparency of campaign-fund spending and (2) expanding campaign activities through the media.

23. The Constitutional Court found: (1) that Seoul's status as the capital is a custom formed by tradition and has the value of an unwritten constitution established as a customary constitution, (2) that to abolish a customary constitution, a constitutional revision must be carried out according to the procedures stipulated in the Constitution, and (3) that enacting this law without completing the constitutional revision procedures would mean revising by a lower law items that should be changed through constitutional revision and would impinge on the people's right of referendum.

enacted in the ROK in March 2004, is a special law aimed at investigating anti-national acts carried out mainly by Koreans who belonged to the Japanese military. A revision to this law to broaden the time period and range of people covered by the investigation was passed by the National Assembly on December 29. At the same time, the term “Pro-Japanese” was deleted from the name of the law in consideration of the ROK’s diplomatic relations with Japan.

The Uri Party had aimed to enact the four major bills in its legislative program that are the focus of its reforms: (1) a bill to abolish the National Security Act (a law with the aim of ensuring the safety of the country and the people by restricting anti-state activities that may endanger the safety of the country); (2) a bill to establish a basic law on past history (a law with the aim of setting up an investigative organ attached to the president to inquire into cases of human rights abuses in the postwar period); (3) a bill to revise the Act on the Freedom of Newspapers etc. and Guarantee of their Functions (a law with the aim of ensuring the sound development of the newspaper industry as a whole by restricting the monopolization of the newspaper market); and (4) a revision of the Private School Act (a law with the aim of guaranteeing the participation and involvement of teachers and parents in the running of private schools through an open governors system). Although the revision of the Newspaper Law was approved by the National Assembly and enacted on December 31, 2004, the ruling and opposition parties failed to reach agreement on the other three bills, carrying them over to the next year, 2005. The abolition of the National Security Act has been a particular focus of debate: The Uri Party has insisted that the law should be scrapped because it was misused to suppress the democratization movement and its provisions are incompatible with the current situation in the light of the increasing exchanges between the ROK and North Korea, while the GNP opposes the abolition, arguing that under a situation of North-South military confrontation, the abolition would leave ROK society defenseless against North Korea.

### **Economy**

The growth rate of the ROK’s gross domestic product (GDP) fell to 3.1% in 2003, and although it rose in the

first half of 2004, it is not expected to match initial expectations of 5% for the full year mainly because the growth in exports, the driving force of the economy, slowed in the second half of the year. The trade surplus further expanded from US\$15 billion in 2003 to US\$29.4 billion in 2004. Of particular note was the 42% increase, to US\$49.8 billion, in exports to China, which has been the ROK’s largest export partner since 2003. Unemployment remains low at less than 4%, but some have expressed a sense of crisis at the increasing number of people despairing of looking for work, who are not reflected in the statistics, and at the large proportion of young people among the unemployed. Thus, although macroeconomic indicators, supported by the favorable performance of some information and communications technology (ICT) companies, are not bad on the surface, there is a growing feeling within the ROK that the economy is suffering from the phenomenon of “jobless growth.”

To achieve an upturn in growth in the short-term, the Roh Moo Hyun administration has identified as policy priorities (1) sound macroeconomic policy mix, (2) facilitating investment to create jobs, and (3) stabilizing the livelihoods of low- and middle-income families. To achieve mid-to-long-term growth, it advocates (4) expanding growth potential and economic system advances and (5) external market openness and economic cooperation.

### ***Dispatch of Additional Troops to Iraq***

The ROK government decided to dispatch additional troops to Iraq in October 2003 and set the number of the additional troops at 3,000 in December. In February 2004 the National Assembly approved its decision. In June the ROK government convened the National Security Council, and decided that the troops would be sent to Arbil in the Kurdish Autonomous Region in northern Iraq. The dispatch of the additional troops (the Zaytun Division)<sup>24</sup> to Arbil began in August 2004. They are scheduled to remain there until December 31, 2005.

### ***Reduction and Redeployment of US Troops Stationed in the ROK***

The US has been undertaking a Global Posture Review aimed at reforming the US military posture, including

24. The force totals about 3,600 personnel and is made up of division headquarters and division troops (about 1,200 personnel), four reconstruction support battalions under civilian command (about 1,000 personnel), the Sohi Chema Division (already dispatched to Iraq, about 600 personnel), and patrol troops (about 800 personnel).

The Zaytun Division (the name of the additional troops, meaning “olive” in Arabic) is commanded by the Chairman of the Joint Chiefs of Staff through its own command structure. Officers on the ground are responsible for operating strategy. The ROK government is responsible for the security of the dispatched troops.

forces stationed in Japan and the ROK,<sup>25</sup> into a form appropriate to the new security environment. On June 6, 2004, the US informed the ROK of its basic plan regarding the realignment of US forces in the ROK. The ROK announced (1) that the provisions of the plan included reducing the number of US troops in the ROK by 12,500 by December 2005, eventually bringing it down to 25,000, and introducing new weapons systems, (2) that the US would introduce new weapons systems and therefore the plan would have no impact on the defense of the Korean Peninsula, which is the principal mission of the US forces in the ROK, and (3) that once the US Global Posture Review was completed, the ability of the US military to intervene from other regions in

the event of a contingency on the Korean Peninsula would be greatly enhanced. On October 6, 2004, the US and the ROK agreed that the 12,500-person reduction in US troops, which was scheduled to be completed by the end of 2005, would take place more gradually over three years, reaching completion by the end of 2008.<sup>26</sup>

Since April 2003, there have been ongoing consultations between the US and the ROK over the merger and abolition of US forces in the ROK (the transfer of the Second Infantry Division and the Yongsan [Army] Garrison [the headquarters of US Forces Korea]), the transfer of duties to the ROK military, the future of US forces in the ROK, the ROK-US Combined Forces, the command relationship, and so on.

## 2 China, the Neighboring Region, and Mongolia

### (a) People's Republic of China

#### Overview

People-to-people exchange and economic relations between Japan and China expanded and deepened in 2004, with as many as 4 million people traveling between the two countries and bilateral trade rising beyond the US\$160 billion level. At the same time, a number of issues of concern arose between Japan and China, such as the aggressive actions of some Chinese soccer fans at the Asian Cup soccer tournament<sup>27</sup> and China's development of natural resources in the East China Sea. In November, Prime Minister Koizumi Junichiro held talks with President Hu Jintao at the APEC Economic Leaders' Meeting in Chile and with Premier Wen Jiabao of the State Council at the ASEAN+3 Summit Meeting in

Laos respectively. These discussions were marked by a common recognition that Japan-China relations are of great significance from the viewpoint of not only the bilateral relationship but also of the region as a whole and the entire international community. At these talks, the leaders agreed to strengthen cooperation in a broad range of areas and to build a future-oriented relationship between the two countries. Through these meetings, the governments of Japan and China carried a message to the public in their respective countries based on the cordial dialogue that the two countries will move forward bilateral relations with an emphasis on friendship in 2005, the 60th anniversary of the end of World War II. Japan intends to continue pursuing deeper mutual understanding and interdependence through dialogue while working to ensure that individual issues of con-

25. There are about 37,000 US troops stationed in the ROK. They are deployed in 41 base facilities and 54 smaller camps. The Eighth Army forms the core of the land-based forces, and most of the troops in the Second Infantry Division (14,000 personnel), the key division, are stationed in the region from the Demilitarized Zone (DMZ) to the north bank of the Han River and are engaged in defending the front line with the ROK Army. The main air force is the 7th Air Force based at Osan and Kunsan, whose principal duty is air-to-ground attacks. There are no US navy or marines forces permanently stationed in the ROK, but reinforcements would be drafted in the event of a contingency.

The theater plan for a contingency on the Korean Peninsula calls for the deployment of more than 640,000 army, navy, air force, and marine reinforcements, centering on forces under US Pacific Command, including those stationed on the US mainland and in Japan and Hawaii. It is also said to include fleets of aircraft carriers and landing craft, fighters, bombers, and support aircraft.

26. Outline of the plan to reduce US forces in the ROK:

- (1) The US will reduce the number of US troops in the ROK by 12,500, including the Second Brigade combat unit that has been dispatched to Iraq to provide assistance, in three stages from 2004 to 2008.
- (2) The first stage will involve a reduction of about 5,000 personnel by the end of 2004, including the Second Brigade and some combat troops, as well as troops whose duties are to be transferred to the ROK military.
- (3) In the second stage, from 2005 to 2006, there will be a reduction of 5,000 personnel, including some combat troops, troops whose duties are to be transferred to the ROK military, and other support troops. A reduction of 3,000 troops will take place in 2005 and one of 2,000 in 2006.
- (4) In the third stage, from 2007 to 2008, there will be a reduction of 2,500 personnel, mainly other support troops.

27. Japanese citizens attending the Asian Cup soccer tournament in China in July and August 2004 were harassed at some of the matches and in some cases were even made to fear for their physical safety. The government of Japan repeatedly voiced concern for the safety of its citizens to the Chinese government. At the final match between Japan and China on August 7, Chinese authorities intensified their security measures, and there were virtually no incidents of harm to Japanese spectators. However, some regrettable behavior did occur, including damage to a Japanese embassy vehicle. The government of Japan immediately lodged a stern protest, and the Chinese government expressed regret for the incident.



Prime Minister Koizumi and President Hu on the occasion of their talks at the APEC Economic Leaders' Meeting in November. (Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

cern will not hinder the progress of the overall relationship between Japan and China. Japan seeks to expand common benefits for the two countries by enhancing bilateral cooperation in a broad range of areas.

### **Japan-China Relations**

In 2004, as in 2003, there was a large amount of exchange in a broad range of fields between the two countries. In addition to the aforementioned two rounds of Japan-China summit meetings, talks took place at the ministerial level. Then Minister for Foreign Affairs Kawaguchi Yoriko visited China in April for talks with Premier Wen Jiabao, State Councillor Tang Jiaxuan, and Minister of Foreign Affairs Li Zhaoxing, and in June she attended the Asia Cooperation Dialogue (ACD) Foreign Ministers' Meeting in Qingdao, China, and held talks with Foreign Minister Li. Moreover, Minister for Foreign Affairs Machimura Nobutaka held talks with China's foreign minister in October and November, promoting a continuous dialogue. Other Japanese dignitaries also made visits to China. In September, for example, Speaker of the House of Representatives Kono Yohei visited China and met with President Hu, Chairman of the Standing Committee of the National People's Congress Wu Bangguo, Vice-President Zeng Qinghong, and State Councillor Tang.

In addition, the governments of Japan and China have promoted cooperation in a broad range of fields and have held a variety of intergovernmental consultations.<sup>28</sup>

#### ***Japan-China Economic Relations***

Economic relations between Japan and China continued to expand, with the value of bilateral trade rising to US\$168 billion in 2004 (a 26.9% increase on the previous year and roughly 2.5 times higher than the figure recorded five years earlier). China is Japan's largest source of imports and the second largest export market after the United States (US).<sup>29</sup> Japan is China's largest source of imports and third largest trading partner (in terms of total imports and exports). Japanese investment in China increased greatly in the first half of fiscal 2004, reaching ¥294.8 billion on a reported basis (an 89.2% increase over the corresponding figure for the first half of the previous fiscal year). This represents 14.6% of all Japanese foreign investment, a major increase over the corresponding figure for the first half of the previous year (6.2%). Since China became a member of the World Trade Organization (WTO) in December 2001, a large number of Japanese firms have not only made China a processing and export base but have also established operations in the country in an effort to tap into the Chinese market. This shows how the mutually complementary Japan-China economic relationship is becoming deeper.

China's economic development represents an opportunity for Japan. As the economic relationship between the two countries becomes increasingly close, prevention of economic friction is important. Japan has made use of bilateral consultative venues, such as the Japan-China Economic Partnership Consultation (vice-ministerial level),<sup>30</sup> to discuss issues related to trade and investment, including the issue of intellectual property rights in China. Japan has also raised issues related to the fulfillment of China's commitments as a WTO member under the WTO's Transitional Review Mechanism (TRM) for China.<sup>31</sup>

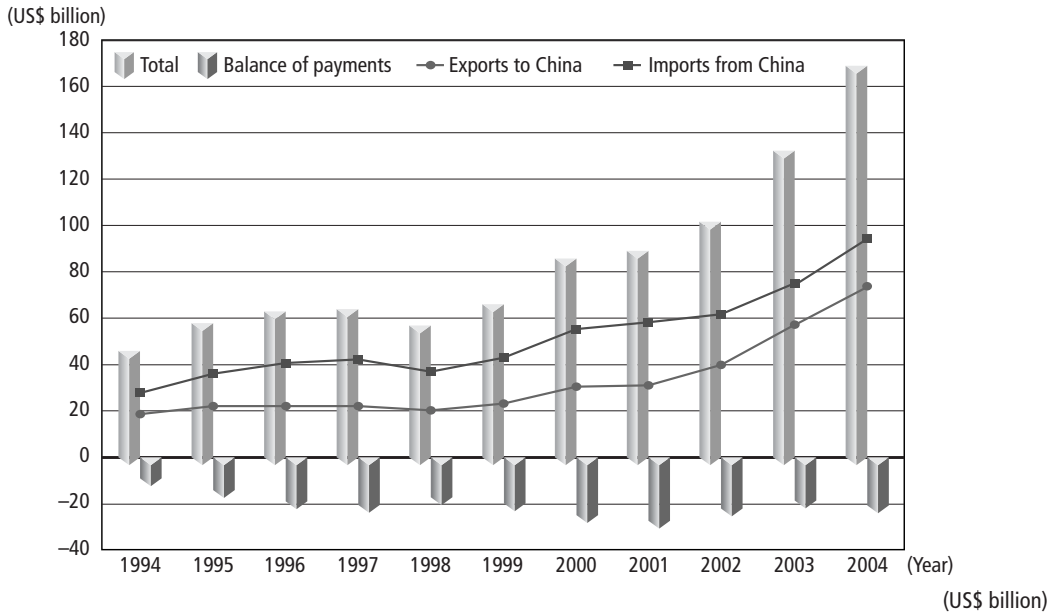
28. These include the Japan-China security dialogue in February, consultations concerning the East China Sea in October, Japan-China Diplomatic Consultations in November, and the Japan-China Economic Partnership Consultation in December.

29. The total value of trade between Japan and China in 2004, including trade between Japan and Hong Kong, was US\$205 billion. This was the first time that Japan's trade with China exceeded its trade with the US (US\$189.2 billion). (US dollar figures provided by JETRO based on Ministry of Finance trade statistics.)

30. The consultation was established as a result of discussions between Prime Minister Koizumi and then Premier of China Zhu Rongji at the 1st Annual Conference of the Boao Forum for Asia in April 2002. The initiative includes comprehensive discussions on trade, investment, and other aspects of economic relations between Japan and China, as well as efforts to detect and prevent potential friction, with the goal of further strengthening the mutually complementary economic relationship between the two countries. The first session was held in October 2002, the second in October 2003, and the third in December 2004.

31. The TRM was established under the authority of an existing WTO agency for the purpose of reviewing China's observance of WTO conventions and fulfillment of its commitments as a WTO member. The review is conducted annually during a country's first eight years as a WTO member.

Japan-China Economic Relations



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports to China	18.7	21.9	21.9	21.8	20.0	23.3	30.4	31.1	39.9	57.2	73.8
Imports from China	27.6	35.9	40.6	42.1	36.9	42.9	55.3	58.1	61.7	75.2	94.2
Total	46.2	57.9	62.4	63.9	56.9	66.2	85.7	89.2	101.6	132.4	168.0
Balance of payments	-8.9	-14.0	-18.7	-20.3	-16.9	-19.5	-24.9	-27.0	-21.8	-18.0	-20.4

Source: US dollar figures provided by the Japan External Trade Organization (JETRO) based on Ministry of Finance trade statistics.

Promoting People-to-People Exchange

To promote greater mutual understanding and trust between the Japanese and Chinese people, broader and deeper people-to-people exchange is essential. As many as 4 million people traveled between the two countries in 2004 (650,000 from China to Japan and 3.35 million from Japan to China; the latter figure is an estimate by the Chinese authorities). On September 1, 2004, Japan began granting visa waivers to Chinese students traveling to Japan on school excursions, and on September 15 the government expanded the list of areas in China whose residents are eligible to participate in group sight-seeing tours to Japan. The city of Tianjin and the provinces of Jiangsu, Zhejiang, Shandong, and Liaoning were added to the list, which already included the cities of Beijing and Shanghai and the province of Guangdong. At the same time, cooperation on consular affairs and

public safety, which is becoming more important, was also advanced by holding discussions between officials concerned. In addition, an agreement between the two countries on consular affairs is under negotiation.

The New 21st Century Committee for Japan-China Friendship

The New 21st Century Committee for Japan-China Friendship held its second meeting in Tokyo in September 2004.<sup>32</sup> The participants discussed environmental and energy-related issues and the promotion of mutual understanding among people of the two countries. Some specific proposals were made for achieving common understanding regarding (1) friendly exchange and cooperation in the economic, energy, and environmental fields; (2) efforts to promote mutual trust and understanding; and (3) cultural exchange.

32. The 21st Century Committee for Japan-China Friendship was established based on a 1984 agreement between then Prime Minister Nakasone Yasuhiro and then General Secretary Hu Yaobang. The committee held 15 sessions. When the incumbent committee members completed their terms in 2001, the initiative was relaunched with new members as the New 21st Century Committee for Japan-China Friendship. Its first meeting was held in Dalian in December 2003. The committee's Japanese contingent is led by Kobayashi Yotaro, chairman of the board of Fuji Xerox Co. The Chinese contingent is led by Zheng Bijian, former executive vice-president of the Central Party School.



### *Issues Concerning Maritime Areas*<sup>33</sup>

In late May China began construction of a mining facility in an underwater oil and gas field located on the western side of the median line between Japan and China. The government of Japan expressed grave concern to China over the possibility that the contracted mining zone and the part of subterranean structure beneath it extends to waters east of the median line and has made repeated requests for information from China. In July Japan began its own geophysical exploration in waters on the eastern side of the median line. In late October Japan and China began discussions concerning the East China Sea. Although China provided general explanations about geological structures and other matters, the information provided was insufficient. When the foreign ministers of the two countries met in Chile in November, they agreed that more careful preparations should be undertaken to ensure that the next round of discussions would be successful.

In 2004 there was an increase in oceanographic activities by Chinese survey vessels operating in Japan's exclusive economic zone (EEZ) without taking relevant notification procedures. A framework for mutual prior notification regarding the activities in Japan's EEZ in the East China Sea was established in 2001, and four cases of China's failure to comply with this framework were confirmed in 2004 (no such incidents occurred the previous year). There were also 18 cases in which Chinese survey vessels operated in Japan's EEZ other than in the East China Sea without Japan's consent and without taking due procedures under the UN Convention on the Law of the Sea (eight such incidents occurred the previous year). On each occasion, both at the sites of the incident and through diplomatic channels, Japan demanded that the activities in question be ceased immediately and lodged strong protests with China. At a number of different levels, Japan has demanded that China comply with the UN Convention on the Law of the Sea and take further action to prevent any recurrence of such cases. In high-level talks, Japan presented this demand at the Japan-China foreign ministerial meetings in April 2004, in talks between Foreign Minister Machimura and Chinese high ranking officials, in discussions between the two countries on oceanic survey vessels in April, and in bilateral consultations concerning the East China Sea in October.

On November 10 a Chinese nuclear-powered submarine was detected navigating under the surface of Japan's territorial waters in the vicinity of the Sakishima Islands. On November 12 Foreign Minister Machimura summoned Minister Cheng Yonghua of the Chinese embassy in Japan to protest the incident and demand an explanation and an apology as well as action to prevent any recurrence of such activity.<sup>34</sup> On November 16 China's Vice-Minister of Foreign Affairs Wu Dawei met with Japan's ambassador to China, Anami Koreshige, and confirmed that the submarine was a Chinese vessel and expressed regret for the incident. At the Japan-China ministerial talks in Chile in November, Chinese Foreign Minister Li reiterated China's regret over the incident, stating that China would prevent any recurrence as a matter of course. At the Japan-China summit talks in Chile in the same month Prime Minister Koizumi stated that it was particularly important to ensure that such incidents would not recur.

### *Economic Cooperation with China*

China has achieved remarkable economic expansion in recent years, particularly in its coastal areas. Accordingly, there has been a major decline in Japan's Official Development Assistance (ODA) to China. On the other hand, China's interior regions continue to face severe poverty and environmental problems, and Japan's ODA is primarily aimed at resolving those problems and cultivating human resources to promote mutual understanding. In fiscal 2003, Japan provided ¥96.692 billion in yen loans, ¥5.150 billion in grant aid (both figures based on exchanges of notes), and ¥6.180 billion in technical cooperation (based on actual disbursements by the Japan International Cooperation Agency [JICA]).

### *The Situation in China*

#### *Domestic Politics*

At the second session of the 10th National People's Congress in March 2004, the new leadership under President Hu emphasized its intention to "put people first" and to focus on issues of immediate relevance to Chinese people: employment, education, and healthcare. The leadership presented policies designed to bring about balanced development and eliminate social distortions arising from rapid economic development accompany-

33. It should be noted that there is no doubt, either historically or under international law, that the Senkaku Islands are an inherent part of Japanese territory and that Japan controls them effectively. Accordingly, there is no issue regarding Japan's territorial rights with respect to these islands. Japan intends to continue taking appropriate action under relevant Japanese laws to deal with illegal incursions into Japan's sovereign territory.

34. Because China's ambassador to Japan, Wang Yi, was elsewhere in Japan at the time, Minister Cheng Yonghua, the deputy ambassador, was summoned.

Record of ODA to China

(¥ million)

FY*1	Yen loans*1	Grant aid*1	Technical cooperation*1	Total
1980	66,000*2	680	564*2	67,244
1981	100,000	2,370	1,018	103,387
1982	65,000	6,580	1,978	73,558
1983	69,000	7,831	3,045	79,876
1984	71,500	5,493	2,677	79,670
1985	75,100	5,896	3,948	84,944
1986	80,600	6,968	4,810	92,378
1987	85,000	7,029	6,192	98,221
1988	161,521	7,958	6,149	175,628
1989	97,179	5,698	4,051	106,928
1990	122,524	6,606	7,049	136,179
1991	129,607	6,652	6,855	143,114
1992	137,328	8,237	7,527	153,092
1993	138,743	9,823	7,651	156,217
1994	140,342	7,799	7,957	156,098
1995	141,429	481	7,374	149,284
1996	170,511	2,067	9,890	182,468
1997	202,906	6,886	10,382	220,174
1998	206,583	7,605	9,813	224,018
1999	192,637	5,910	7,314	205,877
2000	214,399	4,780	8,197	227,375
2001	161,366	6,333	7,777	175,476
2002	121,214	6,788	6,237	134,239
2003	96,692	5,150	6,180	108,022
<b>Total</b>	<b>3,047,181</b>	<b>141,620</b>	<b>144,666</b>	<b>3,333,467</b>

\*1 Figures for yen loans and grant aid are based on exchanges of notes. Figures for technical cooperation are based on actual disbursements by JICA and exclude technical cooperation and acceptance of foreign students by other government ministries and agencies.

\*2 Fiscal 1980 figures for yen loans and technical cooperation also include ODA provided in earlier years.

ing the transition to a market economy. To this end, the government announced its intention to improve the sluggish rural economy and increase farmers' incomes, to rectify regional disparities through large-scale development in western China and revitalization in the north-east, and to ensure that the central and local governments execute their legally defined administrative functions and achieve greater efficiency in administrative and clerical functions. The leadership also revised the state constitution to incorporate new provisions recognizing the concept of the "Three Represents," the protection of private property rights, and respect for and assurance of human rights.<sup>35</sup> And also the Chinese government released a report on human rights, "The Progress of China's 2003 Human Rights Project," in March.

At the fourth plenary session of the 16th Central Committee in September, Jiang Zemin resigned as

chairman of the party's Central Military Commission, and President Hu, the party's general secretary, succeeded him in the post. Having assumed the top positions in the party (as general secretary) and the state (as president), President Hu now holds China's top military post as well. Accounts of strengthening the Chinese Communist Party's governance capability made up most of the contents of the communiqué issued by the session. Compared to the communiqué issued by the previous session (held in October 2003), which dealt primarily with economic issues, this represented a shift to a more political focus.

Since October, an increasing number of reports on mass demonstrations in various parts of China appeared in newspapers in Hong Kong and elsewhere. In those papers, many of the causes of the demonstrations were reportedly issues related to the taxation and expenditure

35. The "Three Represents" concept, introduced by then President Jiang Zemin in February 2002, asserts that "the Communist Party of China (CPC) must always represent the development needs of China's advanced productive forces, the orientation of China's advanced culture, and the fundamental interests of the overwhelming majority of the people." It is regarded as an effort to win over private business operators and others who make up China's urban elite. Under Hu Jintao's leadership, an emphasis on protecting the weakest members of society has led the government to interpret the essence of the "Three Represents" as indicating that "the CPC should dedicate itself to benefit the public and govern in the interest of the people."

burden, along with corruption among officials. At the third session of the 10th National People's Congress in March 2005, the Chinese leadership once again stressed the significance of taking measures for the improvement of social security systems, enhancement of government functions, and the qualitative improvement of officials in order to achieve the goal of building a "harmonious society." In addition, Jiang Zemin resigned as chairman of the Central Military Commission, and President Hu took over his position.

In late December 2004 the government of China issued a white paper on defense, entitled "China's National Defense in 2004." This was China's fifth white paper on national defense since 1995, and since 1998 it has issued a report every other year. Defense spending for 2004 was 12.6% higher than that for the previous year (based on recorded expenditures), continuing the trend of high defense spending. The report explains the increase as being due to rising personnel and equipment costs.

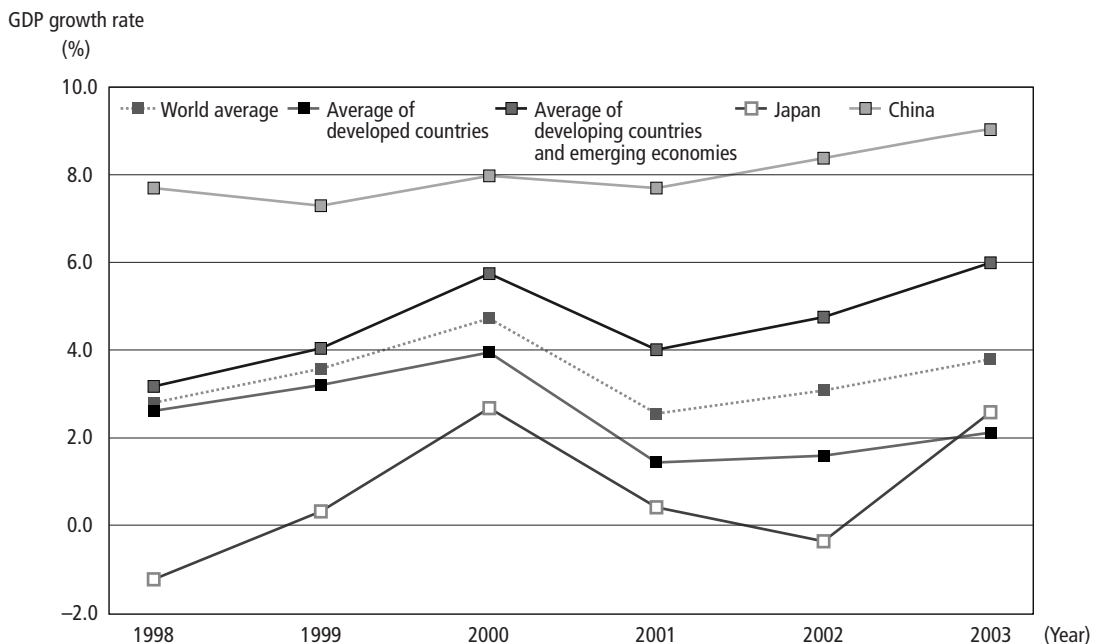
### Economy

Concerned that China's economy was overheating, particularly in certain sectors, the Chinese government en-

acted measures in 2004 to rein in excessive growth (this included restricting investment in some areas, such as cement manufacturing, and raising interest rates). China's gross domestic product (GDP) grew at a rate of 9.5%, the same level attained in 2003 (a target of around 7% was presented at the National People's Congress in March 2004).

China's new leadership has embraced the objective of quadrupling GDP by 2020 from levels in 2000.<sup>36</sup> The leadership has announced a "scientific outlook on development"<sup>37</sup> aimed not merely at economic growth but also at achieving sustainable, balanced development of Chinese society as a whole in an attempt to tackle economic disparities and to restructure the industrial base. The National People's Congress held in March 2005 set a target of approximately 8% growth as one of its principal goals for 2005. In keeping with the scientific outlook on development, the Congress recommended measures that included macroeconomic controls to curb excessive investment, measures to address issues related to agriculture, rural areas and farmers, and efforts to rectify economic disparities. The Congress also stressed the concepts of energy conservation and a recycling-based economy.

## China's Economic Growth



36. This objective was approved at the 16th National Congress of the Communist Party of China in November 2002.

37. The policy is devoted to achieving sustainable, balanced development for society as a whole from the standpoint of making people the fundamental factor in policy making. Based on a policy proposed at the third plenary session of the Communist Party's Central Committee in September 2003, the concept has been repeatedly addressed at various meetings in China since 2004.

### *Foreign Relations*

China needs a stable international environment to ensure its economic development, which is its highest priority. For this, China is pursuing an omni-directional diplomacy that includes expanding its relations with the US, Russia, European countries, and other major countries, enhancing its cooperation with neighboring countries, and actively participating in international frameworks. The new leadership has maintained this policy. On North Korea's nuclear issue, given its basic stance to seek the denuclearization of the Korean Peninsula and a peaceful resolution of the North Korean nuclear issue, China has continued to coordinate with the concerned countries and has played an active role in efforts to resolve this issue, such as by hosting two rounds of the Six-Party Talks in February and June.

The leaders of China and the US held summit talks at the APEC Economic Leaders' Meeting in November. The two leaders reaffirmed the "constructive and cooperative relations" between the two countries and discussed North Korea's development of nuclear weapons and the situation in Iraq. Through telephone calls between the two countries' leaders and foreign ministers and visits to China by US officials,<sup>38</sup> meanwhile, the two parties discussed the issues of Taiwan, North Korea, trade, and currency.

President Hu and Premier Wen visited Russia in May and September, respectively, and Russian President Vladimir Putin visited China in October. On these occasions the two governments confirmed their intent to enhance the strategic and cooperative partnership and discussed North Korea, Iraq, and other issues. Regarding the disputed part of the China-Russia border, during President Putin's visit in October the two countries signed an "additional agreement" on the demarcation of the eastern border, including the division of three river islands at the border. With this agreement, China and Russia finally confirmed the entire length of their roughly 4,300-kilometer border.

In May Premier Wen traveled to Europe and visited European countries, including Germany, Belgium, Italy, and Britain. He and the leaders of those European countries agreed to strengthen the strategic partnership between China and the European Union (EU) and enhance their wide-ranging economic relations. In December, China and the EU held a summit meeting. Given President Hu's visit to France in January and his second visit to Europe in June during the year, China is

pursuing a multipolar diplomacy placing importance on its relations also with the EU.

President Hu also visited Africa in February and Latin America in November. Through these visits and on other such occasions, China has been working to strengthen its relations with these regions in the light of its rapidly increasing economic power.

### *Hong Kong*

In April 2004 the Standing Committee of the National People's Congress announced its interpretation of an appendix to the Hong Kong Basic Law that governs the method for electing Hong Kong's chief executive beginning in 2007 and the method for electing its Legislative Council starting in 2008. The committee decided that, while it would be legally possible to hold ordinary elections for chief executive from 2007 on, the National People's Congress would decide on the need to revise the election method. As in 2003, large-scale mass demonstrations, primarily organized by pro-democracy forces, were held on July 1, the seventh anniversary of Hong Kong's return to China. The demonstrators voiced opposition to Hong Kong's current leadership over a number of issues: the aforementioned election issue; the government's handling of Article 23 of the Hong Kong Basic Law prohibiting anti-national acts and organizations; and the government's insufficient measures toward the economic slump and the severe acute respiratory syndrome (SARS) outbreak of 2003.

In September Hong Kong held its third round of legislative elections since its return to China. Contrary to general expectations of their major victory, the pro-democracy forces only increased their representation by several seats. The pro-China legislators maintained their majority, reflecting the resurgence of Hong Kong's economy.

The marked improvement in economic activity seen in the latter half of 2003 continued, and Hong Kong recorded particularly high rates of economic growth in 2004. Hong Kong's real economic growth rate for 2004 was 7.5%.

In March 2005, Hong Kong's Chief Executive Tung Chee Hwa resigned, and Chief Secretary for Administration Donald Tsang assumed the post of acting chief executive.

Hong Kong is Japan's fifth largest trading partner in terms of trade volume. In April Japan initiated a new policy to waive visa requirements for Hong Kong resi-

38. These include visits to China by US Vice President Dick Cheney in April, then National Security Advisor Condoleezza Rice in July, and then Secretary of State Colin Powell in October.

dents, and over 600,000 people traveled from Hong Kong to Japan under the new arrangement in 2004.

### **(b) Taiwan**

Taiwan held a presidential election in March and Legislative Yuan elections in December 2004. In March voters reelected President Chen Shui Bian by a very slender 0.22% margin. In the December elections the ruling Democratic Progressive Party retained enough seats to remain the largest single party in the legislature, but a coalition of opposition parties secured a majority. As a result, the Chen administration would continue to face considerable difficulties. Along with the presidential election, the first popular referendum on enhancement of its missile defense capabilities and establishment of a consultative mechanism for negotiations with China was held, and the number of votes for them was insufficient to prompt legislative action.

In the economic domain, 2004 brought a marked increase in private investment and exports and a decrease in the unemployment rate (from 5.0% in 2003 to 4.4% in 2004). Owing to a strong recovery from the negative impact of the SARS outbreak in 2003, Taiwan's economy grew at a rate of 5.7% in 2004.

In his inaugural speech on May 20 and again in remarks delivered on October 10, President Chen called for dialogue with China, but dialogue between Taiwan and China did not resume in 2004. The National People's Congress in China in March 2005 passed an "anti-secession law" designed to oppose and prevent Taiwan's independence. Taiwan strongly objected to the law, arguing that it is an attempt to legalize the use of force against Taiwan. Despite these developments, economic relations between China and Taiwan have steadily expanded. According to statistics compiled by Taiwan's Mainland Affairs Council, China has become Taiwan's largest trading partner, and in January 2005, the two sides agreed for the first time to permit mutual direct flights between Mainland China and Taiwan during the lunar New Year holidays.

Japan has been maintaining a working relationship with Taiwan on a non-governmental basis in accordance with the Japan-China Joint Communiqué of 1972. For Japan, Taiwan is an important region with close economic relations, and Taiwan ranks fourth as a trading partner for Japan in value terms after the US, China, and the Re-

public of Korea (ROK). The number of visitors from Taiwan to Japan surpassed the level of 1 million in 2004.

Japan strongly hopes that cross-strait relations will be resolved peacefully through direct consultations between the two parties. Japan has expressed to both parties its strong desire for the early resumption of dialogue between them to achieve such a resolution.

### **(c) Mongolia**

Mongolia held its fourth parliamentary elections in June 2004. The ruling Mongolian People's Revolutionary Party lost a large number of seats, while the opposition Motherland Democratic Coalition made major gains. Since neither side secured a majority, a coalition cabinet was formed between the two parties. Former Prime Minister Tsakhiagiin Elbegdorj of the Motherland Democratic Coalition was appointed prime minister again, while Nambaryn Enkhbayar, the outgoing prime minister, assumed the post of speaker of the national parliament. A presidential election is scheduled to be held in the summer of 2005.

Mongolia recorded a huge increase in its economic growth rate, which soared to 10.6% in 2004, compared to a rate of 5.5% in 2003. The unemployment rate was 3.5% in 2003 and 3.6% in 2004, respectively. In addition, the issue of Mongolia's outstanding debt to Russia, a longtime concern, was resolved at the end of 2003.

Mongolia has pursued an active diplomacy in 2004. In July President Natsagiin Bagabandi visited China and the US for talks with President Hu and President George W. Bush, respectively. In December he visited North Korea. As in 2003, Mongolia dispatched its armed forces to Iraq for assistance with the reconstruction process.

Japan has actively provided assistance to Mongolia, based on the notion that Mongolia's successful transition to democracy and a market economy will contribute to peace and stability in Northeast Asia. In August 2004 then Foreign Minister Kawaguchi visited Mongolia; this was the first solo visit to Mongolia by a Japanese foreign minister in 15 years. She affirmed that the comprehensive partnership between Japan and Mongolia would continue to be strengthened in the future. In November the government of Japan adopted a Country Assistance Program for Mongolia in order to implement ODA effectively, efficiently, and in a unified and consistent manner under inter-ministerial coordination.

**3 Southeast Asia**

**(a) Overview**

In Southeast Asia, the Association of Southeast Asian Nations (ASEAN) has strengthened its unity toward becoming a regional community. Nevertheless, ASEAN has been faced with a host of issues that must be tackled to achieve regional integration: destabilizing factors such as terrorism and transnational crime, including trafficking in persons; glaring development gaps among the ASEAN member states; economic stagnation in various countries affected by outbreaks of new types of infectious diseases, such as severe acute respiratory syndrome (SARS) and highly pathogenic avian flu; and recovery and reconstruction in areas damaged by the earthquake that occurred off the coast of Sumatra on December 26, 2004, and the resulting tsunami in the Indian Ocean.

Japan will continue to actively cooperate with ASEAN so that ASEAN can ensure economic and political stability in the region and bring about peace, stability, and prosperity in East Asia as a whole. With these objectives in mind, Japan has steadily been implementing the Japan-ASEAN Plan of Action, which was adopted at the Japan-ASEAN Commemorative Summit meeting in 2003.<sup>39</sup> Japan reached an agreement with ASEAN to begin negotiations on an Economic Partnership Agreement (EPA) from April 2005, as part of its ongoing efforts to achieve deeper and broader relations with ASEAN.

**(b) Overall Situation in the ASEAN Region**

As differences in social systems and development gaps among the member states have become increasingly apparent, ensuring unity as a regional community has been an important challenge for ASEAN in terms of making the region more competitive and achieving a higher level

of integration. ASEAN has gained a foothold in its effort to secure further regional integration through activities conducted under the Initiative for ASEAN Integration (IAI). For example, it has actively carried out capacity-building support projects concerned with customs procedures, the provision of transportation infrastructure, and Free Trade Agreements (FTAs) for the sake of rectifying disparities between the original member states and new member states, namely, Cambodia, Laos, Myanmar, and Viet Nam. At the ASEAN summit meeting in 2003, the leaders of the member states signed the ASEAN Concord II (Bali Concord II),<sup>40</sup> which presented the ASEAN Security Community (ASC), ASEAN Economic Community (AEC), and ASEAN Socio-Cultural Community (ASCC) as the three pillars of the ASEAN community vision to be achieved by 2020.<sup>41</sup> The Vientiane Action Programme,<sup>42</sup> envisioned as a road map for realizing this vision, was adopted at the 2004 ASEAN Summit.

ASEAN actively strengthened its relations with countries outside the region. In addition to the ASEAN+3 (Japan, the People’s Republic of China, and the Republic of Korea [ROK]) Summit Meeting, which is held to coincide with the ASEAN Summit, ASEAN held its first commemorative summit meeting with Australia and New Zealand in 2004, reaching agreement with them about beginning negotiations on establishing bilateral FTAs early in 2005 and concluding the negotiations within two years.

In addition, ASEAN has come to regard transnational issues such as the threats posed by international terrorist networks and piracy in the Malacca Strait as non-traditional security issues. Furthermore, a growing number of countries have acceded to the Treaty of Amity and Cooperation in Southeast Asia (TAC): Japan (2004), China (2003), India (2003), the ROK (2004),

39. The Japan-ASEAN Plan of Action is an addendum to the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium, presenting concrete measures to be implemented in the near future. The Plan sets forth guidelines for future cooperative relations between Japan and the ASEAN member states as follows: (1) reinforcing comprehensive economic partnership as well as financial and monetary cooperation; (2) consolidating the foundation for economic development and prosperity; (3) strengthening political and security cooperation and partnership; (4) promoting human resources development, exchanges, and social and cultural cooperation; (5) deepening East Asian cooperation; and (6) cooperating in addressing global issues.

40. An agreement to establish an ASEAN community comprising three pillars: an ASEAN Security Community (ASC), an ASEAN Economic Community, and an ASEAN Socio-Cultural Community. It was signed by the leaders of the ASEAN member states at the ASEAN Summit in October 2003.

41. These are the elements that make up the ASEAN community to be established by 2020. They set forth targets for cooperation within the ASEAN region in the political, security, economic, social, and cultural areas.

42. The Vientiane Action Programme is the second six-year plan for forming a community by 2020 (the first six-year plan was the Hanoi Action Programme, adopted at the 1998 ASEAN Summit) adopted at the 10th ASEAN Summit in Vientiane, Laos, in 2004. It consists of five sections: (1) the ASEAN Security Community (ASC); (2) the ASEAN Economic Community (AEC); (3) the ASEAN Socio-Cultural Community (ASCC); (4) goals and strategies for narrowing the development gap; and (5) implementation mechanisms.



Pakistan (2004), and Russia (2004). In this way, the international situation in Southeast Asia, which had been discussed primarily in the context of economic growth during the 1980s and 1990s, now exhibits a diverse dynamism including political issues, with ASEAN at its center.

### (c) Japan-ASEAN Relations

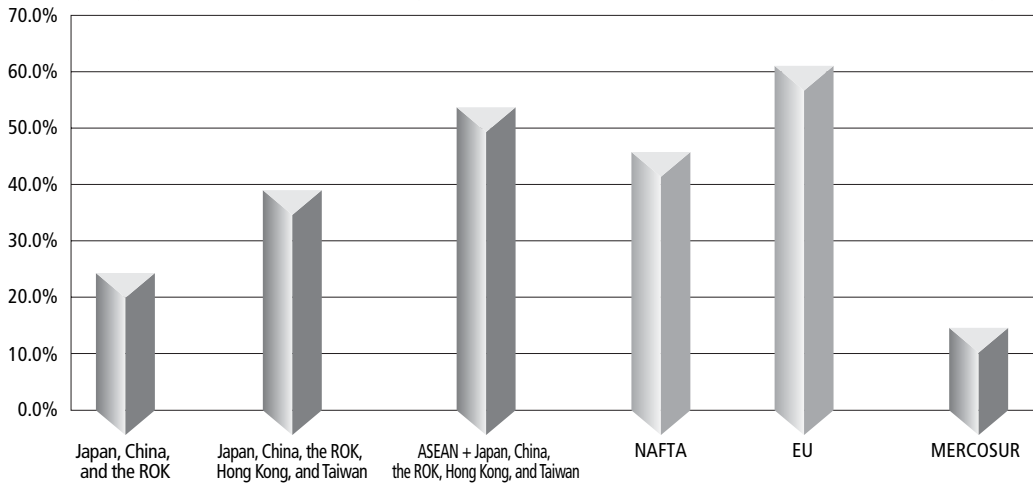
Japan and ASEAN have enjoyed a friendly and cooperative relationship spanning 30 years, each regarding the other as a vital partner to “act together and advance together.” In the realm of trade, investment, and economic cooperation, Japan is ASEAN’s most important partner, and ASEAN is one of Japan’s most important partners

in terms of trade and investment. Based on this close relationship, Japan hosted the Japan-ASEAN Commemorative Summit in December 2003, issuing together with ASEAN the Tokyo Declaration, which articulated the future direction of Japan-ASEAN relations, as well as the Japan-ASEAN Plan of Action, which set forth approximately 120 specific cooperative measures.

At the Japan-ASEAN Summit Meeting in November 2004, Japan presented a progress report on the Japan-ASEAN Plan of Action, confirming the faithful implementation of the measures contained in the plan. Japan agreed in April 2004 to begin negotiations aimed at establishing a comprehensive economic partnership with ASEAN and committed itself to the steady imple-

### Economic Integration in ASEAN and Other Regions: A Comparison

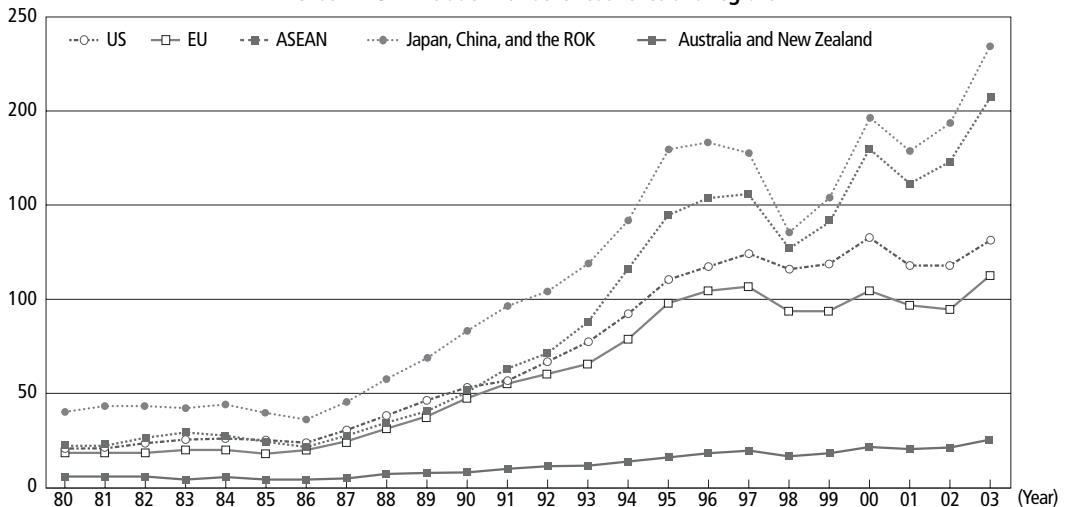
Comparison of intraregional trade ratios between other regional economic communities in the world and East Asian countries and regions (2003)



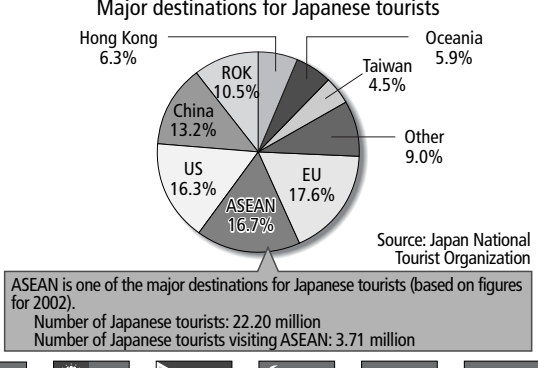
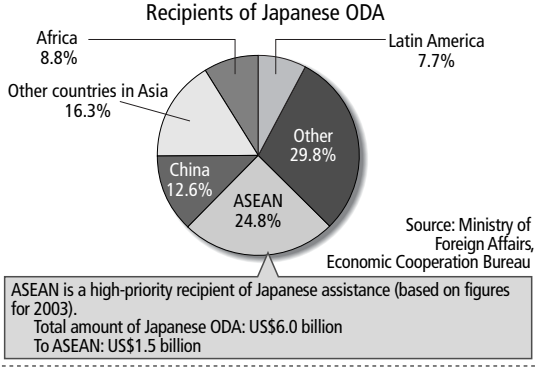
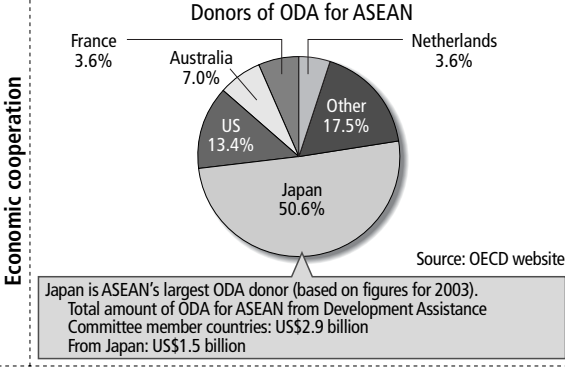
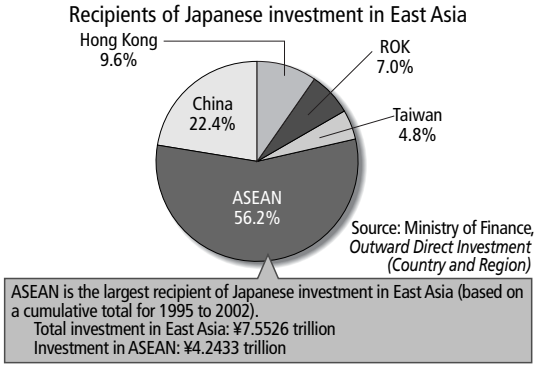
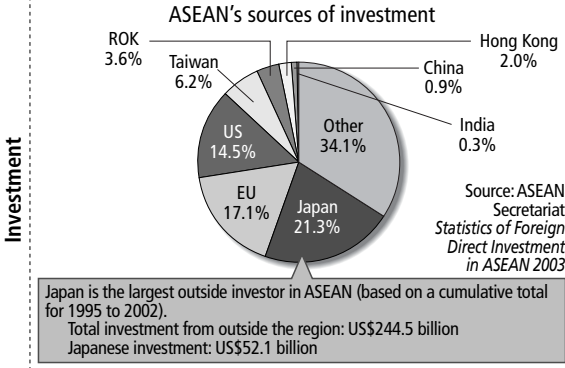
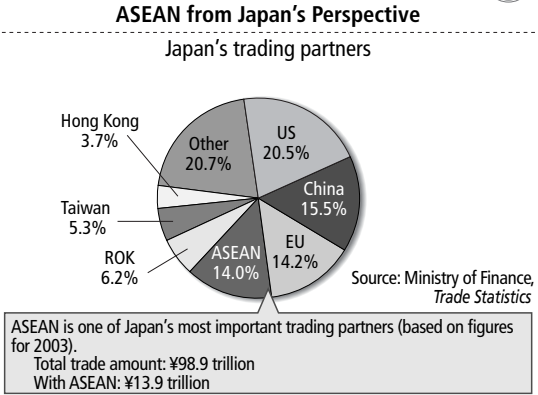
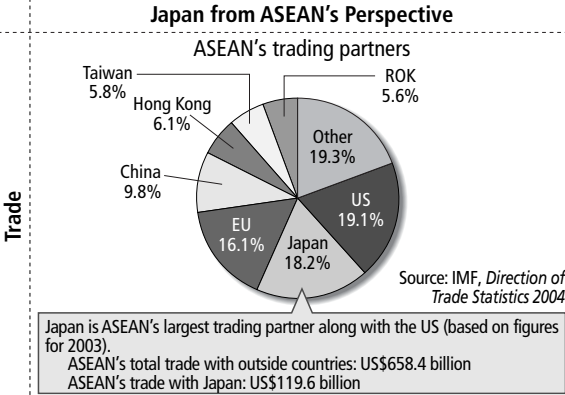
Sources: Japanese Ministry of Finance, *Trade Statistics*; Taiwanese Ministry of Economic Affairs, Bureau of Foreign Trade; IMF, *Direction of Trade Statistics*.

(US\$1 billion)

### Trends in ASEAN trade with other countries and regions



Japan and ASEAN (trade, investment, economic cooperation, and tourists)



mentation of measures related to the cultivation of human resources and development in the Mekong region. In addition, the two sides issued the ASEAN-Japan Joint Declaration for Cooperation in the Fight Against International Terrorism. Furthermore, in the aftermath of the major earthquake off the coast of Sumatra and the resulting tsunami in the Indian Ocean, Prime Minister Koizumi Junichiro attended a Special ASEAN Leaders' Meeting on January 6, 2005, where he stated that "the pains felt by Asian countries are our own pains. Disaster in Asia is nothing but ours as well." Prime Minister Koizumi announced that Japan would immediately provide up to US\$500 million in grant aid to Indonesia, Sri Lanka, and the Maldives, which had all suffered heavy damage, and would provide the maximum possible assistance in all three areas of assistance: financial resources, knowledge and expertise, and human resources. He noted that Japan's efforts would include relief activities using Japan Disaster Relief teams and personnel from the Self-Defense Forces (SDF).

### Indonesia

Indonesia held general elections in April 2004. Regional Representative Councils were also newly established. In the Parliament, the Golkar Party, the ruling party dur-

ing the Suharto era, finished first in the national parliamentary elections, while the Indonesian Democratic Party of Struggle, headed by President Megawati Sukarnoputri, finished second. Presidential elections were held in July; the two candidates who received the most votes faced each other in a runoff election in September. Former Coordinating Minister for Political and Security Affairs Susilo Bambang Yudhoyono received roughly 60% of the vote, defeating President Megawati. Thus, he became Indonesia's sixth president on October 20. It was the first time that Indonesia had ever held direct presidential elections. President Yudhoyono received a great deal of support from voters who had been frustrated with the Megawati administration over tackling the sluggish economy and so on. From the start, the Yudhoyono administration has focused its efforts on addressing local conflicts, corruption, and counter-terrorism measures,<sup>43</sup> while also indicating its intention to establish an environment conducive to investment (by providing infrastructure, legal systems, and other needs) as an urgent task. Japan fully supported a series of elections in Indonesia. In summit talks between Japan and Indonesia at the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting in Chile in November, the two countries exchanged wide-ranging

### Chronology of Major Events in Indonesia

1998	March 10	People's Consultative Assembly reelects Suharto to a seventh term as president.
	May 12	Shootings occur at Trisakti University.
	May 14	Rioting breaks out in Jakarta.
	May 21	Suharto resigns; Bucharuddin Jusuf Habibie becomes Indonesia's third president.
1999	August 30	Residents of East Timor vote on independence.
	October 20	Abdurrahman Wahid is elected president by People's Consultative Assembly; Megawati Sukarnoputri is elected vice president the next day.
2001	July 23	President Wahid is removed from office by People's Consultative Assembly and Megawati becomes Indonesia's fifth president.
2002	May 20	The Democratic Republic of Timor-Leste achieves independence.
	October 12	A terrorist bombing occurs in Bali (killing around 200 people, including two Japanese citizens).
	December 3	The Preparatory Conference on Peace and Reconstruction in Aceh is held in Tokyo.
2003	May 17-18	Peace talks between the Indonesian government and the Gerakan Aceh Merdeka (GAM [Free Aceh Movement]) are held in Tokyo.
	May 19	A military emergency is declared in Aceh.
	August 5	A terrorist bombing occurs at the Marriott Hotel in Jakarta (killing 12 people).
2004	April 5	Golkar finishes first in Indonesia's general election.
	July 5	Susilo Bambang Yudhoyono and Megawati win sufficient support in the first round of presidential elections to advance to a runoff election.
	September 9	A terrorist bombing occurs near the Australian embassy in Jakarta (killing 11 people).
	September 20	Susilo Bambang Yudhoyono wins the runoff presidential election to become Indonesia's sixth president. Jusuf Kalla is elected vice president.
	October 20	President Yudhoyono is inaugurated; a new cabinet is formed the following day.
	December 19	Vice President Kalla is elected Golkar chairman.
	December 26	A major earthquake occurs off the coast of Sumatra.

43. A terrorist bombing, apparently carried out by the group Jemaah Islamiyah (JI), occurred just outside the Australian embassy in Jakarta in September 2004.

views on economic cooperation, establishing an environment conducive to investment, and strengthening bilateral relations. Japan actively pledged its assistance in response to the destruction caused by the major earthquake that occurred in December off the coast of Sumatra, and has followed through on its commitments.

### **Cambodia**

After the National Assembly (lower house) election in July 2003, no new government had been formed with confidence in Cambodia until the inauguration of the third coalition government in July 2004, headed by Prime Minister Hun Sen. In October King Norodom Sihanouk retired from the throne and was succeeded by his son, King Norodom Sihamoni.

In November, after years of toil, the Parliament approved ratification of the agreement between the Cambodian government and the United Nations (UN) concerning the establishment of a tribunal to put the Khmer Rouge, which had perpetrated massacres of Cambodian citizens during its rule from April 1975 until January 1979, on trial for its crimes in line with international standards and with the cooperation of the UN. Arrangements have gradually been satisfying all the conditions for the trial.

In October Cambodia joined the World Trade Organization (WTO) and also won approval to join the Asia-Europe Meeting (ASEM).

Japanese officials who visited Cambodia in 2004 included then Parliamentary Secretary for Foreign Affairs Tanaka Kazunori (in May) and then Senior Vice-Minister for Foreign Affairs Abe Masatoshi (in September). In August Cambodian Minister of Information Khieu Kanharith visited Japan as a special envoy to attend the funeral of former Prime Minister Suzuki Zenko.

### **Singapore**

Lee Hsien Loong, a former deputy prime minister and the son of former Prime Minister Lee Kuan Yew, assumed the post of prime minister in August and formed a new government. In the economic sphere, given the emergence of China and India, the government has faced the challenge of maintaining and enhancing its international competitiveness in the region as well as its status as a regional hub for knowledge-intensive industries, such as electronics, distribution, and communica-

tions. In the domestic political sphere, it has faced the task of enacting measures to reverse Singapore's declining birthrate. In the diplomatic sphere, Singapore is expected to continue to pursue the basic policies of the past: trying to maintain an appropriate balance in its relations with Japan, the United States (US), and China while strengthening its relations with India and the other ASEAN member states. As for relations with Japan, then Senior Minister Lee Kuan Yew and Deputy Prime Minister Tony Tan visited Japan in 2004. Minister of Finance Tanigaki Sadakazu, then Minister of State for Information Technology Motegi Toshimitsu, Minister of Economy, Trade and Industry Nakagawa Shoichi, Minister of Land, Infrastructure, and Transport Ishihara Nobuteru, and former Prime Minister Mori Yoshiro all visited Singapore.

### **Thailand**

As 2004 began, public order deteriorated in Thailand's southernmost region, and many people fell victim to violence throughout the year. Although Thailand faced a number of problems during the year, including the outbreak of avian influenza (bird flu), the administration of Prime Minister Thaksin Shinawatra continued to enjoy high approval ratings thanks largely to Thailand's rapid economic growth. In the diplomatic sphere Thailand launched active initiatives to promote FTAs with various countries and to rectify development gaps with neighboring countries. Japan and Thailand began negotiations aimed at concluding a Japan-Thailand Economic Partnership Agreement (JTEPA) at an early date. Close relations were also promoted through visits at the ministerial level. In June Thailand's Foreign Minister Surakiart Sathirathai visited Japan for talks with then Minister for Foreign Affairs Kawaguchi Yoriko. Japan provided various assistance to Thailand, such as the dispatch of Japan Disaster Relief teams to help deal with the terrible destruction on the Andaman Sea coast including Phuket inflicted by the tsunami in the Indian Ocean caused by the earthquake off the coast of Sumatra in December 2004.

### **Timor-Leste**

The mandate of the UN Mission of Support in East Timor (UNMISSET),<sup>44</sup> which has been supporting nation building in Timor-Leste, was scheduled to expire in May 2004. Out of respect for the wishes of the gov-

44. UNMISSET was established on May 20, 2002, based on UN Security Council Resolution 1410 adopted on April 17, 2001, as a successor mission to the UN Transitional Administration in East Timor (UNTAET), being charged with a mandate to support nation building in Timor-Leste. From May 2004 the mission was led by Hasegawa Sukehiro, special representative of the UN secretary-general (he had previously served as deputy special representative and was a former representative of the Tokyo office of the United Nations Development Programme).

ernment of Timor-Leste, however, the mission's mandate was extended in May 2004 and again in November 2004, each time for a period of six months, to permit a "consolidation phase,"<sup>45</sup> and is now scheduled to expire in May 2005. The domestic political and security situation has become relatively stable. In the diplomatic sphere, Timor-Leste continues to face issues such as working with Indonesia to define their mutual border, resettle refugees, and address past human-rights violations. The government has also continued to negotiate with Australia on the development of oil and natural gas in the Timor Sea, which is expected to provide the country with a source of revenue. Japan officially opened an embassy in Timor-Leste in January 2004 and dispatched an ambassador extraordinary and plenipotentiary. In February Senior Vice-Minister for Foreign Affairs Aisawa Ichiro visited Timor-Leste. Timor-Leste has worked to strengthen bilateral relations with Japan, with President Xanana Gusmao visiting Japan in Feb-

ruary and December 2004 for summit talks with Prime Minister Koizumi. Japan originally had dispatched an SDF unit to the UNMISSET since February 2002 to provide logistical support for infrastructure projects and the like. The unit's mandate expired and it was withdrawn in June 2004.

### **The Philippines**

President Gloria Macapagal-Arroyo was elected in the election in May 2004. Her government has continued to conduct peace negotiations with anti-government Islamic rebels and communist forces. She has also identified the fiscal deficit as the country's biggest and most pressing problem and indicated her intention to enact reforms to revise the Philippines' tax system and improve its tax-collecting capabilities. In June then Foreign Minister Kawaguchi attended President Arroyo's inauguration ceremony. In October Franklin M. Drilon, the president of the Philippine Senate, paid a visit to Japan

### **Chronology of Major Events in the Philippines**

<b>2001</b>	<b>January 20</b>	Mass demonstrations are held to demand the resignation of President Joseph Estrada. After the presidency is declared vacant, Vice President Gloria Macapagal-Arroyo is sworn in as president.
	<b>May 1</b>	Demonstrators loyal to ex-President Estrada march on Malacañang Palace.
	<b>May 27</b>	The Abu Sayyaf group attacks a resort on the island of Palawan, taking 20 hostages, including US citizens.
	<b>November 19</b>	The Moro National Liberation Front (MNLF) Misuari faction attacks an army base on the island of Jolo.
	<b>November 24</b>	Nur Misuari, governor of the Autonomous Region in Muslim Mindanao (ARMM), is arrested in Malaysia.
	<b>December 26</b>	MNLF Executive Council Vice Chairman Parouk Hussin is elected ARMM governor.
<b>2002</b>	<b>October 18</b>	The Manila metropolitan area is struck by a series of bombings.
	<b>December 30</b>	President Arroyo announces that she will not run in the 2004 presidential election.
<b>2003</b>	<b>March 4</b>	A terrorist bombing strikes Davao International Airport.
	<b>April 2</b>	A terrorist bombing strikes the Sasa wharf in the city of Davao.
	<b>July 27</b>	About 300 Philippine Armed Forces soldiers, including junior officers, seize and occupy a hotel in a large commercial building in the city of Makati in Metro Manila (all of them surrender the same day).
	<b>October 4</b>	President Arroyo retracts her previous declaration of noncandidacy and announces that she will run in the presidential election.
	<b>November 7</b>	A former Air Force pilot and an accomplice seize Manila International Airport's Terminal 2 control tower (the following day commandos storm the tower and kill both).
<b>2004</b>	<b>February 10</b>	Formal peace talks between the Philippine government and the communist National Democratic Front of the Philippines (NDF) are restarted in Oslo, mediated by the government of Norway.
	<b>February 27</b>	An explosion occurs on a passenger vessel in Manila Bay.
	<b>May 10</b>	Presidential elections are held (President Arroyo is elected president and Noli de Castro is elected vice president).
	<b>June 30</b>	President Arroyo is inaugurated, with then Foreign Minister Kawaguchi in attendance.
	<b>July 7</b>	Filipino truck driver Angelo de la Cruz is taken hostage by an armed group in Iraq; the group demands that the Philippines withdraw its troops.
	<b>July 20</b>	The Philippines completes the withdrawal of its troops from Iraq.
	<b>August 12</b>	Philippine communist forces unilaterally suspend formal peace talks with the government.
	<b>August 23</b>	President Arroyo declares a fiscal crisis in the Philippines.
	<b>November 29</b>	Prime Minister Koizumi holds talks with President Arroyo at the ASEAN+3 Summit Meeting in Laos; they reach a broad agreement on an EPA.
	<b>December</b>	A series of tropical cyclones and typhoons strikes the Luzon region; over 1,400 people are dead or missing.
	<b>December 13</b>	A public market in the city of General Santos is bombed.

45. The "consolidation phase" is a stage devoted to consolidating nation building in Timor-Leste and keeping it on track through support for peacekeeping and other efforts by UNMISSET and the international community.

in response to an official invitation from the president of Japan's House of Councillors.

In February, Japan and the Philippines began negotiations on concluding an EPA. At summit talks in November the leaders of the two countries reached agreements in principle on major elements of the Agreement in areas including trade in goods and services, investment, movement of natural persons, and cooperation.

Relations between the Philippines and the US temporarily deteriorated as a result of the withdrawal of Philippine humanitarian relief teams from Iraq following the kidnapping of a Philippine truck driver there in July.

### **Brunei**

Brunei celebrated the twentieth anniversary of its independence in 2004. Ornate ceremonies were held to commemorate the milestone on Brunei's National Day in February. In the political sphere, the Legislative Council, disbanded when Brunei achieved independence in 1984, was convened in September. In the economic sphere, Brunei has so far launched projects to develop downstream industries related to natural gas and petroleum in an effort to diversify its economy, and some projects have begun to take shape. For example, businesses eligible to participate were identified. In May Japan's embassy in Brunei hosted a celebration to mark the twentieth anniversary of the establishment of diplomatic relations between Japan and Brunei. Mr. Watanabe Kozo, president of the Japan-Brunei Parliamentarians' League for Promotion of Friendship, visited Brunei to attend the ceremony and held talks with the sultan and other royal family members. His Imperial Highness Crown Prince Naruhito attended the wedding of His Royal Highness Crown Prince Haji Al-Muhtadee Billah of Brunei in September. His Royal Highness Prince Mohamed Bolkiah, Brunei's Minister of Foreign Affairs, made an unofficial visit to Japan in December, holding talks with Minister for Foreign Affairs Machimura Nobutaka to strengthen bilateral relations.

### **Viet Nam**

Viet Nam has attracted attention in recent years for its efforts to assume a greater role in the international community. In October 2004, for example, it hosted the fifth

ASEM Summit Meeting (ASEM 5), and it is scheduled to host the APEC Economic Leaders' Meeting in 2006. Government officials from Japan and Viet Nam have frequently exchanged visits. Viet Nam's Prime Minister Phan Van Khai visited Japan in June 2004; then Foreign Minister Kawaguchi visited Viet Nam in July; Prime Minister Koizumi attended the aforementioned ASEM 5 summit meeting in October; and Foreign Minister Machimura has visited Viet Nam as well. During the visit of then Foreign Minister Kawaguchi to Viet Nam, she and Vietnamese Foreign Minister Nguyen Dy Nien signed the "Japan-Viet Nam Foreign Ministers' Joint Statement Toward a Higher Sphere of Enduring Partnership,"<sup>46</sup> a declaration concerning the current state and future of the bilateral relationship. Viet Nam's economy has continued to grow at a rate exceeding 7%, attracting increasing investment from various countries. Japanese investment in Viet Nam has doubled, and the Japan-Viet Nam Investment Agreement, which took effect in December 2004, is expected to further improve Viet Nam's environment for investment.

### **Malaysia**

In March 2004 Malaysia held its first election since Prime Minister Abdullah Ahmad Badawi took office. The ruling Barisan Nasional (BN) coalition scored an overwhelming victory, winning 90% of the seats in the lower house of Malaysia's national assembly. Having secured a popular mandate, Prime Minister Abdullah promptly reshuffled his cabinet and streamlined government ministries and agencies. He continued to run the government in a sound manner, giving priority to efforts to strengthen countermeasures against corruption, achieve greater transparency in administration, and promote agricultural development, while maintaining favorable economic conditions. Malaysia has been active in the diplomatic sphere, especially in its role as chair of the Organization of the Islamic Conference (OIC). While Malaysia criticized the actions taken by American and European countries in dealing with the situation in Iraq and the Palestinian situation, it also asserted the need for Islamic societies to modernize, citing Malaysia's own experience. Prime Minister Abdullah visited Japan in June for talks with Prime Minister Koizumi. Japan and Malaysia began negotiations on an EPA in January; six rounds of talks were held by November.

46. The statement confirms the two countries' intention to advance bilateral relations in the future, based on three decades of diplomatic relations. It calls for close cooperation to improve the dialogue between the two countries; promote mutual trade and investment; support Viet Nam's membership in the WTO; exchange personnel in an effort to cultivate human resources in the areas of tourism and Japanese-language education; promote development in the Mekong region; and promote international and regional cooperation on disarmament and non-proliferation of weapons of mass destruction (WMD).



## Myanmar

The government of Myanmar has made a certain amount of movement toward democratization. In January 2004 the government began peace negotiations with the Karen National Union (KNU), Myanmar's largest armed ethnic minority opposition group. In May the government convened the National Convention, a representative assembly, for the first time in eight years (the convention adjourned in July and was scheduled to reconvene in February 2005).

Prime Minister General Khin Nyunt was removed from office in October 2004. He was replaced by State

Peace and Development Council (SPDC) Secretary-1 Lt-General Soe Win. Despite the change of leadership, the Myanmar government announced on a variety of occasions that it had no intention to change its domestic or diplomatic policies and that it would continue to promote a process of democratization based on a seven-step "roadmap" designed to lead to greater democracy. In November the government started to issue a series of statements announcing the release of prisoners, including some accused of political crimes. (A total of 14,318 people had been released as of the end of December.)

### Chronology of Major Events in Myanmar

1988 September	A nationwide pro-democracy movement emerges, with Daw Aung San Suu Kyi as its leader. The country's armed forces suppress demonstrations, seize power, and establish the State Law and Order Restoration Council (SLORC). Daw Aung San Suu Kyi forms the National League for Democracy (NLD).
1989 March June July	The government formally abandons the "Burmese Way to Socialism" for a market-driven economy. The name of the country is changed from "Union of Burma" to "Union of Myanmar." Daw Aung San Suu Kyi is placed under house arrest.
1990 May	NLD wins general elections by a landslide, securing roughly 80% of the seats in the national assembly.
1993 January	National Convention is held.
1995 November	NLD boycotts the National Convention; SLORC removes NLD's name from the convention roster.
1996 March	National Convention adjourns.
1997 July November	Myanmar joins ASEAN. SLORC is disbanded; State Peace and Development Council (SPDC) is established.
2000 September	Restrictions are imposed on Daw Aung San Suu Kyi's movements at her home.
2002 May	Restrictions on Daw Aung San Suu Kyi's movements at her home are lifted.
2003 May June July	Daw Aung San Suu Kyi and other NLD members are taken into custody while campaigning in the countryside. Council of the European Union decides to strengthen its sanctions against Myanmar. US enacts the Burmese Freedom and Democracy Act of 2003 to impose sanctions on Burma (the law is subject to annual renewal).
August September October December	Prime Minister General Khin Nyunt announces a seven-step "roadmap" for democratization in Myanmar. Daw Aung San Suu Kyi, who had been held in government custody, is returned to her home under house arrest. Prime Minister Koizumi holds talks with Prime Minister General Khin Nyunt at the ASEAN+3 Summit Meeting. At the Japan-ASEAN Commemorative Summit in Tokyo, then Foreign Minister Kawaguchi meets with Foreign Minister U Win Aung, and Prime Minister Koizumi meets with Prime Minister General Khin Nyunt.
2004 January May 17–July 9	The Myanmar government and the Karen National Union (KNU) begin peace negotiations. The National Convention meets for the first time in eight years (the next meeting is scheduled for February 2005).
September 18	Some cabinet members, including Foreign Minister U Win Aung, are removed from office in a government shakeup.
October 8–9	Myanmar is approved for ASEM membership at the ASEM Summit in Hanoi, where Foreign Minister Machimura meets with Foreign Minister U Nyan Win.
October 19	SPDC Secretary-1 Lt-General Soe Win assumes the post of prime minister upon Prime Minister Khin Nyunt's dismissal; SPDC Secretary-2 Lt-General Thein Sein is appointed to the post of Secretary-1.
November 5	Home Affairs Minister Colonel Tin Hlaing and Labor Minister Tin Winn, who was also a minister in the Prime Minister's Office, are among six cabinet members dismissed in a government shakeup.
November 18	The government announces its decision to release 3,937 prisoners, including some accused of political crimes (a series of similar announcements follows; by the end of December the government has announced the release of 14,318 prisoners).
November 27	Citing the Law Safeguarding the State from the Dangers of Subversive Elements, the government extends the house arrest of Daw Aung San Suu Kyi by one year. Foreign Minister Machimura holds talks with Foreign Minister U Nyan Win at the ASEAN Foreign Ministers' Meeting in Laos and calls for progress in the democratization process, with all the people concerned permitted to take part.
November 29–30	At the ASEAN+3 Summit Meeting in Laos, Prime Minister Koizumi informs Prime Minister Lt-General Soe Win that Japan awaits democratization efforts by Myanmar.

For all the strong pressure on the Myanmar government from the UN and the rest of the international community, Daw Aung San Suu Kyi, who has been detained since May 2003 and under house arrest since September 2003, has not yet been freed. Nor has the National League for Democracy (NLD), the group she represents, been permitted to take part in the National Convention.

Japan believes that democratization in Myanmar should not be delayed by the recent change in leadership and has been calling for concrete progress in the democratization process with all parties concerned, including Daw Aung San Suu Kyi, taking part. Japan actively encouraged the Myanmar government to take appropriate action in talks between the two countries' foreign ministers at the ASEM Summit Meeting in October and at the Japan-ASEAN Foreign Ministers' Meeting in November, as well as in summit talks held at the ASEAN+3 Summit Meeting in November.

**Laos**

An outbreak of bird flu was confirmed in Vientiane in January 2004. In response, Japan provided bilateral technical cooperation, providing supplies needed for emergency measures and dispatching experts. Japan also provided assistance through a joint project undertaken in cooperation with the UN Food and Agriculture Organization (FAO). In June, based on the agreement of the member states, the Mekong River Commission Secretariat was moved from Phnom Penh to Vientiane; the commission thus became the first regional or international organization with a secretariat located in Laos. Laos has chaired ASEAN since July and hosted a suc-



*Japan's Parliamentary Secretary for Foreign Affairs Arai Shogo (far left), Lao Prime Minister Boungnang Volachit (second from left), and Thai Prime Minister Thaksin Shinawatra (front row, second from right) at a groundbreaking ceremony for the Second Mekong International Bridge in March.*

cessful ASEAN+3 Summit Meeting in November. In October, Laos received formal approval to join ASEM. As for relations with Japan, Deputy Prime Minister Thongloun Sisoulith of Laos visited Japan in January. In March Japan's Parliamentary Secretary for Foreign Affairs Arai Shogo attended the groundbreaking ceremony in Laos's southern province of Savannakhet for the Second Mekong International Bridge, and its construction was financed with yen loans. The ASEAN+3 Summit Meeting provided an opportunity for summit talks between Japan and Laos and between Japan and Cambodia, Laos, and Viet Nam (CLV), as well as talks between the foreign ministers of Japan and Laos. Prime Minister Koizumi informed Lao Prime Minister Boungnang Volachit that Japan would provide a yen loan for Laos's Greater Mekong Power Network Development Project.

**4 South Asia**

**(a) Overview**

In South Asia, momentum toward improved relations between India and Pakistan was sustained in 2004, and greater regional stability was attained. Against the background of the high-paced economic growth of recent years, the prevailing trend favored stability. In January India and Pakistan held their first summit talks in about two-and-a-half years and agreed to resume their dialogue in earnest. In the security realm, however, destabilizing factors were still apparent, including both countries' continuing missile development programs.

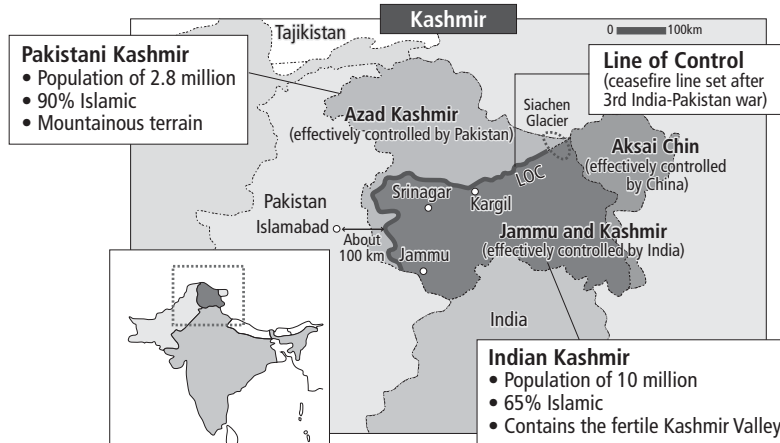
In Sri Lanka, although the ceasefire was maintained for the most part, the government and the Liberation

Tigers of Tamil Eelam (LTTE) continued to hold conflicting views, and there was still no prospect of a resumption of peace talks. In light of this and other factors, there is a strong need for Japan and the rest of the international community to continue to exert pressure to secure peace and stability in South Asia.

**(b) India-Pakistan Relations**

Momentum toward improved relations between India and Pakistan was sustained in 2004. Prime Minister Atal Bihari Vajpayee of India and President Pervez Musharraf of Pakistan held summit talks for the first time in about two-and-a-half years on the occasion of the South Asian Association for Regional Cooperation

India-Pakistan Relations



Pakistan	Point of contention	India
Integration of areas in which many Muslims live (establishment of an Islamic state).	<b>Basic principles for establishing state</b>	Multireligious, multiethnic integration, based on secularism.
Settle through referendum of Kashmir residents (lately Pakistan has not adhered to this point). Need for international community involvement.	<b>Method for resolving the issue</b>	The two countries should decide the issue based on the Shimla Pact, which followed the 3rd India-Pakistan war.
Current situation (Line of Control) changing.	<b>Border</b>	No acknowledgment of a change in the current situation (Line of Control).
Denies Pakistani involvement in cross-border terrorism.	<b>Perception of terrorism</b>	Criticism of Pakistani involvement in cross-border terrorism.

Chronology of India-Pakistan Relations

<b>1947 August</b>	India and Pakistan are partitioned and win independence from the United Kingdom (UK). Maharaja Hari Singh, the Hindu ruler of Kashmir, decides that the Kashmir region belongs to India, although a majority of the residents are Muslims.
<b>1949</b>	1st India-Pakistan war breaks out.
<b>1965 September</b>	The two countries agree on a ceasefire mediated by the UN.
<b>1971 December</b>	2nd India-Pakistan war breaks out.
<b>1998 May</b>	3rd India-Pakistan war breaks out.
<b>1999 February</b>	Both India and Pakistan carry out nuclear tests.
<b>May</b>	India and Pakistan hold summit talks in Lahore, Pakistan.
<b>October</b>	Fighting breaks out in the Kargil district near the Line of Control between Indian army troops and an armed force that invaded Indian Kashmir from across the Line of Control.
<b>2001 July</b>	Pakistani Chief of Army Staff General Pervez Musharraf seizes control of Pakistan's armed forces in a military coup.
<b>December</b>	Musharraf, now president of Pakistan, visits India for summit talks with Indian Prime Minister Vajpayee in Agra.
<b>2002 May</b>	Armed men attack the Indian parliament.
<b>October</b>	Armed men attack an Indian army camp in Kashmir.
<b>2003 April</b>	Indian and Pakistani forces that had been deployed along the Line of Control are withdrawn.
<b>July</b>	Prime Minister Vajpayee delivers a speech in Srinagar in Indian Kashmir proposing a resumption of dialogue between India and Pakistan.
<b>November</b>	India and Pakistan exchange ambassadors; bus service between the two countries resumes.
<b>December</b>	India and Pakistan agree to a ceasefire along the Kashmir Line of Control.
<b>2004 January</b>	India and Pakistan agree to resume air and railway service between the two countries.
<b>May</b>	The leaders of India and Pakistan hold summit talks at the opening of the South Asian Association for Regional Cooperation (SAARC) Summit.
<b>June–August</b>	Following elections for the lower house of India's parliament, a new government is formed under Manmohan Singh.
<b>September</b>	Discussions addressing eight issues are held between India and Pakistan at the vice-ministerial level (the process is called the Composite Dialogue). India and Pakistan hold foreign ministers' talks and summit talks on the occasion of the UN General Assembly.

(SAARC) Summit Meeting in January. They agreed to resume the dialogue between the two countries from February. After elections for the lower house of India's parliament (the House of the People) resulted in the formation of a new government under Prime Minister Manmohan Singh, the leaders of the two countries quickly conferred by telephone to confirm that the dialogue would continue.

From June to August, a number of discussions (collectively termed the Composite Dialogue) addressing eight issues were held between India and Pakistan at the vice-ministerial level. In September Indian Minister of External Affairs Natwar Singh and Pakistani Minister for Foreign Affairs Khurshid M. Kasuri held talks to consider the progress of the Composite Dialogue. In summit talks between Prime Minister Singh and President Musharraf during the United Nations (UN) General Assembly in New York, the two leaders confirmed that they would continue to work to improve relations between their countries. The vice foreign ministers of India and Pakistan met in December for an overall review of progress made in the ongoing dialogue. They agreed to hold the next session of the Composite Dialogue, as well as meetings of experts, during the first half of 2005.

### (c) The Situation in India and Japanese Diplomacy

From April to May general elections were held for the lower house of India's parliament. Contrary to all expectations, the opposition Congress Party staged a comeback and emerged as the victor, supplanting the ruling party. The Indian National Congress and its allies in the election secured a majority, and a new government was formed under Prime Minister Manmohan Singh.

Since India's economic liberalization, which began in 1991, the country's gross domestic product (GDP)



Minister of External Affairs of India Singh and then Foreign Minister Kawaguchi meet in August.

has grown vigorously, increasing by more than 6% a year on average. In 2004 India continued to strengthen its economic relations with its neighbors as well as the countries of Asia, North America, and Europe, and play a more prominent role in the international community. India concluded an agreement establishing a framework for comprehensive economic cooperation with the Association of Southeast Asian Nations (ASEAN), thereby taking its economic partnership with ASEAN to a deeper level. At the India-ASEAN Summit Meeting in November, the two sides signed a document entitled the "India-ASEAN Partnership for Peace, Progress and Shared Prosperity" and agreed to work to achieve a multifaceted cooperative relationship.

Japan has devoted increasing attention to India. In August then Minister for Foreign Affairs Kawaguchi Yoriko, Minister of State in Charge of Information Technology Motegi Toshimitsu, and Minister of Economy, Trade and Industry Nakagawa Shoichi all visited India. Prime Minister Koizumi Junichiro and Indian Prime Minister Singh held summit talks on the occasion of the ASEAN+3 Summit in November. The two leaders agreed to establish a "Japan-India Joint Study Group" to hold a comprehensive discussion of ways to strengthen economic relations between the two countries. They also asserted their intention to cooperate to enable Japan and India to fulfill the responsibility of ensuring peace, stability, and prosperity in the world, and especially in Asia.

### (d) The Situation in Pakistan and Japanese Diplomacy

Pakistan has taken roughly 600 Al-Qaeda members into custody by conducting search-and-destroy missions in areas along its border with Afghanistan, among other means. Pakistan has also made efforts to cooperate with the international community in fighting terrorism, such as by dispatching vessels to Operation Enduring Freedom—Maritime Interception Operations (OEF-MIO) in the Indian Ocean. Japan values these efforts by Pakistan. Japan concluded an exchange of notes with Pakistan in July 2004 and began deploying Maritime Self-Defense Force (MSDF) vessels to provide fuel oil to Pakistani vessels, as permitted under the Anti-Terrorism Special Measures Law.

President Musharraf, together with Prime Minister Shaukat Aziz, who took office in August 2004, has continued to pursue a number of domestic reforms. As a result of these efforts, a favorable macroeconomic climate has been sustained. According to the government, the Pakistani economy grew at a rate of 6.4% in fiscal



*Foreign Minister of Pakistan Kasuri and then Foreign Minister Kawaguchi meet in August.*

2003–2004. Japan values Pakistan’s efforts to implement reforms and supports its stable progress as a “moderate and modern Islamic state.” President Musharraf announced in December that he will continue to hold the office of Chief of Army Staff under a new law passed in 2004 that enables the president to hold dual roles.

Japan and Pakistan have actively held meetings and exchanged visits by government officials. The two countries held high-level economic talks in February 2004 and foreign ministerial talks on the occasion of the Asia Cooperation Dialogue (ACD) meeting in June. Pakistan’s National Assembly Speaker Chaudhry Amir Hussain visited Japan in August. Then Foreign Minister Kawaguchi visited Pakistan the same month and announced that Japan would begin considering a resumption of yen loans to Pakistan. In October the two countries held political consultations at the vice foreign ministerial level, and in December Parliamentary Secretary for Foreign Affairs Fukushima Keishiro visited Pakistan.

Through these visits and discussions, Japan and Pakistan have achieved a deeper mutual understanding, and the bilateral relationship has become closer through Japan’s economic assistance and cooperation in the fight against terrorism.

### **(e) The Situation in Sri Lanka and Japanese Diplomacy**

In Sri Lanka, with last year’s standoff between President Chandrika Bardaranaike Kumaratunga and Prime Minister Ranil Wickramasinghe continuing, President Kumaratunga dissolved the parliament in February. General elections were held in April, resulting in a victory for the United People’s Freedom Alliance (UPFA), a coalition led by President Kumaratunga. This brought

an end to the “politically twisted” previous government, in which the president and prime minister belonged to different parties. Nevertheless, the peace process in Sri Lanka did not advance. Due to the conflicting views within the UPFA government, confusion within the ranks of the LTTE, and distrust on both sides, there was still no prospect of a resumption of peace talks.

Japan has sought to contribute to the “consolidation of peace” in Sri Lanka through visits by Japanese officials, including Representative of the Government of Japan Akashi Yasushi and then Foreign Minister Kawaguchi, and by hosting peace talks in March 2003 as well as the Tokyo Conference on Reconstruction and Development of Sri Lanka in June. In these and other ways, Japan has actively supported the peace process in Sri Lanka. Japan has continued to persistently promote peace by dispatching teams of election monitors to observe the general elections in April; by hosting meetings of the four co-chairs of the Tokyo Conference on Reconstruction and Development of Sri Lanka in February and June in an effort to produce a breakthrough in the current impasse on restarting peace negotiations; and by sending Japanese Government Representative Akashi to visit Sri Lanka immediately after the April elections to exchange views with the parties involved.

### **(f) Nepal, Bangladesh, and Bhutan and Japanese Diplomacy**

In June 2004 Nepal’s King Gyanendra reappointed Nepali Congress Party leader Sher Bahadur Deuba, whom he had dismissed as prime minister in 2002, to the post of prime minister, charging him with the tasks of achieving peace with Nepal’s Maoists and holding general elections by the middle of 2005. Amid a continuing lack of success on both fronts, however, the king dismissed Prime Minister Deuba’s government on Febru-



*Sri Lankan Prime Minister Mahinda Rajapakse meets with Parliamentary Secretary for Foreign Affairs Fukushima in December.*



ary 1, 2005, and appointed a new cabinet chaired by himself. The king also declared a state of emergency, suspending rights and freedoms granted by Nepal's constitution and detaining political party officials and others or placing them under house arrest. Japan has urged Nepal to restore democracy and supports peace through dialogue with the Maoists.

In June 2004 Japan and Bangladesh held their second round of high-level talks in Tokyo, the first such meeting in eight years. The participants took part in a

wide-ranging exchange of views on the international situation, bilateral relations between the two countries, and other topics. In July, after massive flooding produced by torrential rains created havoc in Bangladesh, Japan provided a total of US\$6.2 million in assistance, including emergency relief supplies and emergency grant assistance. Meanwhile, Bangladesh is expected to chair the SAARC in 2005.

In December 2004 Bhutan established the Honorary Consulate of the Kingdom of Bhutan in Tokyo.

## 5 Oceania (Including the Japan–Pacific Islands Forum)

### (a) Overview

The Oceania region, with which Japan shares the Pacific Ocean, includes two developed countries, Australia and New Zealand, as well as the Pacific Island countries (12 countries, such as Fiji and Papua New Guinea, and two regions).

Japan regards Australia and New Zealand as highly important countries with which it shares the fundamental values of democracy, human rights, and free trade.

Many of the Pacific Island countries have friendly relations with Japan based on historical relationships and human exchanges since the prewar period. Many also largely share Japan's approach to tackling various challenges that the international community faces. The Pacific Island countries are not only important suppliers of marine resources but also located in sea lanes used for Japan's resource imports. These island countries, with small populations and little territory, are widely scattered over the vast waters of the region, which places them at a disadvantage in terms of economic development. Many of these countries also face political instability or difficulty in governance. Japan has continuously offered practical cooperation, working together with them as their neighbor in the Pacific to tackle these challenges. This has included hosting the Japan–Pacific Islands Forum (PIF) Summit every three years starting in 1997.

### (b) Australia

Japan and Australia share basic values, including freedom, democracy, and the market economy. As allies of the United States (US) and as developed countries situated in the Asia-Pacific region, Japan and Australia also

share a strong common awareness of the region's political and security issues. On the issue of security, the two countries have engaged in dialogue on a number of levels in recent years and have closely cooperated on counter-terrorism measures, nuclear nonproliferation, and transnational problems in East Asia. In the economic sphere, Australia is a major supplier of food and resources to Japan and an important trading partner. Recognizing this economic relationship, the two governments conducted under the Australia-Japan Trade and Economic Framework concluded in July 2003 a joint study which examined the advantages and disadvantages of liberalizing mutual trade and investment. The year 2006 is designated the Japan-Australia Year of Exchange,<sup>47</sup> which is expected to provide opportunities



Prime Minister Koizumi Junichiro meets with Australian Prime Minister John Howard at the ASEAN+3 Summit in November. (Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

47. During Australian Prime Minister Howard's visit to Japan in July 2003, the leaders of the two countries agreed to the designation to commemorate the 30th anniversary of the signing of the Basic Treaty of Friendship and Co-operation between Japan and Australia.



to promote greater friendship and mutual understanding between Japan and Australia.

Regarding domestic affairs, the Howard administration won a convincing victory at the general election held in October 2004, supported by its steady policy management and a favorable economic climate. As of December 2004, the Howard administration had served the second longest term of any government in Australia's history.

In November 2004 Parliamentary Secretary for Foreign Affairs Fukushima traveled to Australia to attend the Asia-Pacific Nuclear Safeguards and Security Conference.<sup>48</sup> During his visit he met with Australian Minister for Foreign Affairs Alexander Downer, and exchanged views on counter-terrorism measures, bilateral relations, and other matters.

### (c) New Zealand

Prime Minister Helen Clark formed in her second term a minority coalition government of her own Labour Party and the Progressive Coalition Party after her party's victory in the general election in July 2002, and had maintained approval ratings around 50% against the background of a favorable economic climate. In January 2004, however, the public reacted favorably to an announcement by the National Party, New Zealand's leading opposition party, of a proposal to re-examine current preferential treatments for Maori, the country's indigenous people. The Labour Party and the National Party subsequently had closely matched approval ratings. In the economic sphere, New Zealand's economic growth rate has been among the highest of any developed country since the latter half of 2001; real GDP growth for fiscal 2003–2004 was 4.4%.

Japan and New Zealand enjoy friendly relations. In May New Zealand Minister of Foreign Affairs and Trade Phil Goff visited Japan to discuss bilateral relations and ways to strengthen regional cooperation.

### (d) Pacific Island Countries

In 2004, general elections were held in Palau in November and in Nauru in October; Vanuatu held a general election in July and a presidential election in August. Vanuatu's general election resulted in the formation of a cabinet under Prime Minister Rialuth Serge Vohor, but the government met with domestic opposition when the



*Senior Vice-Foreign Minister Abe attends the 16th PIF Post-Forum Dialogue in August.*

prime minister sought to establish diplomatic relations with Taiwan on his own authority. A no-confidence motion against the cabinet was passed in December, and a new cabinet was inaugurated under Prime Minister Ham Lini. There are five Pacific Island countries that currently have diplomatic relations with Taiwan: Kiribati, the Marshall Islands, Palau, the Solomon Islands, and Tuvalu.

In July 2003 ethnic conflicts in the Solomon Islands led to a serious breakdown of public order and security. At the request of the government of the Solomon Islands, Australia and the other PIF member states dispatched the Regional Assistance Mission to Solomon Islands (RAMSI), which is contributing greatly to the restoration of public order. Japan is cooperating with Australia, New Zealand, and other donor countries and providing various assistance to support recovery in the Solomon Islands.

In Fiji, the Supreme Court declared in July 2003 that the cabinet formed under Prime Minister Laisenia Qarase following democratic elections in 2001 was violating a constitutional requirement that Fiji's cabinet include representatives from major opposition parties. The number of cabinet positions at issue remained in dispute following the decision, but in November the matter was resolved when the Fiji Labour Party, the largest opposition party, declined to participate in the cabinet. Meanwhile, Micronesia and the Marshall Islands agreed to revisions of the Compacts of Free Association with the US.<sup>49</sup> In June Tuvalu became the third country in the region to join the International Whaling Commission (IWC), after Palau and the Solomon Islands.

48. A conference sponsored by the Australian government, devoted to achieving a shared awareness of the threat of nuclear terrorism among countries in the Asia-Pacific region and securing commitments to raise standards for ensuring the safety and security of nuclear-related materials, in the light of the increasing risk that nuclear or radioactive materials could fall into the hands of terrorists.

49. The Compact states that the US has authority and bears responsibility for security and defense and will provide funding and economic support. Funding and economic support will be provided for a 20-year term, from October 2003 until 2023.

Japan has been steadily implementing the Regional Development Strategy and Joint Action Plan for a More Prosperous and Safer Pacific (the Okinawa Initiative) adopted at the 3rd Japan-PIF Summit Meeting<sup>50</sup> held in Okinawa in May 2003. Senior Vice-Minister for Foreign

Affairs Abe attended the PIF Post-Forum Dialogue held in Samoa in August 2004. He explained the state of implementation of the Okinawa Initiative, for which PIF leaders expressed their gratitude.

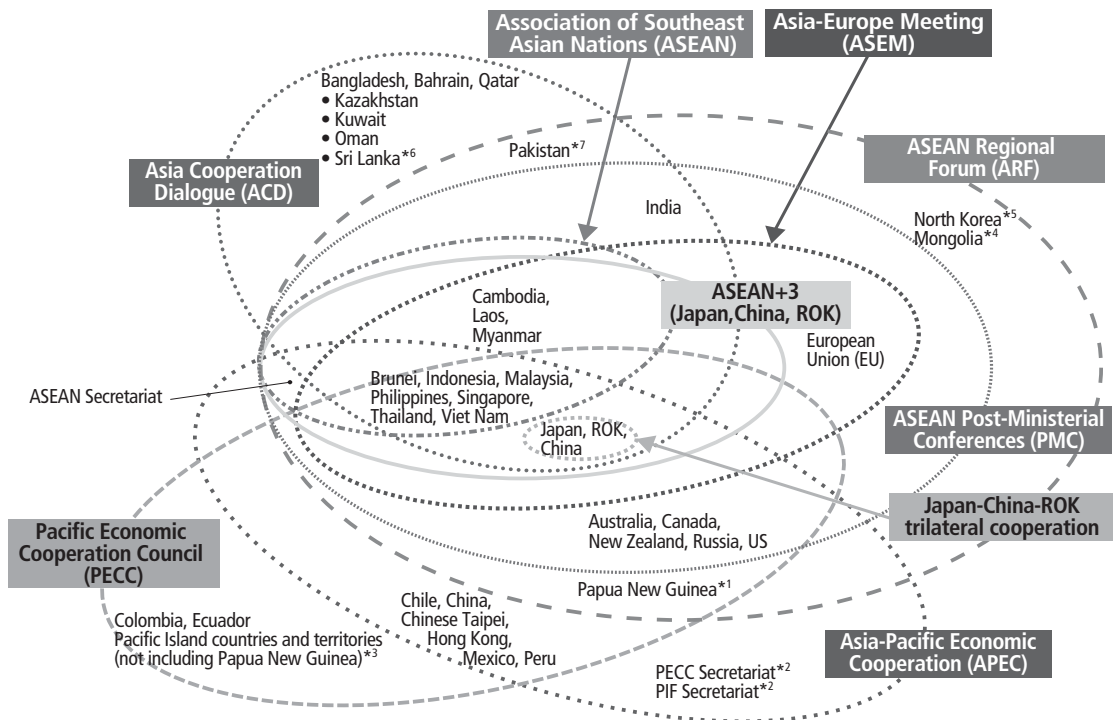
## 6 Regional and Interregional Cooperation

### (a) Overview

In the Asia-Pacific region, particularly in East Asia, interdependent relationships have rapidly been deepening, and functional cooperation has advanced in various

forms around a core of Association of Southeast Asian Nations (ASEAN)+3, with a prospect of creating a regional community in the future (see the section on ASEAN+3). Cooperation on transnational issues, including terrorism, human trafficking, and piracy, has ex-

### International Frameworks in the Asia-Pacific Region



- \*1 Represented at the ASEAN Ministerial Meeting (AMM) as an observer.
- \*2 Included as an observer.
- \*3 Pacific Island countries and territories (the following, together with Australia and New Zealand, make up the Pacific Islands Forum, or PIF): Papua New Guinea, Fiji, Samoa, Solomon Islands, Vanuatu, Tonga, Nauru, Kiribati, Tuvalu, Micronesia, Marshall Islands, Palau, the Cook Islands, and Niue; the latter two are regions.
- \*4 Mongolia's participation in the ARF was approved at the 5th ARF Ministerial Meeting in July 1998.
- \*5 North Korea has participated in the ARF since the 7th ARF Ministerial Meeting in July 2000.
- \*6 Those marked with • have participated since the 2nd Conference in fiscal 2003.
- \*7 Pakistan has participated in the ARF since July 2004.

ASEAN : Association of Southeast Asian Nations  
 ASEAN PMC : ASEAN Post-Ministerial Conferences  
 ARF : ASEAN Regional Forum  
 APEC : Asia-Pacific Economic Cooperation  
 PECC : Pacific Economic Cooperation Council  
 PIF : Pacific Islands Forum  
 ACD : Asia Cooperation Dialogue

50. With the participation of the leaders of the 16 PIF member countries and regions (Nauru did not attend), Prime Minister Koizumi and Prime Minister Qarase of Fiji acted as co-chairs. The leaders discussed five priority fields: security, environment, education and human resources development, health and sanitation, and trade and economic growth. They adopted the Regional Development Strategy and Joint Action Plan for a More Prosperous and Safer Pacific (the Okinawa Initiative) in order to achieve the "sustainable development" of the Pacific Islands region. This initiative emphasizes that Japan will provide continuous concrete cooperation while respecting the ownership of the Pacific Island countries.

panded, involving countries outside ASEAN+3, such as India, Australia, and New Zealand. Intra-regional cooperation, for example, trilateral cooperation among Japan, the People's Republic of China, and the Republic of Korea (ROK), has also been deepening.

The deepening of these forms of intra-regional cooperation within Asia provides a foundation for sharing common values and is desirable from the standpoint of security. Such cooperation in East Asia has to be opened, which is an important factor for the region's future progress. Based on that principle, Japan has actively promoted regional cooperation in East Asia.

Apart from this, Japan has also been vigorously pursuing inter-regional cooperation through frameworks such as the Asia-Pacific Economic Cooperation (APEC), the Asia-Europe Meeting (ASEM), and the Asia Cooperation Dialogue (ACD).<sup>51</sup>

### **(b) ASEAN+3 (including the East Asia Summit)**

Various forms of interaction in East Asia have expanded and deepened markedly in recent years. For example, while a framework for Free Trade Agreements (FTAs) has yet to be completed, the intra-regional share of trade has already surpassed the North American Free Trade Agreement (NAFTA) level of 44.5% (as of 2002, among Japan, China, the ROK, the newly industrialized economies [NIEs], and the ASEAN member states, the share was 53.3%).<sup>52</sup> Prompted by the Asian currency and financial crisis as well as the terrorist attacks in the United States (US), ASEAN+3 (China, Japan, and the ROK), inaugurated in 1997, realized keenly the importance of regional cooperation, and as the central force for promoting regional cooperation in East Asia it has now grown to encompass 48 frameworks in 17 fields ranging from trade, investment, and finance to tourism and transnational crime. Regional cooperation steadily progressed in various forms in 2004, with a view to cre-

ating an East Asian community (EAc) in the future. The decision to convene an East Asia Summit meeting offers another example of this.

The establishment of an EAc was discussed intensively at the ASEAN+3 Foreign Ministers' Meeting in Jakarta in July 2004. Then Minister for Foreign Affairs Kawaguchi Yoriko listed a number of points that are essential for the creation of an EAc: promoting further various forms of functional cooperation, ensuring ASEAN's key role, narrowing developmental gaps within the ASEAN region, sharing common values and principles among East Asian countries, maintaining close relations with partners outside the ASEAN+3 framework important for regional cooperation, and ensuring the involvement of the US. As for a set of papers<sup>53</sup> containing points for discussion concerning an EAc, functional cooperation, and an East Asia Summit, which Japan had submitted prior to the meeting, many countries welcomed the papers as a vehicle for eliciting subsequent discussion and considered them highly useful.

The participants in the ASEAN Summit Meeting in Vientiane, Laos, in November agreed to convene an East Asia Summit meeting in Malaysia in 2005. At the ASEAN+3 Summit Meeting held immediately afterward, the leaders of Japan, China, and the ROK supported this decision. Prime Minister Koizumi Junichiro and several other leaders, however, pointed out that the relationship between the East Asia Summit meeting and the ASEAN+3 Summit Meeting needs to be clarified. The leaders of the ASEAN+3 countries supported a proposal by Japan to hold an ASEAN+3 Foreign Ministers' Meeting in Kyoto in May 2005 to discuss the content and modality of the East Asia Summit meeting.

Japan expects that the East Asia Summit meeting in Malaysia will give impetus to further promotion of regional cooperation in East Asia in light of the prospect of establishing an EAc. To that end, Japan will thoroughly discuss both the content and modality of the

51. The ACD, established through a strong initiative by Prime Minister Thaksin Shinawatra of Thailand, aims at free and informal exchanges of opinions among government leaders from Asia, from East Asia to the Middle East, with a view to giving Asia a greater voice in the world by bringing out the potential capabilities of Asian countries and making the region more competitive. (At present, 25 countries take part in the ACD.)

52. The NAFTA level refers to the ratio of all trade among the NAFTA countries (Canada, Mexico, and the US) to the total amount of trade that they conduct. East Asia's intra-regional share refers to the ratio of all trade among countries or regions in East Asia (China, Hong Kong, Japan, the ROK, and Taiwan) to the total amount of trade they carry on. Percentages were calculated by the Ministry of Foreign Affairs based on data taken from the International Monetary Fund's *Direction of Trade Statistics Yearbook* 2004.

53. Discussion Paper One, entitled "East Asian community," states that the formation of a regional community is a common goal for the whole region. The paper presents an analysis of background factors, explains the need to elaborate the basic goals for forming a community, and cites three approaches to forming a community (promoting functional cooperation, introducing systematic arrangements in the future, and cultivating a sense of community). It also explains the importance of securing the involvement of partners outside the ASEAN+3 framework as members of an EAc and the related importance of openness, transparency, and inclusivity, and discusses principles such as compatibility with global standards and systems. Discussion Paper Two, entitled "Functional Cooperation," points out that open, flexible, functional cooperation is the natural choice in the formation of an EAc and discusses the limitations of this approach. Discussion Paper Three, entitled "East Asia Summit," lists the basic goals of the summit meeting, the differences between the East Asia Summit meeting and the ASEAN+3 Summit Meeting, and organizational issues (such as locations and frequency of meetings and the chair system).

## What is an East Asian community?

Lately, the term "East Asian community" (or "EAc") has been frequently mentioned by government officials, in business and academic circles, and by think tanks. Discussion of an EAc has arisen in response to their awareness of its importance in the context of the rapidly increasing interaction within East Asia accompanying the region's remarkable economic growth. The discussion has also arisen in response to the progress of functional cooperation across a broad range of fields, thanks to the fact that people have gained the public recognition that the region as a whole must cooperate in order to deal with financial crises, terrorism, and other transnational issues.\*1

Which countries would be included in the EAc? What functions would it serve? Is the EAc envisioned as an integrated body just like the European Union (EU)? These are the very questions currently being addressed, in terms of the concept and the way of advancing it, by the officials and countries involved. ASEAN+3 (China, Japan, and the ROK) serves as the nucleus for these discussions.

Japan believes it is desirable to deepen the multi-layered collaboration facilitated by this sort of cooperative relationship in East Asia, the region to which Japan belongs, and basically welcomes the movement toward forming an EAc. The government of Japan will contribute to discussions aimed at theoretically setting out the role of an EAc and attach great importance to three points in a range of discussions: (1) In order to make intraregional integration more dynamic, in view of the diversity of East Asia, it is necessary to begin with accumulating examples of functional cooperation,\*2 not by establishing an institutional framework. (2) The formation of a community in East Asia should involve other partners outside the region around a core of ASEAN+3 and ensure inclusiveness, openness, and transparency, embracing the concept of "open-ended regionalism."\*3 And (3) this cooperation should be promoted in accordance with universal principles and values, including democracy, human rights, market economy, and the rules of the World Trade Organization (WTO).

\*1 The areas of functional cooperation under promotion include trade and investment, Information and Communications Technology (ICT), finance, transnational issues (including terrorism, the illicit drug trade, piracy, smuggling, and non-proliferation), development assistance, energy, environmental protection, the food supply, health, and intellectual property.

\*2 Institutional framework refers to the rules for forming the "community." In the case of the EU, these rules were set forth in the Treaty of Rome.

\*3 The reason why Japan stresses the importance of "open-ended regionalism" is based on the fact that East Asia is a uniquely diverse region in terms of varying levels of economic progress, traditional values, cultures, ethnic groups, religions, languages, and political systems; on the recognition that it is important to maintain transparency and collaborate with partners in other regions in the effort to achieve further development in this region; and on the fact that partners both within and outside the region will welcome this approach to forming a community in East Asia.

summit meeting before ASEAN+3 foreign ministers' meetings so that the East Asia Summit meeting lives up to its potential historical significance. In particular, Japan will endeavor to ensure that the fundamental character of "open-ended regional cooperation" is reflected in the modality of the summit meeting.

The leaders at the ASEAN+3 Summit Meeting also discussed measures to strengthen regional cooperation in East Asia and welcomed a decision by the ASEAN+3 Economic Ministers' Meeting to establish a group of experts to study the feasibility of creating an East Asia Free Trade Area (EAFTA).

### (c) Japan-China-ROK Trilateral Cooperation

Trilateral relations among Japan, China, and the ROK have greatly expanded, particularly in the economic sphere, as reflected in major increases in trade and exchanges of people among the three countries.<sup>54</sup> Cooperation at the summit level began with a breakfast meeting in 1999. At a summit meeting in 2003, the leaders of Japan, China, and the ROK issued the Joint Declaration on the Promotion of Tripartite Cooperation among Japan, the People's Republic of China, and the Republic of Korea,<sup>55</sup>

54. Trade among the three countries in 2003 was valued at approximately US\$221.1 billion (compared to approximately US\$174 billion between Japan and the US), and approximately 7.97 million people traveled among the three countries (compared to approximately 4.7 million between Japan and the US).



Minister for Foreign Affairs Machimura Nobutaka (center), Chinese Minister of Foreign Affairs Li Zhaoxing (right), and ROK Minister of Foreign Affairs and Trade Ban Ki Moon (left) prepare to enter the meeting of the Japan-China-ROK Three-Party Committee in November.

the first joint declaration by the three countries ever. In June 2004 then Foreign Minister Kawaguchi chaired a meeting of the Japan-China-ROK Three-Party Committee in Qingdao, China.<sup>56</sup> At the meeting, the three foreign ministers reviewed the progress of the Japan-China-ROK cooperation mandated by the joint declaration, agreed on delivering a report on its progress, and confirmed the importance of promoting relations further among the three countries and ASEAN. In November 2004 the leaders of the three countries held talks in Laos and issued the Action Strategy on Trilateral Cooperation among the People's Republic of China, Japan and the Republic of Korea, which outlined strategic directions for cooperation in the future in the various areas identified in the joint declaration, including holding government-level discussions on legal frameworks for investment among the three countries and inter-governmental talks aimed at creating a business-friendly environment, as well as pursuing a mechanism for discussions on safeguarding intellectual property rights. Cooperation has also progressed at many other levels, including in various ministerial meetings.

In light of the increasing economic interdependence and complementariness among these three countries, as illustrated by the fact that the gross domestic product (GDP) of the three countries together accounts for over 90% of the total volume of ASEAN+3, Japan

will continue to contribute to advancing cooperative relations, focusing on working-level cooperation.

#### (d) Asia-Pacific Economic Cooperation (APEC)

APEC, made up of 21 diverse members from the Asia-Pacific region, has been undertaking three main activities—the liberalization of trade and investment, facilitation of trade and investment, and promotion of economic and technical cooperation—in order to achieve sustainable development in the region. With “open regional cooperation” and “concerted self-disciplined action” as its fundamental principles, APEC has also been contributing to creating a sense of community and achieving unity in the Asia-Pacific region.

To ensure long-term development and stability for Japan's economy, it is extremely important to pursue deeper economic cooperation in the APEC region, which accounts for about 70% of Japan's trade volume and receives about 40% of Japan's direct investment, and to strengthen relations of trust with APEC members. In recent years, the annual APEC Economic Leaders' and Ministerial Meetings have provided a meaningful opportunity for frank exchanges of views among leaders and ministers, not only about economic affairs but also on matters of major concern to the international community, including security issues, such as counter-terrorism measures and the non-proliferation issue.

Chile served as the APEC chair in 2004, and the various related meetings were held in Chile. In September Japan hosted the APEC High Level Conference on Structural Reform in Tokyo, where participants exchanged views and information and shared experiences concerning structural reform efforts in the Asia-Pacific region. This was one of the initiatives presented at the 2003 APEC Economic Leaders' Meeting by Prime Minister Koizumi and endorsed by the other leaders, and it called for carrying out the pledge for structural reforms by APEC members. The “Leaders' Agenda to Implement Structural Reform” (LAISR), proposed by Japan in response to the results of the conference, was adopted at the APEC Economic Leaders' Meeting held in Santiago, Chile, in November.<sup>57</sup>

55. The joint declaration summarized the close collaboration among the three countries in various areas, which has progressed in recent years, expressed a clear statement of fundamental principles, and confirmed the status of Japan-China-ROK trilateral cooperation as “future-oriented” cooperation that is “open to the outside” to contribute to peace and stability in East Asia. The declaration also identified 14 areas for cooperation spanning the fields of economic activity, culture and human interaction, and government and security.

56. The Japan-China-ROK Three-Party Committee was established by the 2003 joint declaration primarily to carry out follow-up activities and present views to the three government leaders on trilateral cooperation.

57. The APEC Leaders' Agenda to Implement Structural Reform is a list of high-priority tasks for promoting structural reform activities in APEC. It includes such items as (1) identifying priority areas (regulatory reform, strengthening economic legal infrastructure, etc.); (2) establishing an institutional mechanism in APEC; (3) stimulating policy-oriented discussions; (4) enhancing each economy's domestic efforts; (5) promoting pioneering policies (such as Japan's designated structural reform special zones); and (6) fostering understanding of the benefits of structural reform through the sharing of experiences.





Leaders presenting themselves at the APEC Economic Leaders' Meeting in Santiago, Chile, in November. (Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

The leaders at the Santiago meeting expressed APEC's strong determination to make a success of the 6th WTO Ministerial Conference, to be held in Hong Kong in December 2005. They also endorsed the "APEC Best Practices for Regional Trade Agreements (RTAs) and FTAs,"<sup>58</sup> which were formulated in light of the prevailing trend of concluding FTAs by member economies. Furthermore, they agreed on several matters to which APEC should give priority in order to meet concretely the commitment, expressed by the leaders in the 2003 APEC Economic Leaders' Meeting, to address security issues, including the eradication of terrorism and the non-proliferation issue. Vigorous discussions on energy security and HIV/AIDS and other infectious diseases, in addition to terrorism and non-proliferation, were also held in response to the current conditions in and around the Asia-Pacific region.

### (e) Asia-Europe Meeting (ASEM)

ASEM was established in 1996 as a forum for dialogue and cooperation between Asia and Europe, whose relations had been more tenuous than those between North America and Asia or North America and Europe. Since its establishment ASEM has conducted a wide range of activities under its three pillars: (1) political, (2) economic, and (3) cultural, social and other areas.

In April 2004 the 6th ASEM Foreign Ministers' Meeting was held in Kildare, Ireland. In October the 5th Asia-Europe Meeting (ASEM 5) was convened in Hanoi, Viet Nam, where three Asian countries—Cambodia,

Laos, and Myanmar, ASEAN member states that had not yet joined ASEM—were approved as new ASEM members, and so were the 10 European countries that joined the EU in May 2004. Thus, ASEM has come to assume the character of a forum for dialogue and cooperation between two integrated regional bodies, ASEAN+3 and the EU.

Japan attaches great importance to ASEM, regarding it as an opportunity to complement existing global frameworks and regional cooperation frameworks and enhance Europe's concern for and involvement in Asia. ASEM also provides a forum in which Japan can play a valuable role in building bridges between Asia and Europe. Japan served as a Coordinator on the Asian side for approximately two years leading up to the conclusion of ASEM 5.<sup>59</sup> Japan contributed significantly to the success of ASEM 5, coordinating views on both sides regarding new membership for 13 countries including Myanmar; preparing an economic declaration calling for stronger economic cooperation between Europe and Asia; and proposing to deepen consideration of ASEM's future role.

Japan is going to host the 7th ASEM Foreign Ministers' Meeting in Kyoto on May 6 and 7, 2005. Based on the discussions at ASEM 5, this meeting is expected to address issues related to ASEM's future, such as improving its institutional mechanisms and identifying areas of substantive cooperation between Asia and Europe, as well as major issues of concern to both regions, including regional situations and global issues. As the chair, Japan will actively work to ensure its success.



Prime Minister Koizumi delivers the opening remarks at ASEM 5 in October. (Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

58. A compilation of items and cases that will serve as a reference resource for future RTA/FTA negotiations, based on common elements extracted from the RTA/FTAs that have been concluded by various APEC economies. The contents primarily deal with compliance with APEC's principles and goals and the WTO in a comprehensive range of areas.

59. Since ASEM has no permanent secretariat, two Asian countries, one European country, and the European Commission serve as Coordinators and oversee the organization's operations.



## On the Scene as an Interpreter

For about two years beginning in the summer of 2002, in addition to my regular duties I served as Prime Minister Koizumi Junichiro's English-language interpreter. The job of interpreting puts you under a lot of pressure, since nothing can be allowed to impede the flow of conversation between the principals, but it can also be an extremely valuable experience because you're right there on the scene of summit diplomacy.

At dinners and other social events, Prime Minister Koizumi often conversed in English without using an interpreter, so on those occasions I had the luxury of observing summit diplomacy up close. Lately, social events at summit talks and multilateral summit meetings are often conducted in friendly settings where only the interpreters can accompany. At these events, government leaders can be seen exhibiting a demeanor completely different from that displayed in official talks or seen in the media. I remember US President George W. Bush showing Prime Minister Koizumi a prized fishing rod in a garage at his Crawford ranch, and I recall Prime Minister Tony Blair of the United Kingdom introducing his family to Prime Minister Koizumi in his residence. The expressions on the two leaders' faces were those of an "ordinary" friend and parent. Also, the vocabularies they used in such a frank conversation were sometimes entirely different from the official language in public speeches.

Even in this type of unbuttoned atmosphere, a personal relationship sometimes reflects the relationship of their countries. At a social event that's part of a multilateral international gathering, if there are two



*June 8, 2004: the Japan-US summit meeting at the G8 Sea Island Summit.*

countries engulfed in a situation that's causing a great deal of friction and their respective leaders happen to run into each other, they might exchange wry smiles. It's hard to appreciate a moment like that unless you're actually there. Before the start of a meeting, when people are standing around and chatting, a lot of national leaders grouped around Prime Minister Koizumi. This is doubtless due to the prime minister's personal popularity, but it also reflects Japan's standing in the international community, and as a Japanese citizen I found it very heartening.

In retrospect, I think probably the greatest reward I have reaped from my work as an interpreter is the renewed realization that "history is truly written by people." (Matano Motosada, Principal Deputy Director, National Security Policy Division, Foreign Policy Bureau, Ministry of Foreign Affairs)