

Japan's Regional Diplomacy

A Asia and the Pacific

Overview

It is essential to ensure stability and prosperity of the Asia-Pacific region surrounding Japan for the security and prosperity of the country itself, and therefore, strengthening Japan's relations with the countries of this region is an important task.

In today's Asia-Pacific region, both "opportunities" and "challenges" exist. Examples of major "opportunities" for the further regional development include: unprecedented economic prosperity; deepening interdependence within the region; and the fostering of a sense of commonality through the spread of common lifestyles. The rise of China and India is also one such "opportunity." Meanwhile, there are also "challenges" the region must face in forming a stable, prosperous, and cooperative Asia. Such challenges include: issues with a direct bearing on Japan's security such as the situations on the Korean Peninsula and in the Taiwan Strait; terrorism and piracy; energy issues; difficult issues common to the region including infectious diseases such as pandemic influenza; and destabilizing factors such as the rise of nationalism.

In the Asia-Pacific region, a network of regional cooperation is evolving where concerned countries strive to achieve further growth by seizing these "opportunities," and concurrently tackle common regional issues through coordinated efforts. The regional cooperation is deepening further with the building of an East Asian community (EAc) in the future being a common goal, and in this development, not only the Association of Southeast Asian Nations, Japan, China, and the Republic of Korea (ROK) (ASEAN+3) but also other countries, notably India, Australia, and New Zealand, are playing a large role. A remarkable demonstration of this trend was the inauguration of the East Asia Summit (EAS) in December.

In this context, Japan has been working on Asia-Pacific diplomacy with the following three basic principles.

First, in order to build stable international relations, Japan will continue to ensure deterrence against any movement that might destabilize the Asia-Pacific region by maintaining the Japan-US Security Arrangements, which are vital to the stability of the region. Japan will also make efforts to resolve issues by diplomatic means and promoting confidence-building measures among various countries. Concurrently, Japan will call for greater transparency regarding military build-ups.

Further, Japan will advance measures for ensuring "human security" in regards to issues that differ from traditional threats, while continuing to make various efforts for the "consolidation of peace."

Second, Japan squarely faces the facts of history in a spirit of humility, that is in the past it has caused tremendous damage and suffering to the people in Asian nations. With feelings of deep remorse and heartfelt apology always engraved in mind, Japan has consistently made efforts for the past 60 years as a "peaceful nation" underpinned by its solid democracy. Bearing this in mind, Japan will continue to aid Asian countries to the road of "peace and happiness through economic prosperity and democracy," a path Japan has taken and, together with them, maintain peace in this region and strive for its development. At the same time, Japan will promote strategic partnerships with countries sharing the same universal values, including respect for freedom, democracy and the market economy, and will contribute toward the "open" Asia-Pacific region by continuing and strengthening dialogue and cooperation also with countries and areas outside the region.

Third, Japan will actively take the lead in cooperation in a wide range of areas, including finance, economic partnership, investment, and transnational issues, to help the entire region achieve further development.

Under these basic principles, the Japanese government worked to promote regional cooperation in 2005 by advancing dialogue through a variety of bilateral meetings with the leaders and ministers of countries and regions as well as through multilateral conferences. Japan has also been making efforts to resolve security issues, for example, by participating in the Six-Party Talks regarding North Korea. In the economic context, such cooperative efforts include the Japan-China Economic Partnership Consultation, the finalization or negotiations for the conclusion of Economic Partnership Agreements (EPA) between Japan and ASEAN countries as well as between Japan and the ROK, and the promotion of Japan-India or Japan-Australia joint study for strengthening a bilateral economic relationship. Furthermore, Japan has been endeavoring to strengthen cooperative relations with other regions as well in a wide range of fields through multilateral frameworks such as the Asia-Pacific Economic Cooperation (APEC), ASEAN Regional Forum (ARF), and the Asia-Europe Meeting (ASEM).

Prime Minister Junichiro Koizumi visited Yasukuni

Shrine on October 17, which prompted expressions of dissatisfaction from China and the ROK. In response, Prime Minister Koizumi has seized a number of occasions to explain that he visits Yasukuni Shrine to mourn and offer his respect and gratitude to those who had to lay down their lives on the battlefield against their will

and to uphold Japan's pledge not to engage in war, and that he makes the visits as an individual citizen and not in an official capacity as Prime Minister. By explaining this position of Japan, Prime Minister Koizumi has been seeking to gain understanding of China and the ROK.

1 Korean Peninsula

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 a 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 but also of the Northeast Asian region as a whole.

While the Japan-ROK relationship faced some difficulties in 2005 surrounding such issues as dealing with Takeshima and history recognition, people-to-people exchanges have steadily developed through activities including the exchange programs of the Japan-Korea Friendship Year 2005, which was launched in commemoration of the 40th year since the normalization of diplomatic relations between the two nations.

Regarding North Korea, Japan has been implementing various measures based on the concept of "dialogue and pressure," to achieve a comprehensive resolution of the outstanding issues of concern, such as the abduction, nuclear, and missile problems, based on the Japan-DPRK Pyongyang Declaration with the aim of normalizing relations in a manner that would contribute to peace and stability in the region.

To tackle the nuclear issue, the fourth round of Six-Party Talks was held in July for the first time in approximately 13 months. Major advancements were seen in the talks, which took place for approximately two months including adjournment. The six parties announced their first joint statement, in which North Korea promised to verifiably dismantle "all nuclear weapons and existing nuclear programs." Later, however, North Korea hardened its stance during the first phase of the fifth-round Six-Party Talks held in November, on the grounds of the anti-

money-laundering measures taken by the United States (US) against a Macau-based bank, and besides the adoption of the chairman's statement indicating the direction of the implementation of the joint statement, the talks ended without achieving any concrete results. As a result, because North Korea refused to attend the Six-Party Talks unless the US repealed the measure it had taken, the year ended without the second session being held.

At a meeting held during the aforementioned fourth-round of the Six-Party Talks, Japan and North Korea decided to resume bilateral consultations which had been halted since the end of 2004. As a result, inter-governmental consultations between Japan and North Korea were held in November for the first time in about a year. Progress was achieved at the consultations held in December, in which Japan and North Korea decided to launch Comprehensive Talks in order to comprehensively resolve the abduction and other outstanding issues of concern. As such developments take place, in dealing with the abduction issue, which is of the highest priority for Japan, Japan has been repeatedly and strongly requesting: (1) prompt return of the surviving abductees, (2) unveiling of truth regarding those whose whereabouts are unconfirmed, and (3) handing over of suspects. Japan has been consistent in its stance that diplomatic relations cannot be normalized without first resolving the abduction, nuclear, missile, and other issues. This position is maintained in the Comprehensive Talks, which center on discussions on abduction, security, and normalization talks.

(a) Japan-North Korea Relations

As regards Japan-North Korea relations, a series of responses resulted after the Japan-North Korea Working-Level Consultations held in 2004, and there was no exchange of dialogue in the first half of 2005. However, a certain degree of progress was later made, as a consensus was reached during the second phase of the fourth-round Six-Party Talks in September to launch governmental consultations, and through the consulta-

Situation Surrounding the Korean Peninsula

Month	Japan-North Korea relations	Nuclear issue	South-North relations	North Korea's third-country relations
1	26 North Korea sends Japan a "memorandum" stating that the results of the DNA testing conducted by Japan on a bone fragment taken from the supposed remains of Megumi Yokota were determined to have been fabricated. On the same day, Japan announces in a statement by the MOFA press secretary that if North Korea continues to respond in a similar manner, it would have no choice but to take "stringent measures."			
2	10 Japan sends to North Korea a document entitled "Comments on the 'Memorandum' from North Korea," refuting the "memorandum."	10 The Foreign Ministry of North Korea releases a statement announcing its decision to build nuclear weapons and to indefinitely halt its participation in the Six-Party Talks.		19-22 Wang Jiarui, minister of the International Department of the Communist Party of China (CPC) Central Committee visits North Korea
3		2 North Korea issues a Foreign Ministry "memorandum" saying that it would no longer be restricted by the moratorium on launching ballistic missiles.		22-27 Premier Pak Pong Ju visits China
4	13 North Korea faxes a document to Japan repeating its former assertions. Japan sends back a counterargument on the same day. 27 Mr. Minoru Tanaka is confirmed as the 16th abduction victim.		23 ROK Prime Minister Lee Haechan meets with the president of the Presidium of the DPRK Supreme People's Assembly, Kim Yong Nam (Bandung, Indonesia)	2-5 First Vice Foreign Minister Kang Sok Chu visits China 12-15 Former Indonesian President Megawati visits North Korea 21-25 Presidium of the DPRK Supreme People's Assembly Kim Yong Nam visits Indonesia
5		11 Foreign Ministry spokesperson of North Korea announces in a statement that North Korea has completed the reprocessing of its spent nuclear fuel rods. 13 US-North Korea contact (New York)	16-19 South-North vice-ministerial level talks (Kaesong, North Korea)	
6			14-16 June 15 Inter-Korean Joint Festival (Pyongyang) 17 South Korean Minister of Unification Chung Dong Young meets with Chairman of the National Defense Commission Kim Jong-Il (Pyongyang) 21-24 The 15th South-North ministerial-level conference (Seoul)	
7		9 US-North Korea contact (Beijing) 26-8/7 First phase of the fourth round of the Six-Party Talks (Beijing)	9-12 Tenth Inter-Korean Economic Cooperation Promotion Committee meeting (Seoul)	12-14 State Councilor of China Tang Jiaxuan visits North Korea 25 Foreign Minister Paek Nam-sun meets with Prime Minister Thaksin of Thailand (Bangkok) 28-30 Foreign Minister Paek Nam-sun visits Laos
8	7 A Japan-North Korea consultation is held during the fourth round of the Six-Party Talks (Beijing).		14-17 August 15 Grand National Festival for Independence, Peace and Reunification (Seoul)	14-17 Pulikovskii, the Plenipotentiary Representative to the Far Eastern Federal District of the Russian Federation, visits North Korea 27-29 Wu Dawei, Vice Foreign Minister of China, visits North Korea 27-30 Foreign Minister Kantatthi of Thailand visits North Korea 30-9/2 US delegation headed by Congressman Leach visits North Korea
9	13-19 A Japan-North Korea consultation is held during the fifth round of the Six-Party Talks (Beijing). 20 An agreement to resume the Japan-North Korea governmental consultations is announced.	13-19 Second phase of the fourth round of the Six-Party Talks (Beijing)	13-16 The 16th Inter-Korean Ministerial Talks (Pyongyang)	27-10/1 Vietnamese Deputy Foreign Minister Binh visits North Korea
10			28 Eleventh Inter-Korean Economic Cooperation Promotion Committee meeting, opening of the Consultation Office of North-South Economic Cooperation (Kaesong)	8-11 Chinese Vice-Premier Wu Yi visits North Korea 9-11 Pulikovskii, the Plenipotentiary Representative to the Far Eastern Federal District of the Russian Federation, visits North Korea 13 Former Indonesian President Megawati visits North Korea 17-20 Governor Richardson of New Mexico, US, visits North Korea 28-30 Chinese President Hu Jintao visits North Korea
11	3-4 Japan-North Korea governmental consultations (Beijing)	9-11 First phase of the fifth round of the Six-Party Talks (Beijing)		5-8 Russian Deputy Minister of Foreign Affairs Alexeyev visits North Korea
12	24-25 Japan-North Korea governmental consultations (Beijing)		13-16 The 17th Inter-Korean Ministerial Talks (Jeju)	13-15 WFP Executive Director Morris visits North Korea

tions, both sides decided to have Comprehensive Talks. However, with regard to the abduction issue, since North Korea has not altered its basic position that this issue is “already resolved,” over a year has passed without achieving perceivable or concrete progress. Specific developments are as follows.

The three sessions of the Japan-North Korea Working-Level Consultations held in 2004 ended without receiving a satisfactory explanation regarding the abduction issue from North Korea.¹ The Japanese government warned that it intended to take “stringent measures” against North Korea if it did not respond in a prompt and satisfactory manner. However, it consistently responded unconstructively.

Furthermore, on January 26, 2005, North Korea delivered to Japan a “memorandum” dated January 24, claiming that the results of the Japanese examination of the remains which were supposed to be of Megumi Yokota were a “fabrication.” In response, Japan released a statement by the Ministry of Foreign Affairs (MOFA) press secretary on the same day which noted that North Korea’s response was “extremely regrettable” and “extremely unconstructive,” and that if North Korea continued to maintain this stance Japan “would have no choice but to take ‘stringent measures,’ and that Japan intended to make concrete considerations regarding the possibility of doing so.” Later, similar exchanges took place in February² and April³ through the embassy channel in Beijing, but there were no further concrete developments.

As a result, dialogues between Japan and North Korea were on hold through the first half of 2005. However, consultations took place on August 7—the final day of the first phase of the fourth-round Six-Party Talks—and on successive days during the second phase in September. This heightened momentum for resuming bilateral talks, and in the end, Japan and North Korea decided during the consultations to reopen their governmental consultations.

Subsequently, the first governmental consultations in

about a year were held in Beijing on November 3 and 4. In relation to the abduction issue, which is of the highest priority among Japan’s diplomatic issues, and concerning the 16 abductees in the 11 cases that it has identified, Japan once again strongly demanded at the consultations with North Korea that (1) living abductees be promptly repatriated, (2) the truth be revealed, and (3) the suspects (Sin Gwang Su, Kim Se Ho, and Kimihiro Uomoto) be handed over. The Japanese government also reiterated its intention to take stringent measures if no progress was seen regarding the abduction issue. In response, North Korea maintained its position that the abduction issue has already been resolved, but stated it understood that Japan would continue to raise the abduction issue as a matter of concern. At the same time, North Korea asserted that Japan should work with sincerity on “settlement of the past” issues including the matter concerning victims during Japan’s colonial period. In response, Japan explained that in the future it is prepared to engage in talks in good faith regarding the “settlement of the past” issues, in line with the Pyongyang Declaration. Furthermore, Japan offered a proposal regarding a framework for talks in order to push Japan-North Korea relations forward in the future, and both sides promised to continue to make proposals to each other.

At the governmental consultations which took place once again in Beijing on December 24 and 25, North Korea accepted the proposal made by Japan in November, and Japan and North Korea decided to work concurrently on three talks in the future: (1) consultations on issues of concern including the abduction issue; (2) consultations on nuclear, missiles, and other security-related issues; and (3) normalization talks. Moreover, Japan and North Korea confirmed that they will work with sincerity and take every possible step to implement concrete measures, with the aim of resolving matters of concern for both sides such as the abduction issue and security issue. As a result of consultations in

1. Japan-North Korea Working-Level Consultations were held on three occasions, in August, September, and November, based on a promise made by the Chairman of the National Defense Commission Kim Jong Il at the May 2004 Japan-North Korea summit meeting. However, no satisfactory explanation was provided by North Korea regarding the abduction issue. Not only that, DNA of other persons was detected in the “remains” provided by North Korea as being those of Megumi Yokota, one of the abduction victims. It also turned out that regarding other information and evidence received, the North Korean explanation that “eight of the 10 victims were already dead and that the other two’s entry into North Korea was not confirmed” was not supported by objective evidence.

2. The Japanese government on February 10 demanded in a document refuting the North Korean “memorandum” that the country return all surviving abduction victims immediately and uncover the truth regarding all abductees whose whereabouts are unconfirmed within a very short time. However, as North Korea continued to respond unconstructively in a reply to the document (dated February 24), Japan released a press secretary’s statement on the same day demanding that North Korea respond in a prompt and satisfactory manner, and stating that if North Korea continues to act unconstructively Japan would have no choice but to take “a stringent posture” and “stringent measures.”

3. North Korea sent a fax to Japan on April 13 through the embassy channel in Beijing, stating, “Japan is imposing ‘sanctions’ against our country without proclamation, such as prohibiting the entrance of Man Gyong Bong-92 into its port.” In response, Japan argued that its amended Law on Liability for Oil Pollution Damage does not apply only to North Korean ships, and that Japan would respond to any applicable vessel based on related domestic laws if there was a request for port entry.

December, Comprehensive Talks were held beginning on February 4, 2006. As the Japanese government was able to directly communicate its wide-ranging concerns and demands regarding the abduction issue, which is of top priority, as well as nuclear, missile, and other security-related issues, there was a certain amount of significance in the holding of the talks. However, no concrete progress was achieved. Furthermore, while normalization talks were reopened during the said consultations for the first time in three years and three months, Japan has not been able to gain proper understanding on the part of North Korea regarding the specific meaning of the package of “complete settlement, and economic cooperation”⁴ explicitly stated in the Japan-DPRK Pyongyang Declaration. The Japanese government intends to continue its efforts tenaciously to resolve these various issues through implementation of comprehensive measures based on its basic stance of “dialogue and pressure.”

(b) Efforts Related to the Abduction Issue

The abduction issue is one of extreme importance that directly affects the lives and security of Japanese citizens, and the Japanese government has been repeatedly and strongly demanding at Japan-North Korea meetings prompt and forward-looking action toward the resolution of this issue. At the same time, this issue has been raised by the United Nations (UN) and in other international arenas. At the UN Commission on Human Rights, the Resolution on the Situation of Human Rights in the Democratic People’s Republic of Korea, which made reference to the abduction issue, was adopted in April. The UN General Assembly also adopted the Resolution on the Situation of Human Rights in the Democratic People’s Republic of Korea for the first time in December. Furthermore, Japan appointed an ambassador in charge of human rights to address the issue of abduction by North Korea and other human rights issues arising in the international community.

Awareness of the abduction issue is gradually spreading worldwide. Due to testimonies given by abduction victims who have returned to Japan, it was

discovered in October that there are people of countries other than Japan,⁵ such as Thailand, who may have been abducted by North Korea. This discovery has attracted domestic and international interest. Japan intends to exchange information, among other things, and cooperate closely with such countries in order to resolve the abduction issue.

On April 27, the Japanese government identified Mr. Minoru Tanaka as having been another abduction victim based on newly obtained evidence, bringing the total number of abduction cases identified by the Japanese government to 11 cases involving 16 persons.

In addition, regarding the so-called issue of missing people who have not been identified by the Japanese government as being abduction victims but about whom the possibility of abduction from North Korea cannot be ruled out, Japan has requested the provision of information from North Korea on multiple occasions such as the governmental consultations held in November.

Japan has also over the years been calling for North Korea to hand over the *Yodo-go* hijack suspects. 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. Five returned persons including the wife of a *Yodo-go* suspect, who were ordered to return their Japanese passports for having had contact with North Korean agents in Europe, were arrested by 2004. Japan has been repeatedly raising the issue of handing over the *Yodo-go* suspects at Japan-North Korea consultations, and it intends to continue to demand this strongly in the future.

(c) Placing “Pressure” on North Korea

The basic ideas behind the Japanese government’s policy against North Korea are “dialogue and pressure.” While “dialogues” have been exchanged between Japan and North Korea through governmental consultations and the Six-Party Talks as described below, the Japanese government has been simultaneously taking measures to apply “pressure” on North Korea.

At multilateral meetings such as the G8 Summit and bilateral meetings with such countries as the US,

4. The package of “complete settlement, and economic cooperation” proposed in the Japan-DPRK Pyongyang Declaration refers to “abandoning each other’s claims on all national and individual assets that existed before August 15, 1945.” By doing so, all demands for monetary payment arising from colonial rule, including such issues as the so-called comfort women (*ianfu*) and forced labor, regardless of their names or basis, will be considered legally, completely, and conclusively resolved. Simultaneously, Japan will provide economic cooperation to North Korea. This “package resolution and economic cooperation formula” was also used to resolve the issues of assets and claims between Japan and the ROK in normalization talks, and Japan offered the ROK a total of US\$500 million (US\$300 million in grant aid and US\$200 million in loan aid) as economic cooperation.

5. Countries (and regions) which have been named so far by the media and other sources besides Thailand are France, Italy, Jordan, Lebanon, Macau, Malaysia, the Netherlands, the ROK, and Romania.

What is the UN Resolution on the Situation of Human Rights in the Democratic People's Republic of Korea?

Japan strongly calls for the solution of the issue of abduction by North Korea, and Japan's efforts have led to proactive debate of the issue in the United Nations (UN) fora concerning human rights in recent years.

Since 2003, the UN Commission on Human Rights had adopted the Resolutions on the Situation of Human Rights in the Democratic People's Republic of Korea for three consecutive years, making reference to the solution of the abduction issue. The resolution submitted by Japan and the European Union (EU) in March 2005 urges other United Nations bodies, in particular the General Assembly, to take up the question of the situation of human rights in North Korea if it does not cooperate with the international community and if improvement of the situation of human rights, including the abduction issue, is not observed.

With the adoption of the above resolution, in November, the Third Committee of the UN General Assembly, which is responsible for human rights issues among others, adopted the resolution which expresses concern at the "unresolved questions relating to the

abduction of foreigners in the form of an enforced disappearance," and urges North Korea "to implement the measures set out in the resolutions of the Commission on Human Rights," including the swift solution of the abduction issue. This resolution was adopted at the plenary session of the UN General Assembly by a large majority. It was the first time that a resolution relating to the human rights situation in North Korea was adopted by the UN General Assembly.

It is believed that the adoption of this series of UN resolutions, in particular its adoption by the UN General Assembly, will work as international pressure against North Korea. Japan, together with the international community, will call on North Korea to implement the resolutions and Parliamentary Secretary for Foreign Affairs Akiko Yamanaka, who is responsible for human rights issues, and Ambassador in charge of Human Rights Fumiko Saiga, newly appointed in December 2005, will work actively to tackle North Korea's human rights issues, including the abduction issue.

ROK, China, and Thailand, Japan has been raising the abduction and nuclear issues, seeking understanding and cooperation toward Japan's position. Furthermore, clear remarks were made about the abduction issue in the aforementioned Resolution on the Situation of Human Rights in the Democratic People's Republic of Korea and in the chairman's statement at the G8 Summit. Such bilateral and multilateral efforts can be considered to be working as "pressure" against North Korea.

Moreover, the Japanese government as a whole is taking necessary measures, while cooperating closely with the countries concerned, against North Korean illegal activities including the proliferation of weapons of mass destruction (WMD) and missiles. While the Proliferation Security Initiative (PSI) is not designed to address one particular country, it is considered to have a certain amount of deterrent effect against the proliferation activities of North Korea when applied together with Japan's strict export regulations. Japan is also closely exchanging information with the US and other concerned countries regarding North Korean illegal activities such as counterfeiting currency and money

laundering. In addition, while the Law on Liability for Oil Pollution Damage, 1975, as amended which went into effect on March 1 was not intended to be applied to vessels of particular flag states, it is seen as having been effective in greatly reducing the number of North Korean ships entering Japanese ports. The "Law Amending in Part the Foreign Exchange and Foreign Trade Control Law" (Amended Foreign Exchange Law), legislation introduced by the Diet and passed in 2004, allows the Japanese government to regulate at its own discretion the transmittance of money, imports, and exports when determined necessary in order to maintain the peace and security of Japan. Such policy measures are seen as one of the ways in which Japan is effectively placing "pressure" on North Korea.

(d) North Korean Nuclear Issue

The North Korean nuclear issue is a direct threat to the peace and stability of the Northeast Asian region, including Japan, and is also a serious challenge to the international nuclear non-proliferation regime centered around Treaty on the Nuclear Non-Proliferation (NPT).

Amidst such conditions, Japan is pursuing a peaceful resolution to this issue through the Six-Party Talks.

While the Six-Party Talks were not resumed during the first half of 2005 due to such problems as the opposition between the US and North Korea, a certain amount of progress was achieved in the latter part of the year. For example, a Joint Statement was adopted at the fourth round of the Talks held from July through September. However, around the time of the fifth round of the Six-Party Talks held in November, North Korea began to take a passive stance toward participating in the Talks on the grounds of the US government's money-laundering policy measures, and therefore, no more Talks were held for the rest of the year. Specific developments regarding the Six-Party Talks process are as follows.

After the third round of the Six-Party Talks held in June 2004, a period persisted in which North Korea refused to attend further Talks, wishing to wait and see how the US presidential elections would turn out. Although a resumption of the Talks was anticipated in 2005, North Korea strongly objected to the so-called "outpost of tyranny" remark made by US Secretary of State Condoleezza Rice, and issued a Foreign Ministry Statement on February 10 announcing its intention to produce nuclear weapons and to indefinitely suspend taking part in the Six-Party Talks. Furthermore, North Korea continued to act in an extremely unconstructive manner, as it delivered a "memorandum" on March 2 saying that it would no longer be restricted by the moratorium on launching ballistic missiles, and a Foreign Ministry spokesperson announced that 8,000 spent nuclear fuel rods had been removed from a graphite-moderated nuclear reactor in Yongbyon. Media around the world also reported that North Korea might engage in nuclear testing.

At the same time, while experiencing such tension, each of the six concerned countries put forth diplomatic efforts toward the resumption of the Six-Party Talks. Secretary of State Rice remarked at a speech given at Sofia University on March 19 during her visit to Japan that she is not denying that North Korea is a "sovereign nation." In response, North Korea proposed on May 8 that US-North Korea consultations be held in order to determine the true intention behind the comment made by the secretary of state, and officials of the US and North Korea met in New York on May 13 and June 6. Also during this time, dialogues between South and North Korea made progress. At the 5th anniversary ceremony of the Inter-Korean Summit Meeting (June 15

Inter-Korean Joint Festival), a meeting was held between the ROK Minister of Unification Chung Dong Young and Chairman of the National Defense Commission Kim Jong Il, during which Chairman Kim Jong Il stated, "If it is certain that the US will respect and recognize North Korea as a partner, we will be able to participate in the Six-Party Talks as early as July." Through this string of diplomatic activities, US Assistant Secretary of State Christopher Hill and Vice-Minister of Foreign Affairs Kim Kye-gwan met in Beijing on July 9, and North Korea agreed to hold the Six-Party Talks for the first time in about 13 months.

As a result, the fourth round of the Six-Party Talks was held from July 26 to September 19, with approximately a month-long adjournment in between, and a joint statement that included the following main points was released.

- (1) Nuclear dismantlement: North Korea "committed to abandoning all nuclear weapons and existing nuclear programs and returning, at an early date, to the NPT and to IAEA safeguards."⁶
- (2) Peaceful uses: North Korea "stated that it has the right to peaceful uses of nuclear energy. The other parties expressed their respect and agreed to discuss, at an appropriate time, the subject of the provision of light water reactors to North Korea."
- (3) Normalization of diplomatic relations: The normalization of US-North Korea and Japan-North Korea relations was specified as one of the final goals of the Six-Party Talks, and Japan and North Korea "undertook to take steps to normalize their relations in accordance with the Pyongyang Declaration, on the basis of the settlement of an unfortunate past and the outstanding issues of concern."

This is the first joint statement issued under the Six-Party Talks process which began in August 2003. Also, North Korea's promise in the statement to verifiably abandon "all nuclear weapons and existing nuclear programs" holds great significance which will create an important foundation for the peaceful resolution of the North Korean nuclear issue.

Subsequently, the first session of the fifth round of the Six-Party Talks was held from November 9 through 11. At the Talks, consensus of opinion was reached regarding the establishment of a plan for carrying out the aforementioned joint statement, and the chairman issued a statement with a guideline for drawing up the plan. Japan proposed that three areas of negotiation—

6. For details on the IAEA safeguards, see pages referring to disarmament and non-proliferation in Chapter 3, Section A, 6.

(1) nuclear dismantlement and verification, (2) economic and energy assistance, and (3) bilateral relations—be set up and simultaneously carried out in a prompt and comprehensive manner, and other participating countries also made concrete proposals. At the same time, due to such factors as North Korea strongly denouncing the measures taken by the US against a Macau bank suspected of money laundering,⁷ the Talks were temporarily halted without concrete progress having been achieved.

Since then, North Korea has continued to stress that if US wishes to move forward with the Six-Party Talks, it must take actual measures to remove its “financial sanctions,” and on the grounds of the current US-North Korea relations regarding the measures, North Korea is taking an extremely passive stance regarding its participation in the next meeting.⁸

(e) Korean Peninsula Energy Development Organization (KEDO)

Since November 2003, following the detection that North Korea was engaged in a program to enrich uranium, KEDO had been in the process of suspending the Light Water Reactor (LWR) Project. Furthermore, due to developments including a North Korean declaration in February 2005 that it possessed nuclear weapons, it was determined that the foundation needed in order to continue the LWR Project had become completely eliminated. At KEDO's Executive Board meeting held in November, the board members agreed upon the basic policy that the LWR Project should be “terminated.”

(f) “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 economic difficulties, and human rights violations 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 the issue is also a matter 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 concerned, including China.

(g) South-North Relationship

The ROK's Roh Moo Hyun administration has been advocating the Policy for Peace and Prosperity⁹ as the centerpiece of its policy toward North Korea.

Ministerial-level conferences between the ROK and North Korea had been halted in the latter half of 2004 after the vice-ministerial level talks in May and the meeting between the ROK Minister of Unification Chung Dong Young and Chairman of the National Defense Commission Kim Jong Il held during the June 15 Inter-Korean Joint Festival. In 2005, however, South-North exchanges and cooperation projects were actively carried out, including three ministerial-level conferences which were held in June, September, and December; and Inter-Korean Economic Cooperation Promotion Committee meetings which were held twice in July and October.

Both South and North Korea are promoting three major cooperation projects: the Gaecheon Industrial Complex, a Inter-Korean Road and Railroad Re-connection, and the Mt. Geumgang Tourism program. South Korean enterprises have been taking part in building the Gaecheon Industrial Complex since the end of 2004, and the Office of Inter-Korean Economic Cooperation opened in October 2005. The Mt. Geumgang tourism program attracted a cumulative total of one million visitors from the time of its commencement in 1998 through June 2005. Also, the reunion of separated families was held at Mt. Geumgang in August and November. Under this

7. On September 15, the US Government designated “Banco Delta Asia,” located in Macau, as a financial institution of “primary money laundering concern” under Section 311 of the USA Patriot Act, on the basis that it was involved in money laundering of the profits made by North Korea through illegal activities (illegal drugs, counterfeiting, etc.). This designation ignited a run on the Macau bank, and the Macau authorities took control of the bank on September 28 and froze all accounts related to North Korea. North Korea strongly objected to the steps taken by the US, calling it a “financial sanction,” but the US has maintained that it is routine law enforcement. As such, there are no concrete prospects for resolving the situation.

8. In a meeting held with President Hu Jintao during his visit to China in January 2006, Chairman of the National Defense Commission Kim Jong Il stated that “efforts will be made in cooperation with China to overcome the difficulties regarding the Six-Party Talks and to once again move forward with the meeting.”

9. The aim of this policy is for the Korean Peninsula to resolve the North Korean nuclear issue and secure peace and security for the peninsula so that it can achieve prosperity through the advancement of peaceful resolutions and exchanges between the South and North. To make this possible, the following criteria have been raised: (1) resolution of outstanding issues through dialogue, (2) building mutual trust and maintaining reciprocity, (3) smooth international cooperation based on the principles of mutual and direct participation, and (4) expanding citizen participation. This “peace and prosperity policy” is considered to be an heir to the “engagement policy” proposed by the previous Kim Dae Jung administration, which basically states that “peaceful resolution and exchanges between the South and North will be actively advanced, while establishing a firm security system.”

program, families were also brought together through a television screen using fiber-optic cables drawn between the South and North for the first time in August, then again in November 2005, December 2005, and February 2006. The construction of a South-North connection under the project to establish Inter-Korean Road and Railroad Reconnection is close to completion, though there is no general guarantee of traffic safety at this point.

Regarding assistance provided by the ROK government to North Korea, South and North Korea agreed on the provision of 200,000 tons of fertilizer at the vice-ministerial level meeting in May, and on an additional 150,000 tons following a ministerial-level conference in June. In addition, the ROK agreed at the Inter-Korean Economic Cooperation Promotion Committee meeting in July to offer 500,000 tons of rice, and made a decision to send another 150,000 tons of fertilizer in February 2006. Moreover, during a meeting between the ROK Minister of Unification Chung Dong Young and the Chairman of the National Defense Commission Kim Jong Il, "a proposal of great importance" was presented by the ROK which stated that if North Korea agrees to dismantle its nuclear programs, the ROK would provide 2 million kilowatts of electricity by sending it directly to North Korea. This proposal was also reflected in the joint statement issued at the fourth round of the Six-Party Talks.

(h) Domestic Politics and Economy of North Korea

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 Politics."

Since 1998, North Korea has been advocating the construction of "a great prosperous powerful nation" 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 growth for six straight years. Its food production in 2005 is thought to have exceeded that of the previous year, and the food ration system which had heretofore been drastically reduced is considered to have become normalized. At the same time, perhaps due to such factors as the increase in its food production, North Korea made a request in August to international agencies involved in humanitarian assis-

tance for North Korea including the World Food Programme (WFP) that they alter their form of aid from "humanitarian assistance" to "development assistance." It also asked ten or so international private assistance organizations to discontinue the activities they were carrying out in North Korea at that time. The concern of Japan and the rest of the international community regarding such developments is deepening.

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 since the mid-1990s.¹⁰ However, it is not clear whether such measures are effectively vitalizing manufacturing activities, or whether they are causing the gap between the rich and the poor to expand as the country suffers from an overall shortage of funds and materials including energy. Continued close attention must therefore be paid.

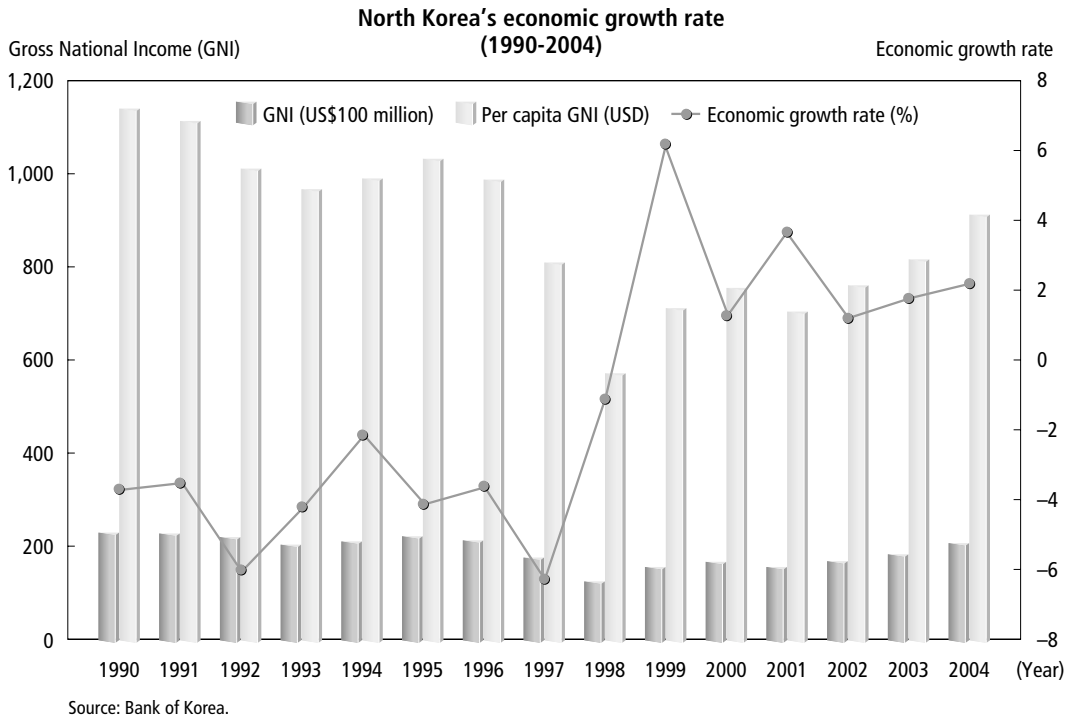
Furthermore, North Korea's economic relations with China have been rapidly expanding in recent years. Not only trade volume, which had already been on the increase, but also China's investment into North Korea has become more active. In particular, investment into mines such as the Musan Iron Ore Mine located in the border region between China and North Korea is becoming active, and the Taean Friendship Glass Factory was completed through a free provision of technology from China. The topic of economic cooperation was also discussed during Chinese President Hu Jintao's visit to North Korea in October. Chairman of the National Defense Commission Kim Jong Il toured economic installations in the central and southern region of China during his visit there in January 2006. At the summit meeting in Beijing, Chairman of the National Defense Commission Kim Jong Il expressed his opinion regarding his visits to the special economic zones in southern China. He showed approval for China's course of reform and open door policies, stating that he "was newly impressed" at the advancements taking place. Attention will be paid to whether North Korea will in the future lay out economic reforms that are more aggressive than ever, based upon this visit to China.

(i) Japan-ROK Relations

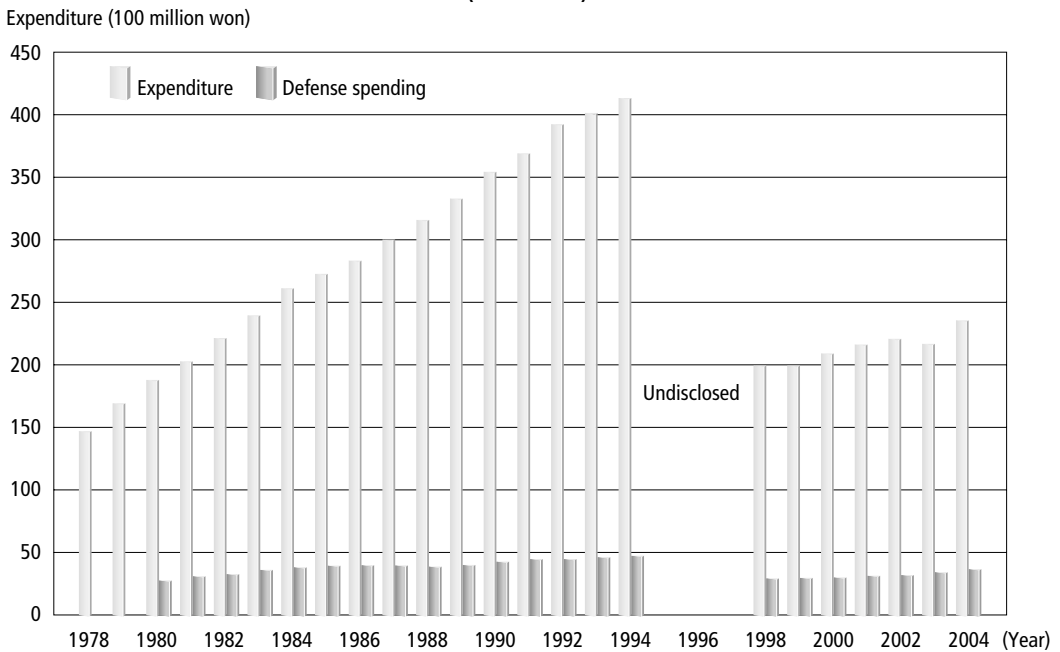
Since the normalization of diplomatic relations between Japan and the ROK in 1965, Japan-ROK relations have progressed dramatically in every aspect. In particular,

10. Economic Management Improvement Measures which include the modification of the price system and rationing system were implemented in July 2002, and profits are pursued within a certain scope. Moreover, in 2003, general markets were alleged to have been set up under public management in around 300 locations nationwide, at which individuals and companies sell agricultural products and consumable goods.

Economic Condition of North Korea



Trend in North Korea's national expenditure and defense spending (1978-2004)



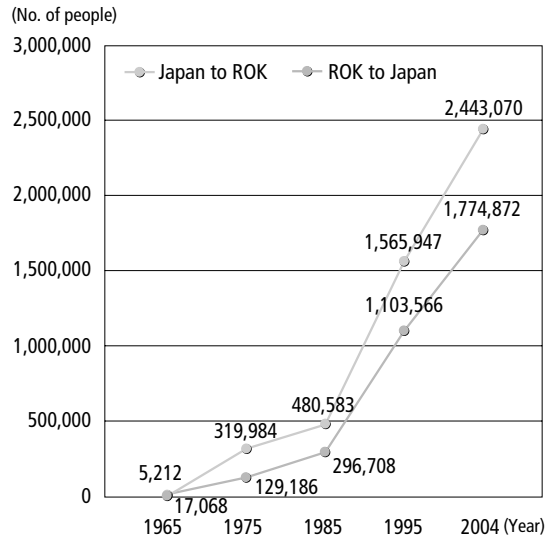
Note: The amount for 2002 is based on the budget, as the final accounts of expenditure for that year were not disclosed. North Korea's official rate around July 2003 was approximately 150 won per USD, and therefore, 1 won = approx. ¥0.8; 1 billion won = approx. ¥800 million.
Source: Radio Press.

mutual understanding and exchanges between the peoples of Japan and ROK, which have been steadily building through such events as the successful joint hosting of the 2002 FIFA World Cup, the Year of Japan-ROK National Exchange,¹¹ and the Japan-ROK Joint Project for the Future,¹² expanded even further through the Japan-Korea Friendship Year 2005¹³ held in 2005 to commemorate the 40th anniversary of the normalization of diplomatic relations.

The Japan-Korea Friendship Year 2005 opened with ceremonies held on a grand scale in Tokyo and Seoul in January with the attendance of the leaders of both countries. During the year, over 700 commemorative events were held in various parts of Japan and the ROK, such as the Japan-Korea Festival at which 50,000 citizens gathered in Seoul in September, and the Friendship Year Commemorative Concert held in December in Seoul. Through the Japan-Korea Friendship Year 2005, together with the boom in the popularity of Korean pop-culture (so-called “han-ryu”) and Korean and Japanese pop music, It can be said that the level of interest of Japan and the ROK in each other’s cultures increased even more, and the scope of people-to-people exchange has expanded.

Moreover, the number of people traveling between the two countries has increased dramatically in the past 40 years. While the number of those traveling between Japan and the ROK was approximately 10,000 per year at the time the diplomatic relations were normalized, the number has increased to approximately 4.1 million, or over 10,000 a day, in 2005. In order to ensure that the increasing trend of people-to-people exchanges continues, the Governments of Japan and the ROK are implementing measures to maintain an environment for such exchanges. As part of such efforts, the number of flights between Tokyo’s Haneda Airport and Seoul’s Gimpo Airport has been increased from four to eight per day since August 1, 2005. Furthermore, Japan granted a visa waiver for South Koreans during the 2005 World Exposition, Aichi, Japan (EXPO 2005). The visa exemption period was tentatively extended until February 2006, and based on the overall results of the tentative exemption period, the decision was made to make the exemption permanent after March. Through such

Number of People Traveling between Japan and the ROK



Source: Ministry of Justice, Japan National Tourist Organization.

developments, the number of people traveling between the two countries is expected to increase even further. On January 20, 2006, the Treaty between Japan and the ROK on Mutual Legal Assistance in Criminal Matters was signed. This treaty allows both countries to provide efficient and effective mutual assistance in criminal matters. It is important to further strengthen the cooperative partnership between Japan and the ROK by developing the frameworks for such practical cooperation efforts one by one, and by accumulating such experience.

At the same time, 2005 was a year that saw difficult periods in the Japan-ROK relations regarding various matters of concern between the two countries. The Shimane Prefectural Assembly brought to the table a “Takeshima Day” ordinance on February 23, causing a drastic rise in Korea’s anti-Japan sentiments. President Roh Moo-Hyun stated in his March 1 anniversary speech that “To further develop relations between the two of us, sincere efforts are needed on the part of the government and people of Japan” and Japan “needs to find out the truth about its past, reflect on it, and make a genuine apology.” On March 17, the day after the “Takeshima Day” ordinance was passed, the ROK government issued

11. 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 Prime Minister Keizo Obuchi of Japan and 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.

12. At the Japan-ROK Summit Meeting in July 2002, Prime Minister Koizumi and 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, which was achieved both in 2003 and in 2004.

13. See page 215.

a “National Security Council (NSC) Standing Committee Statement¹⁴ revealing its intention to reexamine its Japan-related policies. On March 23, President Roh Moo Hyun clarified his firm position against Japan in an open letter to the ROK people on Japan-Korean relations¹⁵ by stating that the ROK “will act decisively in diplomatic matters.” In such ways, the ROK government hardened its stance against Japan. In response, upon clarifying that its position regarding the sovereignty of Takeshima has always been consistent, Japan promised to seriously take to heart the Korean people’s sentiments regarding the past and issued a statement by Minister for Foreign Affairs Machimura calling for the establishment of a relationship based on reconciliation. It is Japan’s consistent position that in the light of both historical facts and international law, it is apparent that Takeshima is an integral part of Japan’s sovereign territory, and Japan will continue to maintain this position. However, in spite of the difference of positions, the Japanese government considers it important to make effort from a broader perspective so that this issue will not damage the friendly cooperative relations between the two countries. On this point, Japan has requested and confirmed the understanding of the ROK on various occasions.

In April, the Ministry of Education, Culture, Sports, Science and Technology (MEXT) announced the results of the approval of junior high school textbooks for FY2006. In response to this, while the Korean government did not demand a great number of specific alterations through a diplomatic channel as it did at the time of the last approval, it did express regret, particularly pointing out some of the references made in history textbooks and statements regarding the sovereignty of Takeshima in civics textbooks. The Japanese government has been providing explanation in a sincere manner regarding the purpose and mechanism behind Japan’s textbook approval system, seeking the understanding of the ROK as well as other neighboring countries.

Since then, through the two sessions of the foreign ministers’ meeting held in April and May and the summit meeting between Prime Minister Koizumi and President Roh Moo Hyun which took place on June 20 in Seoul, Japan-ROK relations began to calm down. At the summit meeting, Prime Minister Koizumi expressed



Prime Minister Koizumi and ROK President Roh Moo Hyun shaking hands before a meeting. (June 20, presidential palace in Seoul. Photo: Cabinet Public Relations Office, Cabinet Secretariat)

his position, saying that Japan is taking seriously the sentiments of the Korean people regarding the past, and that while there might be temporary conflicts of opinions, it wishes to move the bilateral relations forward with a positive stance toward the future and do so from a broader perspective. Prime Minister Koizumi also expressed his position that regarding issues arising from the past Japan intends to respond to these issues from a humanitarian perspective. In addition, the two leaders agreed to launch the second Japan-ROK Joint History Research¹⁶ under which a School Textbook Subgroup would be newly established; to consider the building of a new memorial and peace commemoration facility; to expand Japan-Korea exchanges; and to strengthen Japan-US-ROK partnership in order to peacefully resolve the nuclear issue in North Korea.

A difference of opinions between Japan and the ROK was brought to the surface over the meaning behind Prime Minister Koizumi’s visit to the Yasukuni Shrine on October 17. However, even under such circumstances, high-level talks between diplomatic authorities continued. For example, Minister of Foreign Affairs and Trade of the ROK Ban Ki Moon’s visit to Japan took place as planned in late October, and the Japan-ROK Foreign Ministers’ Meeting took place during the 17th APEC Ministerial Conference held in Busan in November as well as during the ASEAN+3 Ministerial Meeting in Kuala Lumpur in December.

On December 18, Minister for Foreign Affairs Aso

14. The statement by the Standing Committee of the NSC announced that while great importance will be placed on the Japan-ROK relations as “being in the same boat,” it will change its policy to “take tough measures” regarding issues related to Takeshima and past history.

15. The message was posted on the website of the Office of the ROK President (Cheong Wa Dae) homepage on March 23.

16. An agreement was reached at the Japan-ROK summit meeting held in October 2001 to launch the Japan-ROK Joint History Research, as it was determined, in connection with the history textbook issue, that it is important to promote mutual understanding based on accurate historical facts and history recognition. A joint research committee on the history of Japan-Korea relations comprised of historians from Japan and the ROK, as well as a joint assistance committee made up of members of the public and private sectors, were established. The first general meeting was held in May 2002. The joint research was conducted for approximately three years ending in March 2005, and a final report was released in June.

issued a statement on the occasion of the 40th anniversary of the normalization of diplomatic relations between Japan and the ROK. In the statement, Foreign Minister Aso once again expressed his high regard for the significance of the 40th anniversary of the normalization of diplomatic relations between Japan and the ROK. He also reemphasized the intention of Japan to take seriously the ROK's national sentiments concerning the history and to sincerely respond to various issues related to the past from a humanitarian viewpoint, as well as the necessity to strengthen the relationships of mutual understanding and trust to build future-oriented Japan-ROK relationships. Regarding various issues related to past events that have occurred between Japan and the ROK, Japan has been making sincere efforts in a wide range of areas and making visible progress. For example, Japan has been promoting joint historical research, taking steps for the investigation into and return of the remains of those who are originally from the Korean Peninsula conscripted during the war,¹⁷ tackling the issue of atomic bomb victims in Korea,¹⁸ helping Hansen's disease patients institutionalized in sanitariums in the ROK,¹⁹ providing assistance to Koreans living in Sakhalin,²⁰ and handing over the Buggwandaecheobbi monument with a view to returning it to North Korea.²¹

(j) Japan-ROK Economic Relations

In the area of economy, in 2005 trade between Japan and the ROK continued to increase as it did the previous year (for a total increase of approximately 9% year-on-year), and investments between the two countries were also maintained at a high level. Furthermore, partnerships and cooperation among companies have made progress especially in the area of Information and Communications Technology (ICT), further deepening the economic ties between the two countries.

The Agreement between Japan and the ROK on Social Security, which was signed on February 17, 2004, went into effect on April 1, 2005. This agreement avoids double-enrollment in which a person is forced to join the pension system of both Japan and the ROK.

At the same time, a World Trade Organization (WTO) panel on Japan's import quotas on dried laver and seasoned laver was established based on a request made by the ROK. (The panel ended in January 2006 as both countries reached a mutually agreed solution to the matter.²²) Furthermore, as based on an investigation which had been conducted since August 2004, the Government of Japan decided in January 2006 to impose countervailing duties on dynamic random access

17. With regard to the remains of former servicemen and paramilitary personnel, Japan returned to the ROK the remains of 7,645 persons originally from the Korean Peninsula during the period from after the war to 1948. However, the remains of 1,135 persons whose relatives are unknown are still currently stored by the Japanese government at Yutenji Temple (in Tokyo). While the Japanese government had not necessarily grasped of the actual situation regarding the remains of the former private drafted workers, Prime Minister Koizumi announced at the Japan-ROK summit meeting in Ibusuki in 2004 that Japan will provide assistance to survey and return them, and necessary steps have been taken with the cooperation of private corporations, local governments, and religious organizations within Japan. In 2005, Japan worked in cooperation with the ROK to advance these efforts, holding four inter-governmental consultations including those at the working-level.

18. Issue related to providing support to those living in or outside of Japan who were residing in Hiroshima or Nagasaki and suffered from the bombing during World War II. While those living abroad used to be required to come to Japan to submit applications to gain approval for receiving benefits and funeral assistance based on the Atomic Bomb Survivors' Support Law, it has become possible to apply through overseas diplomatic establishments which have jurisdiction over the area in which the bomb survivor resides or their nearest diplomatic offices, starting November 30.

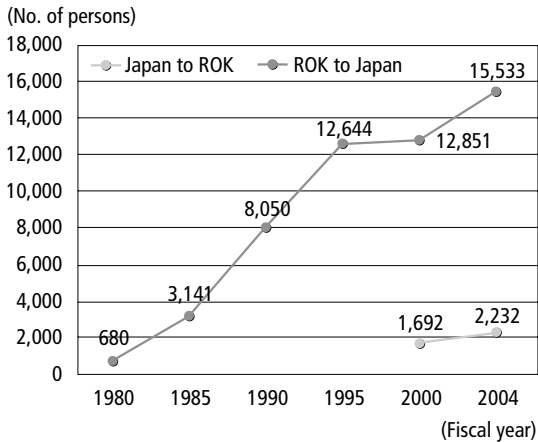
19. Issue in which patients institutionalized in Hansen's disease sanitariums built overseas by Japan before the end of the war are demanding the payment of subsidies based on the Payment of Compensation to Former Patients Institutionalized at the Hansen's Disease. With the revision of this law which took place on February 10, 2006, those who were formerly institutionalized in overseas sanitariums were also given the right to receive subsidies.

20. Those who are from the Korean Peninsula who traveled to Sakhalin before the end of the war under various circumstances, and were forced to remain there after the war ended for a long period under the de facto rule of the Soviet Union without being given the chance to return to Korea.

21. A monument which was erected in 1709 in what is now North Hamgyong Province in North Korea, in commemoration of the victory of a voluntary army over the troops dispatched by Hideyoshi Toyotomi to Korea (Battle of Bunroku) in 1592. A former member of the Japanese army brought it to Japan during the Russo-Japanese War, claiming that "if a monument like this were left standing forever, it would become a source of hostile feelings between Japan and Korea while we aim to maintain friendly relations with each other," and it was stored and maintained at the Yasukuni Shrine. However, it was turned over to the ROK on October 12 with a view to turning it over to North Korea. In March 2006, it was actually turned over to North Korea.

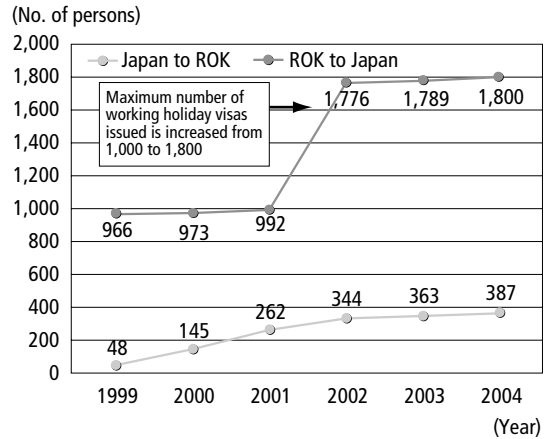
22. Although the ROK asserted that the Japanese import quotas were not consistent with the relevant provisions of the WTO agreements, both countries reached through bilateral talks that Japan would increase its import quota amount for Korean dried laver to 1.2 billion sheets in the next ten years.

Trend in Number of Students Studying Abroad



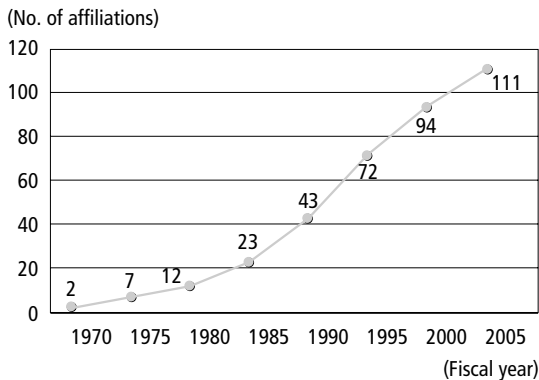
Source: Ministry of Education, Culture, Sports, Science and Technology; Korean Ministry of Education & Human Resources Development.

Number of Working Holiday Visas Issued



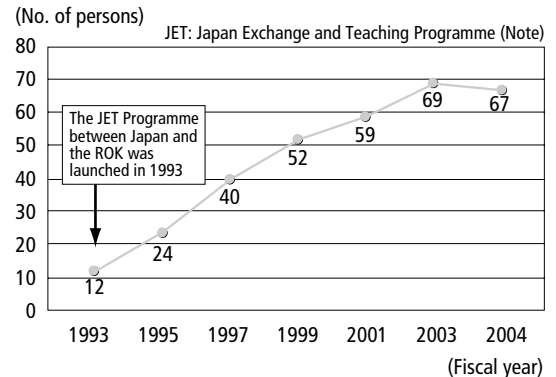
Source: Japan Association for Working Holiday Makers.

Number of Sister-city Affiliations Established



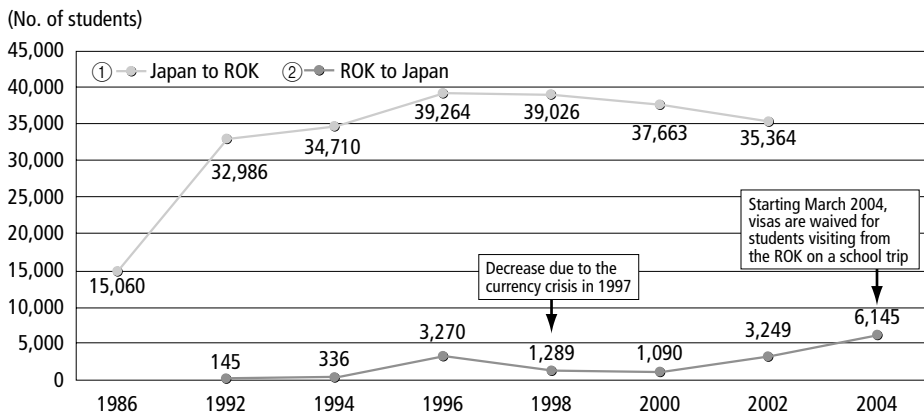
Source: Council of Local Authorities for International Relations (CLAIR).

Number of Persons Invited to Japan under the JET Programme



Note: See page 204.

Number of Students Participating in School Trips



Source: Ministry of Education, Culture, Sports, Science and Technology; Japan National Tourist Organization.

Note: 1. Calculation of number of students traveling from Japan to ROK in 2004 has not been completed.

2. ① "Japan to ROK" is by the fiscal year. ② "ROK to Japan" is by the calendar year.

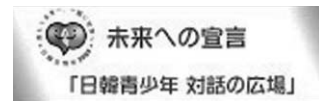
Japan-Korea Festival and Japan-Korea Youth Dialogue

The Japan-Korea People's Exchange Festival, held on September 24 as part of the special program planned by the Japan-Korea Friendship Year 2005 Year Committee, saw the appearance of around 1,900 people from a total of 37 Japanese and Korean groups. It included Japanese Kanto (pole lantern) Festival groups from Akita Prefecture and Nebuta Festival groups from Aomori Prefecture, as well as Korean samulnori*¹ and talchum (mask dance) groups. Approximately 50,000 Seoul residents attended the festival. Along downtown Daehangno, where the festival was held, spectators could be seen shouting together in unison, and the scene was filled with the unending sound of loud applause and cheerful shouts. It was the first time that a joint Japan-Korea festival was held in the Republic of Korea (ROK) on such a scale, and its success showed conclusively that exchange centered around the young people of the two countries was expanding.

On December 27, Japan-Korea Youth Dialogue, a debating group comprised of students from the two countries, was held in Seoul. Coordinated by a Japanese Committee member Kizo Ogura, a philosopher specialized in Korean philosophy, and a Korean Committee member Kim Yong Woon, the group had gathered through a website opinions of students from both countries prior to the event, and on the day itself around 100 students engaged in lively debates. The result of these debates, the Declaration for the Future, was handed over to officials of the governments of both countries. (For details, please refer to the Japan-Korea Friendship Year 2005 website.*²)

In the 40 years that have passed since the normalization of diplomatic relations between Japan and the

ROK, cross-border travel between the two countries has risen to over 4 million people per year; furthermore, in 2004, Koreans constituted approximately 26% of all visitors entering Japan, the greatest number of all the nationalities. It is expected that the exchange and cooperation between Japan and ROK will continue to expand still further in the future.



Nebuta Festival in Aomori Prefecture



Korean Puchae Chum (fan dance)

*¹ A dance where performers shake their heads as they dance, while playing four types of percussion instruments.

*² <http://www.jkcf.or.jp/friendship2005/>

memories (DRAM) produced by Hynix Semiconductor, Inc. in the ROK.²³

(k) The Situation in the ROK

(1) Domestic Politics

In the general election of April 2004, the ruling Uri party gained 152 seats, a majority of the overall 299 seats. Later, ten of the assembly members lost their qualifications due to violations of the Public Offices Election Law, and two by-elections were therefore held in 2005. The Uri Party was unable to gain any seats in the April 30 election (in which six seats were contested) or the October 26 election (in which four seats were contested). In the two elections, the Grand National Party (GNP) won nine seats and an independent candidate gained one seat. As a result, the Uri Party was unable to achieve a majority of the seats. On October 28, the executive office of the Uri Party headed by Chairman Moon Hee Sang resigned en masse, taking responsibility for their total defeat in the by-elections.

Although the Roh Moo Hyun administration had gained the strong support of the Korean people when it was first established in February 2003, such support began to weaken soon after Roh Moo Hyun took office due to economic depression and other factors. Other than temporary rises in his approval rating during such occasions as the decision for an impeachment prosecution in 2004 and the general election that followed, as well as his show of a hard-line attitude toward Japan over the Takeshima issue in March 2005, his popularity has been following a decreasing trend.

On the basis of the declining trend in public support for his administration and the ruling party, President Roh Moo Hyun, as one way to overcome this problem, called for a coalition with the GNP, the largest opposition party, through two letters which he posted on the Cheong Wa Dae (Office of the President) website in July ("Korean Government must return to normalcy" on July 5, and "A letter to all my party comrades" on July 28). It is assumed that the President Roh Moo-Hyun's intentions were to overcome sectionalism, which had been pointed out as being the malady affecting the Korean politics over many years, through an election system reform proposed by him as a condition for establishing a coalition. However, the reaction of the GNP

was extremely cold, and this move did not help to raise public support for the president or the Uri Party.

On December 30, ministers in the Uri Party who were considered candidates for the next presidency, such as Minister of Unification Chung Dong Young and Minister of Health and Welfare Kim Keun Tae, announced their resignation in succession. In response, a small-scale cabinet shuffle took place on January 2, 2006 and Deputy Head of the National Security Council (NSC) Lee Jong Seok was informally appointed to be the next Minister of Unification. Some are of the view that President Roh Moo Hyun tried to strengthen his ability to lead his administration by selecting his close aides in the cabinet reshuffle. Active developments that go hand-in-hand with such moves are expected in the next presidential election.

(2) Economy

The ROK's economic growth rate (GDP growth rate) remained at 4.6% in 2004.²⁴ While exports stayed steady, the economic growth rate dropped even further in the first half of 2005 due to the worsening of consumer sentiment and the cooling of domestic demand caused by a slump in corporate capital spending. However, in the latter part of the year, domestic consumption made a recovery, and together with the continued healthy exports, the economic growth rate is gaining upward momentum, with the annual rate reaching 4.0%. In the area of trade, both imports and exports steadily increased. However, due to the rise in the prices of raw materials and crude oil, the amount of trade surplus dropped from US\$29.4 billion the previous year to US\$23.5 billion. While the unemployment rate remains at a low 3% level, there are a large number of people that give up seeking employment who are not reflected in the unemployment rate. Also, almost half of the unemployed population is made up of youths.

At the same time, "socio-economic divides," such as the gap between large corporations and small and medium sized enterprises (SMEs), and the disparities among those in different income brackets, is widening. The Roh Moo Hyun administration placed great emphasis on the "socio-economic divides" issue in its New Year address in January 2006, showing that it is heavily focused on this issue, and it claimed that it will promote the creation of new jobs and the expansion of a social safety net.

23. Japan determined that the assistance measure given by the ROK Government to Hynix is found to be subsidies, and the import of Hynix's DRAM which received such subsidies caused material injury to the Japanese domestic industry. Japan therefore decided to impose counter-vailing duties of 27.2% on Hynix's DRAM.

24. From 2003, the base year for economic statistics including the GDP growth rate changed from 1995 to 2000.

Japan-ROK Economic Relations

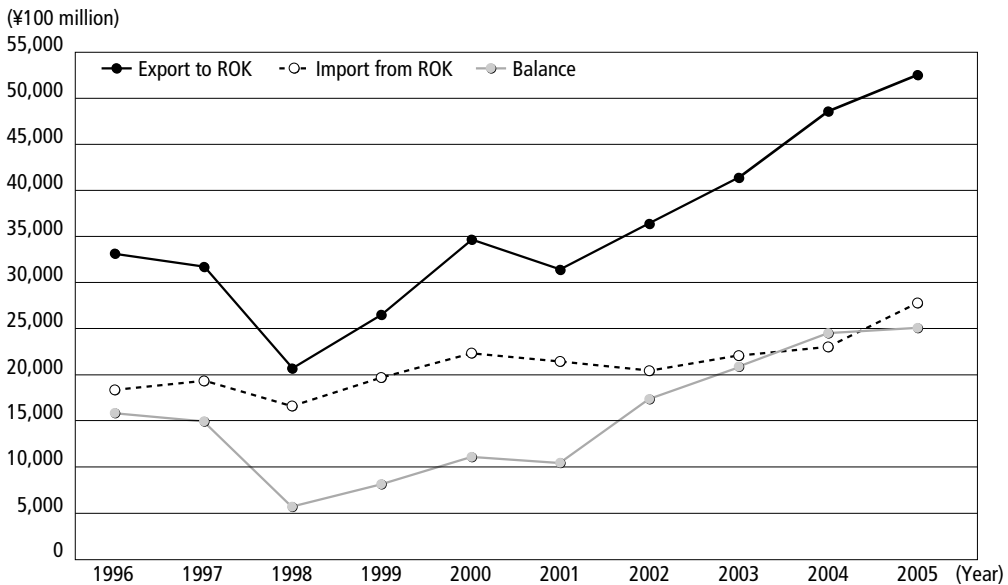
Amount of Japan's trade with the ROK

Unit: ¥100 million

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Export to ROK	31,923	31,532	20,045	26,062	33,088	30,719	35,724	40,225	47,851	51,434
Import from ROK	17,353	17,628	15,772	18,243	22,047	20,884	19,368	20,712	23,834	26,962
Balance	14,570	13,905	4,273	7,819	11,040	9,835	16,357	19,513	24,017	24,472

Source: Ministry of Finance.

Note: The import value and balance for 2005 are preliminary figures. Since the figures have been rounded off, the calculation between the import and export value may not necessarily match the balance.



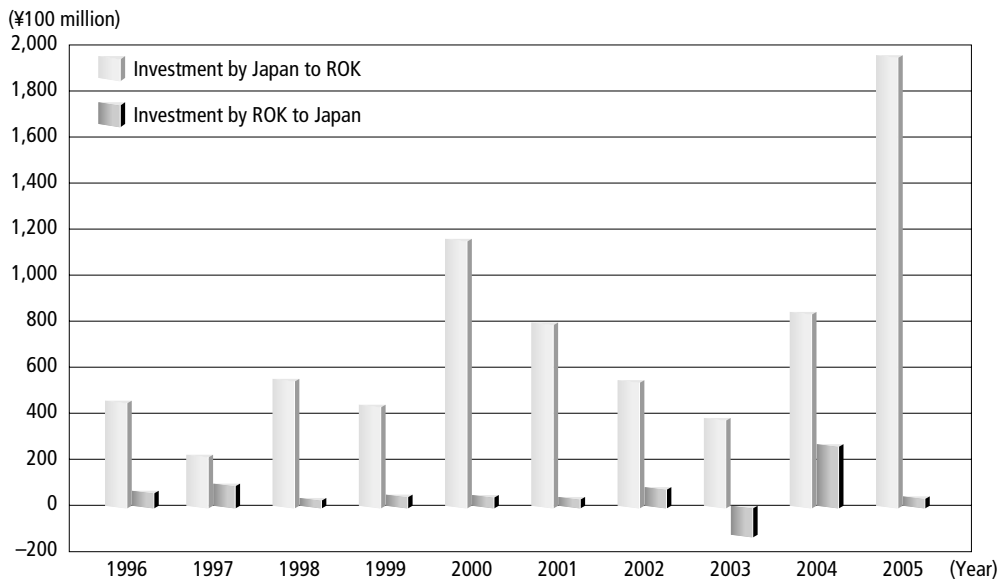
Foreign direct investment between Japan and the ROK (based on balance of international payments)

Unit: ¥100 million

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Investment by Japan to ROK	438	208	558	418	1,166	793	543	388	834	1,958
Investment by ROK to Japan	60	97	27	54	52	46	79	-110	270	32

Source: Ministry of Finance.

Note: The negative figure indicates excess withdrawal.



2 China, the Neighboring Region, and Mongolia

(a) People's Republic of China Overview

It is commonly understood between Japan and China that Japan-China relations are one of the most important bilateral relationships. Their economic relations and people-to-people exchanges are expanding greatly, and their deepening interdependent relations exemplify the solid foundation of Japan-China relations. Japan welcomes the rise of China under the basic recognition that China's economic development is an opportunity, and Japan's basic policy that it will strive to develop future-oriented Japan-China relations remains unchanged. The Chinese side also firmly maintains its basic policy which attaches importance to Japan-China relations. The address delivered by President Hu Jintao in September 2005²⁵ reveals that China's policy is to "ensure sound, stable and forward-looking development of Japan-China relations and uphold the lasting friendship between the two peoples for generations to come."²⁶

While the views of Japan and China differ on certain areas, this must not affect the development of the overall Japan-China relations and it is essential to enhance the future oriented cooperative relations from a broader perspective.

Based on the above basic positions of Japan and China, Japan continues to endeavor to resolve individual issues through serious dialogue to ensure that they do not hinder the development of the overall Japan-China relations, and enhance cooperative relations in a wide range of areas and build Japan-China relations that contribute to the region and the international community.

(1) Japan-China Relations

a) Dialogue of All Levels

As in previous years, Japan and China held dialogues of all levels in 2005 and frankly exchanged views on Japan-China relations and issues facing the region and the



Prime Minister Koizumi and President Hu on the occasion of their talks at the Asian-African Summit (April 23, Jakarta, Indonesia; Photo: Cabinet Public Relations Office, Cabinet Secretariat)

international community.

Prime Minister Koizumi and President Hu Jintao met on the occasion of the Asian-African Summit in Jakarta, Indonesia in April, and the two leaders reaffirmed their shared recognition that the development of the friendly relations between the two countries and their strengthened cooperative relations are vital not only to the two countries but also to the region and the international community as a whole. They also agreed to promote future oriented cooperative relations in a wide range of areas, by further advancing the deliberations on the Japan-China Joint Action Program,²⁷ with a view to broadening mutual benefits between Japan and China and resolving their outstanding issues. The foreign ministers also met on the occasion of the visit of Minister for Foreign Affairs Nobutaka Machimura to China in April and on the occasion of the ASEM Foreign Ministers' Meeting in May in Kyoto, and both ministers arrived at a shared recognition that not only the two countries, but also Asia and the rest of the world, desire a friendly relationship between Japan and China. In

25. At the Meeting Marking the 60th Anniversary of the Victory of the Chinese People's War of Resistance Against Japanese Aggression and the World Anti-Fascist War.

26. China's policy toward Japan was also shown in: the "three principles" that Premier Wen Jiabao presented at the National People's Congress (NPC) in March (1. take history as a mirror and look toward the future, 2. stick to the "one China" principle, and 3. strengthen cooperation for common development), and his "three suggestions" (1. promote high-level exchange of visits, 2. the foreign ministries of the two countries should work together to enhance strategic studies on ways and means to promote Japan-China friendship, and 3. the historical legacy should be appropriately handled), as well as in the "five proposals" that President Hu Jintao put forward on the occasion of the Japan-China summit meeting in April (1. strictly abide by the three documents, 2. take history as a mirror and look toward the future, 3. correctly handle the Taiwan issue, 4. resolve differences appropriately through dialogue and consultations, and 5. enhance exchange and cooperation and broaden mutual benefits).

27. The Japan-China Joint Action Program would comprehensively lay down specific Japan-China cooperation projects on three dimensions (1. promotion of exchanges and dialogue of all levels, 2. broadening of mutual benefits between Japan and China, and 3. prompt handling and resolution of outstanding issues between Japan and China). The plan is being considered at director-general level consultations.

In addition, parliamentary level exchanges were also actively conducted. Notably, Vice-Chairman of the Standing Committee of the NPC Lu Yongxiang visited Japan in April and met with Japanese parliamentarians including Speaker of the House of Representatives Yohei Kono. This was followed by Vice-President of the House of Councilors Giichi Tsunoda's official visit to China in November upon the invitation of the NPC, during which an agreement was reached to establish a new parliamentary exchange framework.

At the working-level, the governments held close dialogues under various frameworks, such as: the Japan-China Comprehensive Policy Dialogue (between the Vice Minister for Foreign Affairs of Japan and the Executive Vice Minister of Foreign Affairs of China) in May, June, and October 2005 as well as February 2006, Public Security-related Officials Meeting between Japan and China (director-general level) in July, Japan-China Consultations concerning the East China Sea and Other Matters (director-general level) in May and at the end of September, Japan-China Economic Partnership Consultation (deputy foreign minister level) in December, and the Japan-China Informal Consultation (director-general level) in January 2006 (see the table, Major Japan-China Inter-Governmental Dialogues in 2005 for details). In addition, the ministries and agencies concerned repeatedly hold working-level consultations on a wide range of areas.



Foreign Minister Machimura and Minister of Foreign Affairs Li Zhaoxing on the occasion of their talks at the ASEM Foreign Ministers' Meeting (May 7, Kyoto)

Furthermore, the Third Meeting of the New Japan-China Friendship Committee for the 21st Century²⁸ was held in July in Kunming city, Yunnan Province, China. This is a meeting among intellectuals in the private sector, for which the foreign ministries of the two countries served as secretariats. At the meeting, recommendations were made on: (1) the establishment of the Japan-China Exchange Year in Culture and Sports during 35th anniversary of the normalization of Japan-China relations (2007); (2) holding a symposium concerning the social issues shared between Japan and China (aging society, welfare, environment, and energy); 3) promotion

Major Japan-China Inter-Governmental Dialogues in 2005

- Japan-China Foreign Ministers' Telephone Talks** (Feb 15)
- Japan-China Foreign Ministers' Telephone Talks** (Mar 15)
- Japan-China Foreign Ministers' Meeting** (Apr 17, Beijing)
- Japan-China Summit Meeting** (Apr 23, Jakarta)
- Japan-China Foreign Ministers' Meeting** (May 7, Kyoto)
- First Japan-China Comprehensive Policy Dialogue** (May 13 – 14, Beijing)
- Visit to Japan of Vice Premier Wu Yi** (May 17 – 23, Aichi, Hokkaido, Tokyo)
- Japan-China Consultations concerning the East China Sea and Other Matters (second)** (May 30 – 31, Beijing)
- Second Japan-China Comprehensive Policy Dialogue** (Jun 23 – 24, Tokyo)
- Fourth Public Security-related Officials Meeting between Japan and China** (Jul 20 – 21, Tokyo)
- Japan-China Consultations concerning the East China Sea and Other Matters (third)** (Sep 30 – Oct 1, Tokyo)
- Third Japan-China Comprehensive Policy Dialogue** (Oct 15, Beijing)
- Visit to China of Senior Vice-Minister for Foreign Affairs Yasuhisa Shiozaki** (Nov 25 – 27, Beijing)
- Fourth Japan-China Economic Partnership Consultation** (Dec 1 – 2, Tokyo)

28. The Japan-China 21st Century Committee was established based on a 1984 agreement between Prime Minister Yasuhiro Nakasone and General Secretary of the Chinese Communist Party Hu Yaobang, and 15 sessions were held. When the incumbent committee members completed their terms in 2001, the initiative was re-launched with new members as the New Japan-China Friendship Committee for the 21st Century. Its first meeting was held in Dalian in December 2003, and the second meeting was held in Tokyo in September 2004. The committee chairperson on the Japanese side is Chairman of the Board of Fuji Xerox Yotaro Kobayashi, and on the Chinese side, former Executive Vice-President of Party School of Communist Party of China Central Committee (CPCCC) Zheng Bijian.

of youth exchanges, and (4) efforts for the early realization of the Fund for Japan-China Exchanges Initiative.

At these dialogues fora, the Chinese side has repeatedly raised the importance of resolving the issues related to the perceptions of history including Prime Minister Koizumi's visits to the Yasukuni Shrine. The government's position is that differences in opinion regarding individual areas must not hinder the development of the overall Japan-China relations, and it intends to strive continuously to promote greater mutual understanding and trust through a framework of multilevel dialogue explained above.

b) Vigorous People-to-People Exchange

i) Establishing a Favorable Climate for Promoting People-to-People Exchange

In 2005, the total number of Japanese people visiting China and Chinese people visiting Japan expanded further from the previous year, reaching approximately 4.17 million people (approximately 780,000 from China to Japan and approximately 3.39 million from Japan to China). Promoting greater mutual understanding and mutual trust through such direct exchanges between the people is extremely important in forming future oriented Japan-China relations. With this in mind, the government is striving to establish a favorable climate for promoting the expansion and deepening of people-to-people exchanges between Japan and China through a combination of various measures. As part of this endeavor, in July during EXPO 2005, the government expanded the list of areas in China whose residents are issued visas to participate in group sightseeing tours to Japan to cover all of China, where heretofore the certain areas including Beijing city, Shanghai city, Guangdong province, and Liaoning province. In addition, with the closer exchanges between Japan and China, the government elevated the branch office of Japan in Chongqing to a consulate-general in January, and in October approved the opening of a Chinese consulate in Nagoya to add to the offices China has in Tokyo, Osaka, Sapporo, Fukuoka, and Nagasaki.

Japan-China cooperation is being promoted also in the areas of consular affairs and public safety which are becoming increasingly important as people-to-people exchanges deepen. In this regard, the two sides held negotiations in June with a view to concluding a Japan-China agreement on consular affairs. In July, the Fourth Security-related Officials Meeting between Japan and China was held, and

opinions were exchanged on such matters as mutual investigation assistance, firearms control, drug control, illegal entry and departure, and group tours to Japan.

ii) Active Assistance for People-to-People Exchange

To promote greater mutual understanding and trust between Japan and China, it is essential to provide more opportunities for a wide range of people from both countries to "directly experience" the various aspects of each others' countries and deepen their understanding of each other in "life size" at the people level. To this end, the government has been extending active assistance under various frameworks in order to deepen mutual understanding among the personnel who bear the future of Japan-China relations through people-to-people exchanges, particularly youth exchanges (see the tables, "Invitation Programs of the Ministry of Foreign Affairs" and "Dispatch Programs of the Ministry of Foreign Affairs" for details). The government intends to continue to promote people-to-people exchanges while harnessing these frameworks.

iii) Activities for Promoting Understanding of Japan

Moreover, between Japan and China, the issue of anti-Japanese feelings in China is beginning to come to the fore as evidenced from the violent acts that took place during the demonstrations across China in April. It is thought that the underlying factor behind this trend is the lack of understanding about Japanese policies and culture in China. To address this problem, the government is transmitting accurate information about Japan to the people of China, coupled with promoting travels between the two countries as mentioned earlier, and advancing various measures to deepen the peoples' understanding of Japan in the present day (see the table, List of Measures for Promoting Understanding of Japan for details).

c) Deepening of Economic Relations (Including Japan's Official Development Assistance to China)

i) Expansion of Japan-China Economic Relations

Economic relations between Japan and China continue to expand. In 2005 the value of bilateral trade rose to US\$189.4 billion (a 12.7% year-on-year increase), and following last year's trend China (including Hong Kong) has again become Japan's largest trading partner.²⁹ Data from 2005 indicate that while Japanese imports from China grew soundly (15.7%), Japanese exports to China

29. China is Japan's largest source of imports and the second largest export market. 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 the Japan External Trade Organization (JETRO) based on Ministry of Finance trade statistics.) Japan is China's third largest trading partner (first is the EU and second is the US).

declined by 8.9%. It can be presumed that, among various factors, Japan's imports rose with the increase in the import of goods from Japanese companies that relocated their production sites to China. On the other hand,

Japan's exports declined due to, among other reasons, the increase in the rate of parts and other items procured in China as well as the Chinese government's policies to contain an overheating of investment.

Invitation Programs of the Ministry of Foreign Affairs

Scheme name	Invitees	Starting period and size	FY2005 (actual figure)
21st Century Partnership Promotion Invitation Program	People from various sectors regarded as likely to assume leadership roles in the future	1980– Approx. 80 people per year	69 people
Central Party School Exchange Program	Officers expected to assume a leading position from the Communist Party of China	2000– Approx. 100 people per year	76 people
Invitation of members of the China National School of Administration (CNSA)	Officers expected to assume a leading position from each national administration institution	1999– Approx. 30 people per year	52 people
Invitation of Chinese High School Students	Selected high school students from across the country	1999– Approx. 100 people per year	100 people
Invitation of China's Education Professionals	Selected teachers from across the country	1996– Approx. 20 people per year	20 people
Project for Human Resource Development Scholarship	Outstanding young administrative officials with a promising future	2003– Approx. 40 people per year	41 people

Dispatch Programs of the Ministry of Foreign Affairs

Scheme name	Subject	Starting period and size	FY2005 (actual figure)
Dispatch of Japanese Youths	Outstanding youths who are likely to play an active role in the future	1999– Approx. 100 people per year	88 people
Central Party School Exchange Program	Officers expected to assume a leading position from Japanese public and private sectors	2000– Approx. 50 people per year	45 people
Dispatch of Japanese High School Students	Selected high school students from across the country	2001– Approx. 50 people per year	55 people
Dispatch of Japanese Educators	Selected board of education members and teachers from across the country	1996– Approx. 30 people per year	35 people
Dispatch of Japanese Administrative Officials	State and local civil servants	2005– Approx. 30 people per year	20 people

List of Measures for Promoting Understanding of Japan

Measures for promoting understanding of Japan	Details
Web Japan homepage	Web Japan homepage is a website that provides multilingual information on Japan including information in Chinese.
Economic Cooperation Press Tour	An observation tour of ODA project sites in China for the Chinese press
Journalists Invitation Program	A program for promoting understanding of Japan by inviting reporters who actually write articles.
Foreign TV Team Invitation Program	A program that invites TV crew members from influential TV broadcasters to Japan and assists the creation and airing of TV programs on Japan.
Cultural grant aid	Grant aid program that provides equipment and materials for Japanese language education, and introduces Japan-related TV programs, etc.
Dispatch of lecturers and overseas lectures	A program in which experts are dispatched overseas as lecturers and give lectures on Japan at universities and think tanks.
Opinion Leader Invitation Program	A program that invites to Japan very influential leading figures with the influence to shape public opinion in order to promote a correct understanding of Japan's various policies and disseminate information on Japan in China.
Websites of Overseas Establishments of Japan	Through the websites of the Embassy of Japan and Consulate-Generals of Japan in China, information is transmitted in Chinese.
Educational Programs	Lectures are given in China to students, experts, members of the media, and others with an interest in Japan. The lectures introduce Japan's policies and general information about Japan.
Distribution of printed materials in Chinese	Distribution of materials in Chinese, i.e., various public relations materials giving general information about Japan as well as the Constitution of Japan and a compilation of important documents regarding Japan-China relations.

State of Japan-China Exchange: Our neighboring countries “separated only by a strip of water”

Have you ever heard the expression “*ichiitaitsui*” or “neighboring countries, separated only by a strip of water”? This is an old expression of Chinese origin, describing the closeness of two parties separated by a narrow river (like a Japanese belt or *obi*), which today symbolizes the relations between Japan and the People's Republic of China (PRC). During their history of exchange over the last two thousand years plus, there has been a constant coming and going of large numbers of people, goods, and culture between Japan and China, having a profound effect on much of the politics, economies, and everyday lifestyles of both countries.

Even the preceding sentence of the Joint

Communiqué of the Government of Japan and the Government of the People's Republic of China issued in 1972, the starting point of current Japan-China relations, describes Japan-China relations as thus: “Japan and China are neighboring countries, separated only by a strip of water with a long history of traditional friendship.” The interdependence between Japan and China has grown far deeper in the more than 30 years that have followed, and as the neighboring countries that the expression “neighboring countries, separated only by a strip of water” suggests both in name and reality, the basis of Japan-China relations in the fields of economic and human exchange has become firm to an unequaled degree.

- ◆ Number of Japanese nationals residing in China: 99,179 people (2004, including Hong Kong)
 - ➔ 10.3% of the total number of Japanese nationals residing outside Japan (approximately 960,000 people)
- ◆ Number of companies with operations in China: 31,855 companies (End of 2004, Chinese statistics)
 - ➔ 6.3% of the total number of foreign-affiliated companies with operations in China (508,941 companies)
- ◆ Number of people hired within China directly or indirectly by Japanese companies: 9.2 million people (*People's Daily*, April 23, 2005, statement by Minister of Commercial Affairs Bo Xilai)
- ◆ Total taxation paid by Japanese companies to China: Approximately US\$5.92 billion (*ibid.*)
 - ➔ Approximately 2% of total tax revenues in China (approximately US\$291.97 billion)
- ◆ Total trade between Japan and China: US\$189.39 billion (2005, excluding Hong Kong) (Japan External Trade Organization (JETRO) statistics)
 - ➔ Total Japan-China trade including Hong Kong (US\$227.1 billion) exceeds total trade between Japan and the US (US\$199.37 billion)
- ◆ Total direct investment by Japan in China: US\$6.53 billion (2005 performance, Chinese statistics)
 - ➔ Cumulative investment: US\$46.84 billion; second country only to the US (US\$48.02 billion)
- ◆ Movement of people: Approximately 4.17 million people (2005) (Japan to China: approximately 3.39 million people/China to Japan: approximately 780,000 people)
 - ➔ Approximately 2.3 times the movement of people between the US and China (Approximately 1.75 million people) (compares 2004 figures)
- ◆ Number of foreign students between Japan and China: Approximately 130,000 people (2004)
 - ➔ Japan to China: approximately 20,000 people/China to Japan: approximately 110,000 people (including school students)
- ◆ Number of sister city relationships between Japan and China: 314 pairs (34 prefectural municipalities, 241 cities, 39 villages)

What is essential more than anything for the future of Japan-China relations is for the people of the two countries to have a firm and steady resolution to build a future-oriented Japan-China relationship from a calm and broad perspective, while keeping closely in

mind the foundations built until now. Based on this idea, the Government of Japan continues to strive to increase mutual understanding and trust between the two countries through the expansion of people-to-people exchanges, including youths.

Japanese investment in China is increasing, totaling US\$4.56 billion (a 45.3% year-on-year increase) in FY2004 (reported amount). This represents 12.8% of all Japanese foreign investment, which is a major increase over the corresponding figure for the previous fiscal year (8.7%). Since China became a member of the World Trade Organization (WTO) in December 2001, a large number of Japanese companies have not only positioned China as a processing and export base but as a promising market and are accelerating the establishment of their operations in China. These trends show how Japan and China are further deepening their mutually complementary economic relationship.

As the economic relationship between the two countries becomes increasingly close, it is important to prevent possible economic friction. Japan has been discussing various issues related to trade and investment, including the issue of intellectual property rights in China, at bilateral consultations such as the Japan-China Economic Partnership Consultation (deputy-ministerial level).³⁰ Japan has also raised issues related to the fulfillment of China's commitments as a WTO member under the WTO's Transitional Review

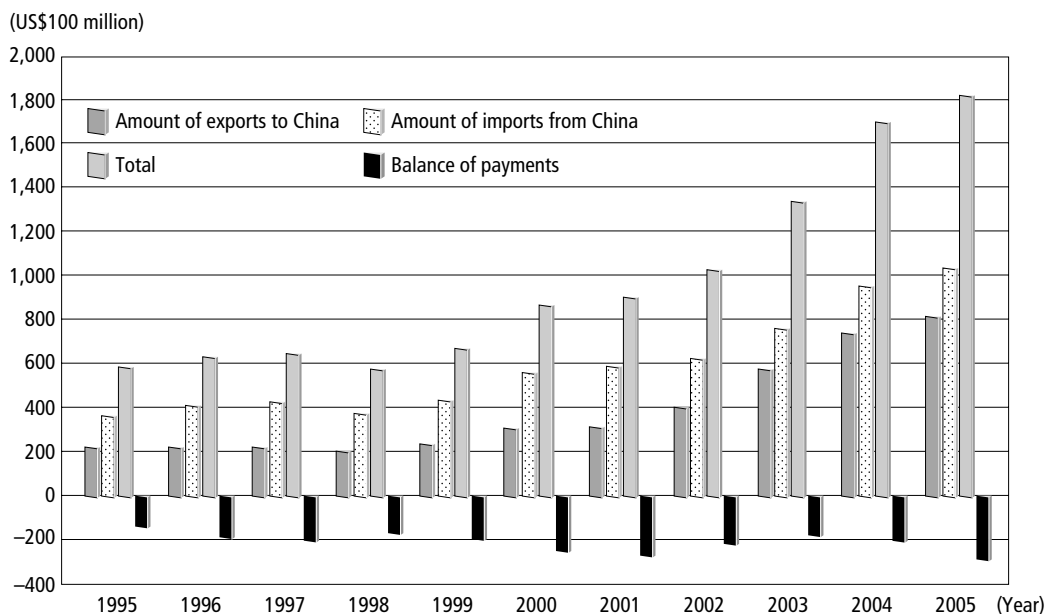
Mechanism (TRM) for China.³¹

ii) Economic Cooperation with China

In recent years, China has achieved remarkable economic growth especially in its coastal areas, and Japanese Official Development Assistance (ODA) to China has been on a trend of substantial decrease. On the other hand, however, there exist a large number of common challenges facing the people of Japan and China, such as environmental pollution and infectious diseases in China which are issues that could directly affect Japan. Japanese ODA has recently been provided mainly in such areas as resolving these issues and bolstering mutual understanding through the promotion of people-to-people exchanges. The actual record for FY2004 shows that the amount of yen loans and grant aid was 85.875 billion yen and 4.11 billion yen respectively (on an exchange of notes basis) and that the amount of technical cooperation was 5.923 billion yen (on a JICA disbursement basis).

At the Japan-China Foreign Ministers' Meeting held in April, the ministers reached a common understanding that new provisions of yen loans, which account for a great part of ODA to China, would be concluded before

Japan-China Economic Relations



30. The consultation was established as a result of discussions between Prime Minister Koizumi and 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, aiming at further strengthening the mutually complementary economic relationship between the two countries. The fourth session was held in December 2005.

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.

Record of Japan's ODA to China

(Unit: 100 million yen)

FY	Loan aid ^a	Grant aid ^a	Technical ^a cooperation	Total
1980	660.00 ^b	6.80	5.64 ^b	672.44
1981	1,000.00	23.70	10.18	1,033.88
1982	650.00	65.80	19.78	735.58
1983	690.00	78.31	30.45	798.76
1984	715.00	54.93	26.77	796.70
1985	751.00	58.96	39.48	849.44
1986	806.00	69.68	48.10	923.78
1987	850.00	70.29	61.92	982.21
1988	1,615.21	79.58	61.49	1,756.28
1989	971.79	56.98	40.51	1,069.28
1990	1,225.24	66.06	70.49	1,361.79
1991	1,296.07	66.52	68.55	1,431.14
1992	1,373.28	82.37	75.27	1,530.92
1993	1,387.43	98.23	76.51	1,562.17
1994	1,403.42	77.99	79.57	1,560.98
1995	1,414.29	4.81	73.74	1,492.84
1996	1,705.11	20.67	98.90	1,824.68
1997	2,029.06	68.86	103.82	2,201.74
1998	2,065.83	76.05	98.13	2,240.01
1999	1,926.37	59.10	73.14	2,058.61
2000	2,143.99	47.80	81.97	2,273.76
2001	1,613.66	63.33	77.77	1,754.76
2002	1,212.14	67.88	62.37	1,342.39
2003	966.92	51.50	61.80	1,080.22
2004	858.75	41.10	59.23	959.08
Total ^c	31,330.56	1,457.31	1,505.58	34,293.45

^a Figures for loan aid (yen loans) and grant aid are based on exchanges of notes. Figures for technical cooperation are based on actual disbursements by JICA (not including technical cooperation and the acceptance of foreign students carried out by other government ministries and agencies).

^b Figures for FY1980 loan aid and technical cooperation include ODA disbursements from previous years as well.

^c In some cases figures are not consistent with the total due to rounding.

the 2008 Beijing Olympic Games, and further consultations on the details have been carried out at the working level. Japan intends to closely examine aid other than yen loans, such as technical cooperation and other forms of aid, in the context of the overall Japan-China relations while taking into account Japan's national interest and closely examining each project.

d) Concerns in Individual Areas

i) Violent Activities Targeting Japanese Diplomatic

Establishments and Japanese Companies in China

On several consecutive weekends in April 2005 (April 2 and 3, 9 and 10, 16 and 17) Japanese diplomatic establishments and Japanese companies in China suffered violent activities such as stone throwing as part of protests and demonstrations held in a number of places in China, which resulted in shattered glass and other such damage. On April 10, after Minister for Foreign Affairs Nobutaka

Machimura lodged a protest with Chinese Ambassador to Japan Wang Yi, Japan requested an apology, compensation for the damages, measures to prevent reoccurrences of such incidents, and punishment for the assailants. Afterward as well, Japan carried out further overtures, strongly reaffirming its requests at the Japan-China Foreign Ministers' Meetings held in April and May.

In response to this, the Chinese side announced that it would like to provide a responsible management that gives due regard to both Chinese and international law, and communicated the intention to respond in good faith regarding the restoration of the embassy, ambassador's residence, and the other diplomatic establishments that suffered damage to their original conditions. Restoration of Japanese establishments has already been initiated, with some being completed sequentially.

ii) The Issue of Resource Development in the East

China Sea

Regarding the issue of resource development in the East China Sea which has been an outstanding problem since the previous year, Japan-China Consultations concerning the East China Sea and Other Matters were held in May and from the end of September through October. The recognition that the East China Sea should be made a “Sea of Cooperation” rather than a “Sea of Confrontation” is shared by leaders and foreign ministers of the two countries. The Japanese government, looking into the possibility of joint development, continues aiming at a solution to this issue through dialogues with the Chinese side.

At the third round of consultations held from the end of September through October, the Japanese side demanded that China suspend development operations and provide relevant information, and also explained the harsh and objective domestic situation in Japan regarding exploratory drilling. In addition, from the perspectives of both the safe operation of fishing boats and the preservation of the ocean environment, Japan demanded relevant information, and made representation concerning the activities of the Chinese Navy. Furthermore, following the proposal for joint development from the Chinese side at the previous round of the Consultations, the Japanese side made its proposal which included a joint development plan, to which the Chinese side responded that it would seriously study the proposal and present its views on it at the next round of the Consultation. In January 2006, an unofficial director-general level consultation was held in Beijing where the Chinese side stated that it was considering presenting further proposals at the next round of official consultations with a view to realizing joint development, and both sides shared the recognition that the next round of

Consultations should be held as soon as possible.

iii) The Issue of Abandoned Chemical Weapons (ACWs) in China

Regarding the issue of abandoned chemical weapons (ACWs)³² in China, pursuant to the Chemical Weapons Convention (CWC) that entered into force in 1997, Japan shall provide all necessary financial, technical, expert, facility, as well as other resources for the destruction of these weapons, and China shall provide appropriate cooperation. Within the framework of the Memorandum between the Government of Japan and the Government of China on the Destruction of Abandoned Chemical Weapons in China³³ signed in 1999, both Japan and China have carried out on-site surveys as well as excavation and recovery operations in order to destroy such weapons. In addition, consultations among government personnel and experts from both countries have been held regarding various specialized and technical matters. In 2004, the site locations for destruction facilities and all processing techniques (combustion methods) were decided, and currently preparatory operations are being advanced on both technical fronts as well as in terms of organization for the construction of excavation and recovery facilities as well as destruction facilities in the Haerbaling District of Jilin Province.³⁴

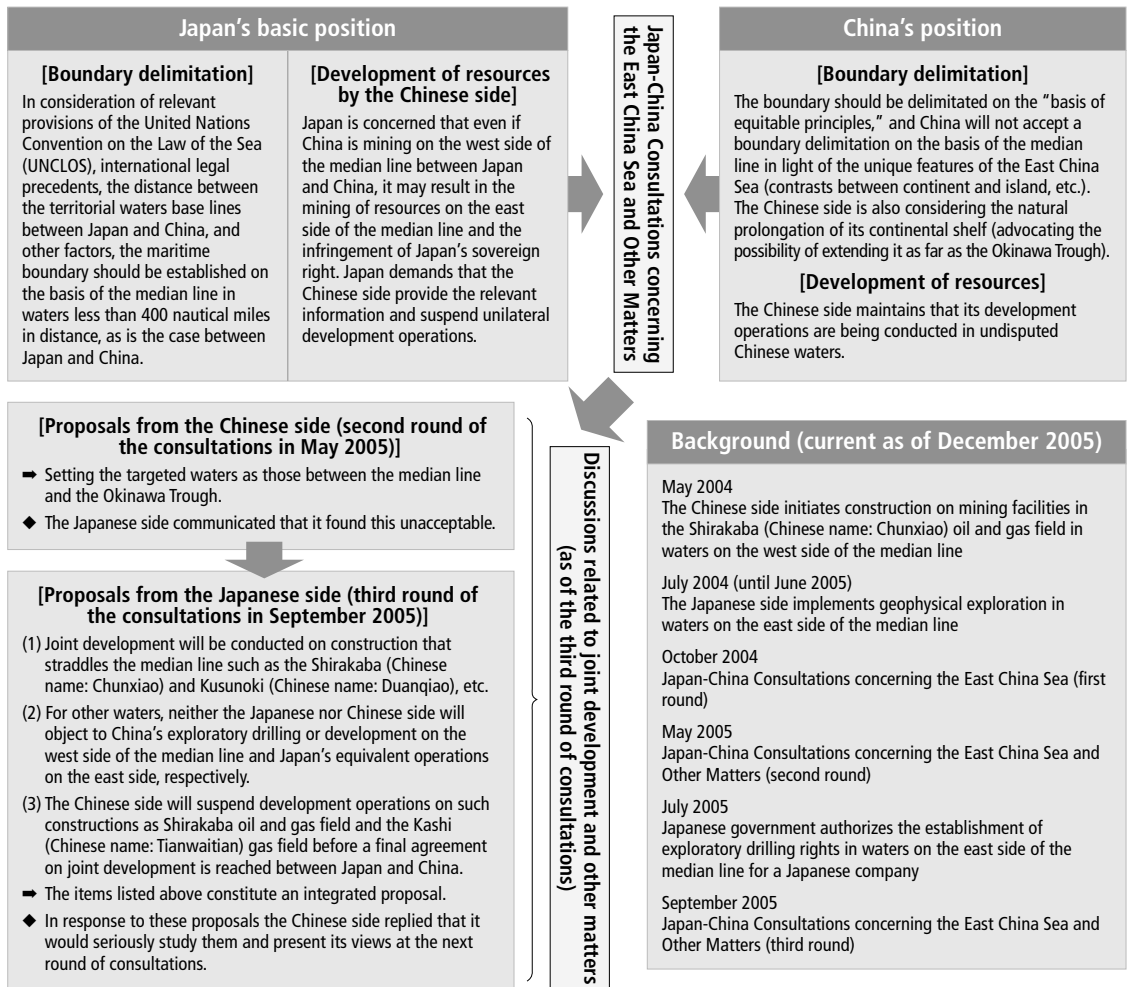
Accidents involving poisonous gases escaping from abandoned chemical weapons have occurred in places such as Qiqihar City in Heilongjiang Province and Dunhua City in Jilin Province. In order to prevent such accidents in the future Japan intends to destroy the abandoned chemical weapons pursuant to the Chemical Weapons Convention as quickly as possible with the cooperation of China.

32. An issue concerning the destruction of chemical weapons abandoned in China by the Imperial Japanese Army until the end of World War II. In 1990, there was a request from the Chinese government for the treatment of this issue.

33. For the destruction of these weapons, Japan confirmed that it would observe Chinese law and make it its top priority to ensure the safety of people and to minimize environmental hazards. China, for its part, confirmed that the destruction of such weapons will be carried out within the country.

34. The presence of abandoned chemical weapons has been confirmed over a vast area stretching from Heilongjiang Province in the north to Guangdong Province in the south. The majority of them have been buried in the Haerbaling District of the city of Dunhua in Jilin Province, where it is estimated that the number of buried shells is between 300,000 and 400,000. Tentative estimated figures reported by Japan to the Organisation for the Prohibition of Chemical Weapons (OPCW) placed the number at 674,000 shells. However, judgments performed by means of further investigations and the like conducted later lowered this figure to between 300,000 and 400,000, and Japan provided the OPCW with a revised report. Furthermore, to date approximately 37,000 abandoned chemical weapon shells have been excavated and recovered through on-site inspections and excavation and recovery operations.

The Issue of Resource Development in the East China Sea



(2) The Situation in China

a) Domestic Politics

i) Basic Policies of the Hu Administration

At the third session³⁵ of the 10th National People's Congress (NPC)³⁶ in March the leadership under President Hu made clear its aim of establishing a "Harmonious Society" based upon a "Scientific Outlook

on Development."³⁷ In addition, it once again articulated its approach of "Put People First," which emphasizes the interests of the Chinese people by striving to address initiatives such as developing farming and farming villages, securing employment, redressing disparities, and improving administrative functions. Following this, at the fifth plenary session of the 16th Central Committee of the Communist Party of China

35. President Hu was appointed as the chairman of the Central Military Commission, thereby completing the generational shift from his predecessor, former President Jiang Zemin of China, in the "military," following after the "party" and the "state."

36. China's supreme authoritative body, is roughly equivalent to the Japanese Diet. The current term is five years, and plenary sessions are held once a year around March.

37. A view that aims for the harmonious, sustainable, and balanced development of society as a whole from the perspective that "people are the root." It is based on a policy that was presented at the third plenary session of the 16th Communist Party of China in September 2003 and has been repeatedly presented since then at various meetings in China.

(CPC)³⁸ in October the fundamental policies for the new five-year plan (the 11th Five-year Plan) lasting from 2006 to 2010 were formulated. They stressed qualitative growth that gives due consideration to energy efficiency, its impact on the environment, and richness of life, and incorrupt politics that emphasizes the interests of the people. Commemorative events were held in regions all over the country from the middle of July until the end of September as part of the “60th Anniversary of the Victory of the World War against Fascism and China’s Resistance War against Japanese Aggression.” On September 3 a commemorative convention on the scale of about 6,000 people was held in Beijing with the attendance of present and former central leadership figures. In addition, in October the manned space flight of Shenzhou VI, China’s second domestically-built rocket, succeeded and a ceremony was held with much fanfare.

ii) Responses to Various Social Issues

A variety of social issues have been pointed out in China in the wake of the rapid progress of the country’s economic development. Large-scale accidents bearing enormous harm for both human lives and the environment occurred, such as the coal mine accident³⁹ in Liaoning Province from February and the water pollution in the Songhuajiang River resulting from the accident at a chemical factory in Jilin Province in December. In response to these incidents, the Chinese government closed coal mines and factories and punished those bearing responsibility, including persons from the central and regional governments. Aside from these the government also put efforts into countermeasures such as the establishment in January 2006 of a manual for urgent countermeasures to unexpected large-scale accidents and incidents, as well as the establishment of mandatory regulations related to the public disclosure and notification of information. On the other hand, moves by Chinese officials toward strengthening management of the media have also been observed, such as the publication of administrative regulations related to Internet press coverage in September and the punishments accorded to the media that reported on the large-scale accidents.

Furthermore, in recent years protest movements by the people against local officials have occurred frequently

on the issue of compensation consequent upon the expropriation of land, the issue of the treatment of workers, and environmental pollution. In response to these, the Chinese government is taking countermeasures in haste such as revising ordinances for appeals and setting in place regulations for the management of civil servants.

Under such circumstances the leadership of the Communist Party of China launched an educational campaign starting in January for one and a half years which aims to raise the qualifications of all Communist Party members and improve services for the people of China. Furthermore, in October the Chinese government published its first white paper on political democracy and placed stress on the establishment of political democracy suited to conditions in China under the leadership of the Communist Party.

iii) National Defense and Security

It was reported at the March 2006 NPC that China’s national defense expenditures for FY2006 would be approximately 280.7 billion yuan, an increase of 14.7% compared to the previous fiscal year. While the publicly disclosed national defense expenditures have risen by 10% for 18 consecutive years, the Chinese side explains that the primary causes are the increases in personnel, equipment etc., and similar costs. Japan remains watchful of the fact that there are still segments which are unclear in terms of such amount increases in national defense expenditures and the modernization of China’s military power, and intends to continue to keep calling for greater transparency in the future.

b) Economy

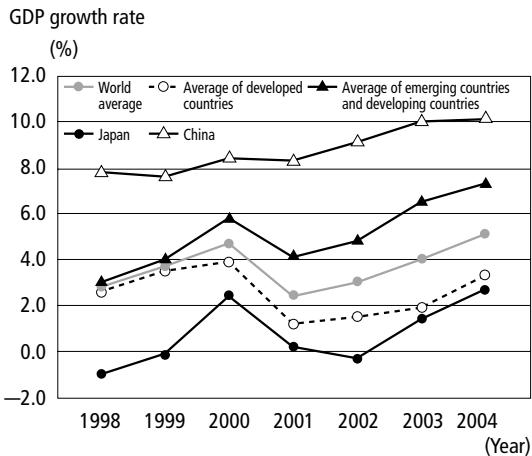
China’s gross domestic product (GDP) (nominal value) for 2005 was 18.2321 trillion yuan with an actual rate of growth of 9.9% recorded (the target presented at the March 2006 NPC was roughly 8%). Total trade rose 23.2% compared to the previous year to US\$1.42212 trillion, and the trade surplus reached US\$101.88 billion. The leadership under President Hu has presented a policy⁴⁰ by which China would seek to increase GDP by four times by 2020 compared to that of the year 2000. At the same time, the government is advocating a “Scientific Outlook on Development” which aims not only at pursuing economic growth but also for the sustainable, balanced development

38. Comprised of “Central Committee members” who are elected by the Party Congress that is held once every five years, the Central Committee leads the activities of and acts for the Party Congress while the Congress is adjourned. Plenary sessions of the Central Committee are generally held once per year around autumn.

39. According to announcements by the Chinese government, in 2005 there were approximately 3,300 cases of coal mine accidents resulting in approximately 6,000 deaths.

40. This policy was decided at the 16th National Congress of the Communist Party of China in November 2002.

China's Economic Growth



Source: International Monetary Fund (IMF), World Economic Outlook (WEO) September 2005, National Bureau of Statistics of China.

of society as a whole. It is also striving to redress economic disparities and working on matters such as agriculture, rural areas, and farmers;⁴¹ the social security issue; and energy and environmental issues.

At the fifth plenary session of the 16th Central Committee in October 2005, fundamental policies were decided upon for a five year plan, the first one formulated by the leadership under President Hu. In addition to strongly setting forth the notions of a “Harmonious Society” and a “Scientific Outlook on Development,” the plan also indicates two points serving as new quantitative objectives; namely (1) doubling per capita GDP by 2010 based on year 2000 levels and (2) reducing per unit GDP energy consumption figures by 20% based on the levels from the end of the 10th Five-year Plan (2005). Furthermore, the government rounded the Chinese yuan up on July 21 from an exchange rate of 8.276 yuan per US dollar to 8.11 yuan per dollar. At the same time it also switched over from a virtual dollar peg (linkage) system to a “managed float system” which carries out adjustments in reference to a currency basket system.⁴²

c) Foreign Relations

i) Overview

China needs a stable international environment for its economic growth, which is the country's highest priori-

tized challenge. As such, China is pursuing an omni-directional diplomacy that includes expanding relations with major countries like the United States (US), Russia, and various European countries, as well as strengthening relations with neighboring countries. Furthermore, proactive efforts aimed at regional cooperation frameworks such as the Shanghai Cooperation Organization (SCO), the Association of Southeast Asian Nations (ASEAN)+3 (Japan, China, and the ROK), and the Asia-Pacific Economic Cooperation (APEC) are also seen. For the issue of North Korea's nuclear development, China desires the denuclearization of the Korean Peninsula and a peaceful resolution through dialogue. From this position, China has been proactively playing a role in order to resolve this issue through means such as its hosting the Six-Party Talks in July, September, and November, as well as President Hu's visit to North Korea in October 2005. In addition, with ensuring the energy that sustains its rapid domestic economic development set as a primary goal, China is strengthening relations with regions like the Middle East, Africa, and Central and South American countries through means such as VIP visits.

ii) US-China Relations

The US and China have both affirmed their mutual “constructive and cooperative relationship” through the opportunities presented by various dialogues, in addition to conducting exchanges of opinions related to a wide array of issues such as those pertaining to North Korea, Taiwan, commerce and trade, and currency. Mutual visits by VIPs flourished as well, and among the heads of state and cabinet ministers, visits to China were carried out by US Secretary of State Condoleezza Rice in March and July, and US Secretary of Defense Donald Rumsfeld in October. Moreover, summit meetings were conducted both in September in New York, and in November on the occasion of the visit by US President George W. Bush to China. At the working level, as well, consultations were held in individual fields, central to which were the US-China Senior Dialogues conducted in August and December by US Deputy Secretary of State Robert B. Zoellick and Executive Vice Minister of Foreign Affairs Dai Bingguo of China, respectively.

41. Problems of agriculture (income disparities between farm villages and urban areas, problem of farmers losing land as a consequence of development, etc.), problems of rural areas (dilapidation of farm villages, problems with the family register system), and problems of farmers (problem of decreased food production as a result of factors like micro-scale, inefficient farming).

42. A management method for currency exchange policy which uses the weighted average of multiple currency rates such as the US dollar in relation to one's own country's currency in calculations. While there are many cases in which particulars such as the currencies involved and their relative weights are not publicly disclosed, in general they are determined on the basis of the ratio of each major currency comprising trade settlement.

iii) Relations with Russia, India, and the European Union (EU)

Regarding relations with Russia, the China-Russia Joint Communiqué was released in July on the occasion of President Hu's visit to Russia, with the developments and achievements in relations between the two countries that followed the visit of President Vladimir Putin of Russia to China in October 2004 summarized within. In addition, the Shanghai Cooperation Organization (SCO) Summit Meeting was held in Kazakhstan in the same month. Based on a memorandum exchanged between the two countries in 2004, China and Russia carried out the Peace Mission 2005, their first joint military exercise, in August in Vladivostok as well as on the Shangdong Peninsula and its surrounding waters.

In terms of relations with India, Premier Wen Jiabao of China visited the country in April and a joint statement related to the creation of an India-China Strategic and Cooperative Partnership for Peace and Prosperity was released. Relations between the two countries were also strengthened through means such as the agreements over 12 joint documents related to cooperation in areas such as border issues, economics, aviation, and cultural exchange, as well as through the holding of joint military exercises in December by the navies of both countries.

In relations with the European Union (EU), Prime Minister Tony Blair of the United Kingdom (UK) visited China in September and conducted consultations such as the China-EU Summit Meeting. Furthermore, from the Chinese side as well, President Hu visited countries in November such as the UK and Germany, and in the following December, Premier Wen visited France and other locations. In this way, developments were seen in terms of the ongoing, proactive summit diplomacy from the Chinese side.

d) Hong Kong

In Hong Kong, Chief Executive Tung Chee Hwa resigned in March with two years remaining in his term and Chief Secretary for Administration Donald Tsang assumed the post of acting chief executive the same day. Afterward, acting Donald Tsang won the by-election for chief executive in June without a vote and was appointed by the State Council as the new chief executive in the same month (with a term lasting until June 30, 2007).

With a view to the upcoming chief executive elections in 2007 and elections for members of the Legislative Council in 2008, the Hong Kong Administration released an administrative proposal in October related to

amending documentation accompanying the Hong Kong Basic Law which was submitted to the Legislative Council as the Political Reform Package on December 21 and sought understanding regarding gradual democratization. However, it was unable to acquire the two thirds or greater approval required for adoption and the package was rejected as a result of adamant opposition from Democratic Party Legislative Council members aiming for the early holding of universal suffrage.

On the economic front, Hong Kong's economy was dealt a heavy blow by both the Asian economic crisis and the 2003 outbreak of Severe Acute Respiratory Syndrome (SARS). However, there was a significant economic upturn as a result of prosperous conditions in the external economy, a revival in the travel industry due to a lifting of restrictions on individual travel from the Chinese mainland to Hong Kong, and measures to prop up Hong Kong's economy on the part of the Chinese government such as the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). In 2004 a real GDP growth rate of 8.2% was achieved, and a successive high rate of growth was maintained with the 7.3% growth rate of 2005. The 7.9% rate of unemployment recorded in 2003 was reduced to 5.5% (over a period from July to September 2005) and the consumer price index (CPI) has also increased since July relative to the same month in 2004 (September 2005 was up 1.6%). Hong Kong is displaying signs that it is breaking away from the deflation which has persisted for six years since the end of 1998.

In terms of relations with Japan, the Japan-Hong Kong Year 2005 took place and a variety of events were held in both Japan and Hong Kong.

(b) Taiwan

Taiwan expressed strong opposition in response to the adoption by the Chinese NPC in March of the Anti-Secession Law, which is aimed at countering and restraining Taiwan's independence, in that it is a move toward legalizing the use of force against Taiwan. Following which, China demonstrated a posture of proactively interacting with Taiwanese opposition parties, such as the meetings carried out one after another with President Hu and leaders of Taiwan's Kuomintang (KMT) and People First Party (PFP) visiting China. However, no movements toward improving relations between the ruling Democratic Progressive Party (DPP) and Taiwan's authorities were visible. In February 2006, Taiwan's authorities announced "ceasing the function of The National Unification Council"⁴³ and "ceasing the

43. The National Unification Council is an advisory body established under the direct supervision of the president in 1990 in order to formulate guidelines of the policies on China.

application of National Unification Guidelines.”⁴⁴ In response to this, Japan expressed its strong desire that dialogues between the parties concerned would be resumed promptly in order to arrive at a peaceful resolution, declaring its own position as one of being unable to support any kind of unilateral attempts by either side to change the status quo.

In Taiwan, a draft amendment to the constitution was created in June that includes contents such as having the number of Legislative Yuan members,⁴⁵ establishing a single constituency two-ballot system, and implementing referendums when the constitution is to be amended. Unified local elections were carried out in December, and here the Kuomintang party made major strides forward under the leadership of its chairman Ma Ying-jeou, who was appointed in July. On the economic front, Taiwan's annual economic growth rate for 2005 was 4.09% and the unemployment rate for January 2006 was 3.80%.

Japan maintains working relations with Taiwan on a non-governmental basis in accordance with the Japan-China Joint Communiqué of 1972. For Japan, Taiwan is an important region which maintains close economic relations and ranks fourth as a trading partner with Japan after the US, China, and the Republic of Korea (ROK). In terms of the flow of people, the short-term visit visa exemptions aimed at residents of Taiwan which were carried out over the course of EXPO 2005 were decided to be continued afterward as well, and it is estimated that the number of visitors from Taiwan to Japan reached a level of roughly 1.3 million people in 2005. Additionally the number of visitors from Japan to Taiwan came to about 1.12 million people.

(c) Mongolia

As a result of the general elections in 2004, a coalition cabinet led by Prime Minister Tsakhiagiin Elbegdorj (Democratic Party) and comprised of both the Mongolian People's Revolutionary Party and the Motherland Democratic Coalition was inaugurated. However, the Mongolian People's Revolutionary Party has been recovering political clout as a result of factors such as the dissolution of the Motherland Democratic Coalition prior to the June 2005 presidential elections, and the speaker of the State Great Hural, Nambaryn Enkhbayar (former prime minister, chairman of the

Mongolian People's Revolutionary Party), achieved an overwhelming victory in the presidential elections. The Elbegdorj Cabinet was unable to sufficiently execute economic policies, beginning with measures to combat poverty. For this reason the cabinet was forced into mass resignations by the Mongolian People's Revolutionary Party in January 2006 and a new cabinet was created with chairman of the Mongolian People's Revolutionary Party Miyegombyn Enkhbold as prime minister.

On the economic front, backed by favorable world market conditions for items like cashmere and copper, which are Mongolia's primary export products, the country's growth rate for 2005 increased by approximately 6% relative to the previous year, maintaining the positive growth which has continued since 1994. In addition, the world began to take notice of the coke carbon, gold, and copper, rich deposits of which are presumed to exist in the southern Gobi region, and momentum gathered for large-scale investment aimed at its development. The government has embarked on setting up the environment for a legal framework for the sake of introducing foreign capital regarding this sort of tapping of underground resources, while at the same time it is proactively laying out policies for the promotion of small and medium enterprises which are attempting to improve the economic make-up which depends on the export of raw materials.

In regards to foreign relations, US President Bush visited Mongolia in November for the first time as an incumbent president, and gave a high evaluation of Mongolia's plan for supporting the reconstruction of Iraq. Moreover, in the same month, President Enkhbayar paid an official visit to China, making it his first destination for an overseas visit since he was appointed president. At the 60th session of the UN General Assembly a draft resolution on the “800th Anniversary of the Great Mongolia State” was submitted and adopted.

As for relations with Japan,⁴⁶ in March, Minister for Foreign Affairs Tsendiin Munh-Orgil, and in May, Minister for Industry and Trade Sukhbaataryn Batbold of Mongolia visited Japan for the opening ceremony and the Mongolian National Day of EXPO 2005, respectively, where they conducted the exchange of opinions with VIPs from the Japanese side. In addition, Senior Vice-Minister for Foreign Affairs Shuzen Tanigawa of Japan

44. National Unification Guidelines are the leading guidelines of the policies on China formulated by the National Unification Council.

45. Equivalent to members of Japan's Diet.

46. According to the results of a public opinion survey conducted in Mongolia in November 2004 the segment of the population that affirmed feeling positively toward Japan was greater than 70% and Japan was also chosen as first place by way of “country Mongolia ought to be closest with.” This, along with the fact that Mongolian sumo wrestlers in Japan are enjoying great success, indicates that Mongolia is a country that is exceedingly pro-Japanese. Roughly 9 million yen in donations was sent by the general populace in Mongolia in response to the damage from the Niigata Chuetsu Earthquake.

visited Mongolia in June in order to take part in the presidential inauguration ceremony. Aiming to further develop the friendly relations between the two countries, 2006 was set as the Year of Mongolia in Japan as it marks the 800th Anniversary of the Great Mongolia State, with

the following year, 2007, set as the Year of Japan in Mongolia as it corresponds to the 35th anniversary of the establishment of diplomatic relations between Japan and Mongolia.

3 Southeast Asia

Overview

ASEAN countries are strengthening their sense of solidarity toward a common goal of creating an ASEAN Community. While they collaborated in tackling issues, including infectious diseases such as avian and pandemic influenza, terrorism, and transnational crime, in 2005 they also channeled particular effort into the reconstruction of areas damaged by the major earthquake off the coast of Sumatra and tsunami in the Indian Ocean which occurred in December 2004.

Japan and ASEAN are partners that have shared a history of friendship and trust for the past 30 years, and Japan has engaged in a great deal of cooperation for achieving the political and economic growth of ASEAN. The existence of a politically and economically secure and sound ASEAN is essential for the stability and prosperity of the entire East Asian region. The relationship between Japan and ASEAN has been evolving from being that of a donor and a recipient, to a “strategic partnership” in which the two parties address the issues faced by the East Asian region as a whole on an equal footing. 2005 was a year in which the state of Japan-ASEAN relations in the new era became conspicuous.

(a) Overall situation in ASEAN

With establishing an ASEAN Community by 2020 as its main goal, ASEAN has been developing various efforts on regional integration.⁴⁷ The ASEAN Development Fund (ADF) was set up in July as a new source of revenue used to narrow development gaps and to promote ASEAN integration. Also, at the 11th ASEAN Summit Meeting in Kuala Lumpur, Malaysia, on December 12, a joint declaration was adopted regarding

the formulation of an “ASEAN Charter,” which is to become the basic document for the ASEAN Community.

The year 2005 saw further progress in regional cooperation such as the first East Asia Summit (EAS) held in Malaysia, with a view to building an East Asian community (EAc) in the future. ASEAN has taken the leading role as a “driver” in the effort to coordinate and promote regional cooperation. On the occasion of the 13th APEC Summit Meeting held in Busan on November 17, the first US-ASEAN Summit Meeting was also held, during which an agreement was made to establish an “enhanced partnership” to promote cooperation in a wide range of areas. In addition, relations with other individual countries outside of the region were strengthened. For example, the first summit meeting with Russia took place, a comprehensive economic partnership agreement (EPA) was reached with the ROK, and Australia and New Zealand acceded to the Treaty of Amity and Cooperation (TAC).⁴⁸ Through such development in international relations in the Asia-Pacific region centering on ASEAN, ASEAN is strengthening its role as the “hub” of regional cooperation.

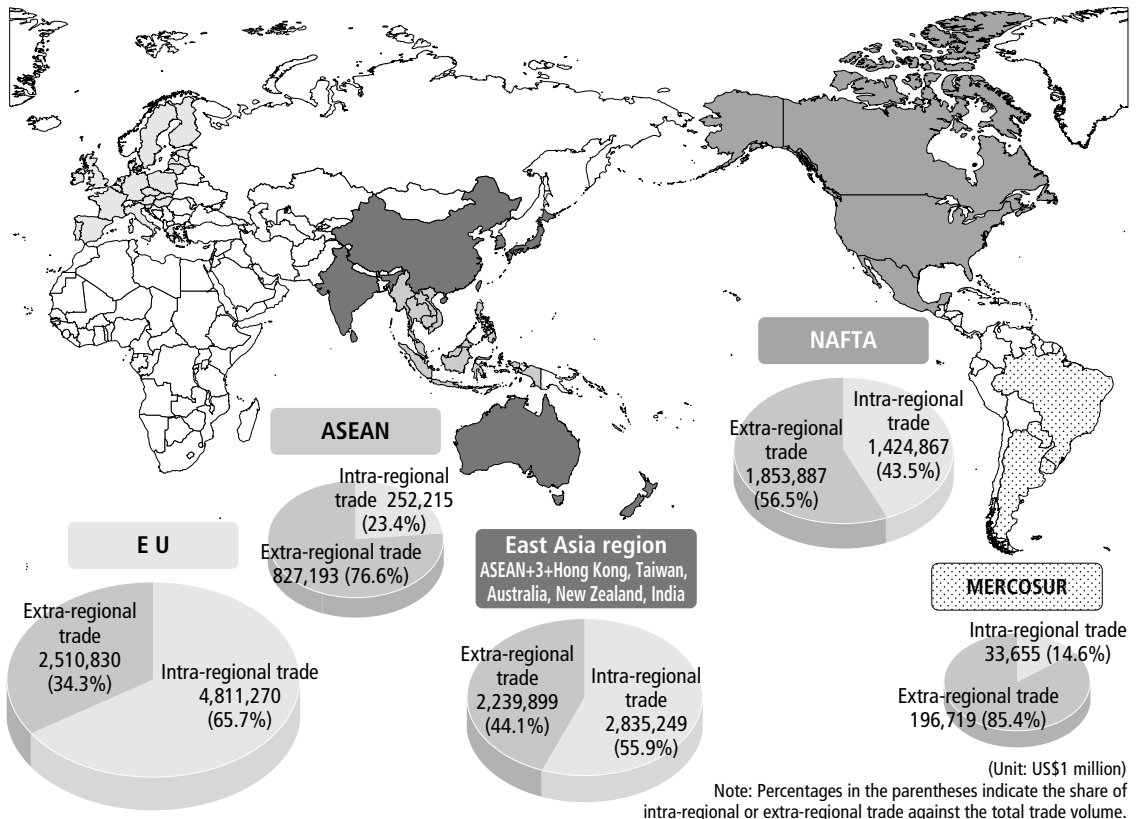
(b) Japan-ASEAN Relations

Japan has the longest history as a partner of ASEAN, and relations between Japan and ASEAN countries were further strengthened in 2005 through active mutual visitations by key figures and other events. At the same time, through such historical changes of the East Asian region as mentioned above, Japan-ASEAN relation is going beyond the bilateral context, and is becoming a “strategic partnership” which plays an essential role in establishing security and prosperity for the entire East Asian region. At the 9th Japan-ASEAN Summit Meeting held in Kuala Lumpur on December 13, it was confirmed that Japan

47. Under the ASEAN Concord II (Bali Concord II) signed by each participating country at the ASEAN Summit Meeting in 2003, the ASEAN Security Community (ASC), ASEAN Economic Community (AEC), and ASEAN Socio-cultural Community (ASCC) were described as being the three pillars which support the ASEAN Community initiative. As a roadmap to realize this initiative, the Vientiane Action Programme was adopted at the Summit Meeting in 2004.

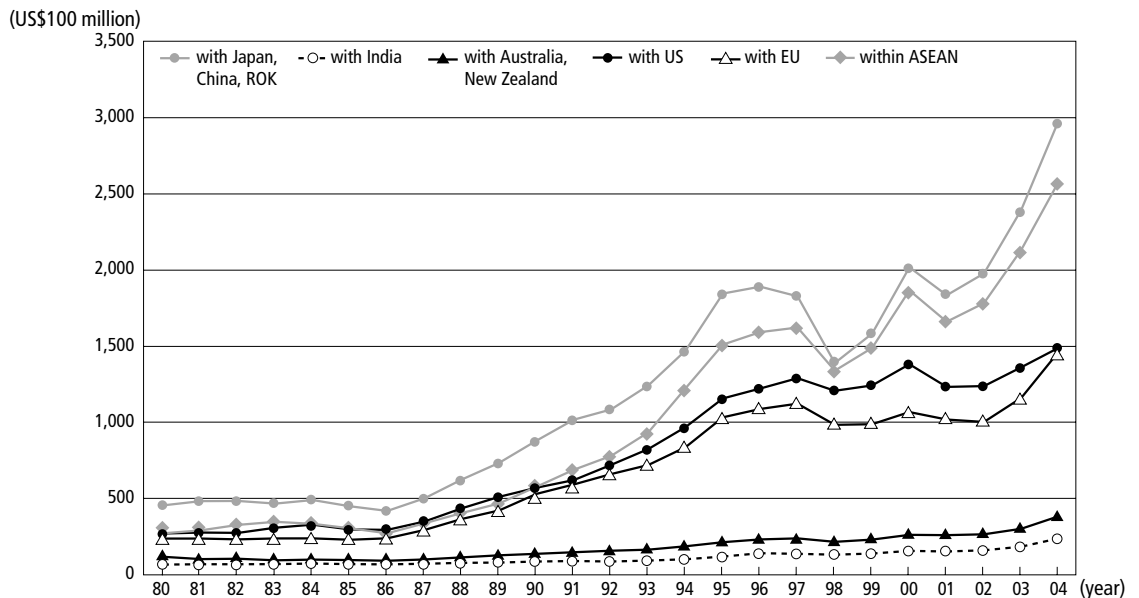
48. An international agreement made in order to maintain and manage peaceful relations among the countries within the region based on the UN Charter. China and India acceded to the TAC in 2003, and Japan, the ROK, and Russia acceded in 2004.

Intra-Regional and Extra-Regional Trade Share and Total Trade Volume of Various Regional Economic Communities and Other Organizations of the World



Source: "Direction of Trade Statistics QUARTERLY Jun 2005," website of Customs and Tariff Bureau, Ministry of Finance; website of Taiwan International Trade Agency.

Trend in the Trade Volumes of ASEAN Member Countries with Other Countries and Regions



and ASEAN are building a partnership under which they tackle new issues facing the entire East Asian region, and strive to achieve greater stability and prosperity for the region. Some such issues include new and reemerging infectious diseases including avian influenza, the fight against international terrorism, the energy issue, natural disasters such as large-scale tsunamis, and transnational crime. Prime Minister Koizumi attended the summit meeting and announced that Japan would contribute 7.5 billion yen to the aforementioned ASEAN Development Fund as assistance toward the integration of ASEAN. This was the first clear offer of assistance given by a country outside of the ASEAN region since the establishment of the fund, which demonstrated Japan's position that it intends to continue placing strong emphasis on ASEAN.

In the areas of trade, investment, and economic cooperation, Japan continues to be the biggest trading partner, investing country, and Official Development Assistance (ODA) donor for ASEAN. At the same time, ASEAN is one of the most important partners in trade and investment for Japan. Japan signed an EPA with Malaysia in December 2005, and the text for an EPA with Thailand was mostly finalized in February 2006. It was also decided that preparatory discussions with a view to launching EPA negotiations with Viet Nam and Brunei would begin soon. Furthermore, the leaders of ASEAN and Japan have committed to make the utmost efforts to conclude the negotiations on the ASEAN-Japan Comprehensive Economic Partnership Agreement as soon as possible within two years after the commencement of negotiations in April 2005, aiming at the further economic development of Japan and ASEAN as a whole.

The Tokyo Declaration, together with the "Plan of Action," incorporating approximately 120 concrete measures, were adopted at the Japan-ASEAN Commemorative Summit held in Tokyo in December 2003. They have become important cornerstones for promoting the continued Japan-ASEAN cooperation. This fact was reconfirmed at the Japan-ASEAN Summit Meeting in December 2005. At the same time, the Japan-ASEAN Action Plan Progress Report, which was also adopted at the 2005 Japan-ASEAN Summit Meeting, highly evaluates the steady progress of such efforts as human resources development and the Mekong region development cooperation.

(c) Indonesia

As it stated at its inauguration in October 2004, the

Susilo Bambang Yudhoyono administration worked on developing an investment environment aimed at sustainable and stable economic growth, while placing emphasis on measures against corruption, regional conflicts, and terrorism. At the same time, it was feared that certain domestic issues such as the tsunami damages caused by the major earthquake off the coast of Sumatra in December 2004, the simultaneous bomb attacks on the island of Bali in October 2005, and the expanding affects of the avian influenza, would greatly affect the administration's political management. Under such circumstances, the post-tsunami reconstruction efforts presented an opportunity for the Indonesian Government to sign a memorandum with the Free Aceh Movement (GAM), which had been leading a separatist movement for nearly 30 years. Moreover, the government was able to reduce its fuel subsidies, which had been causing a financial strain as a result of the rising crude oil prices, and further develop its fiscal situation into a healthy state without experiencing great resistance from the people.

Both Japan and Indonesia are making efforts to deepen and advance even further their cooperative relationship as Partners for New Challenges, as announced in a joint statement signed by two leaders during President Susilo Bambang Yudhoyono's visit to Japan in May 2005.

(d) Cambodia

The political situation in Cambodia has been relatively stable since the establishment of the third coalition government headed by Prime Minister Hun Sen in July 2004. However, incidents concerning human rights occurred such as the deprivation of privileges from opposition parliamentarians.

Regarding the Khmer Rouge trials,⁴⁹ the Agreement between Cambodian Government and the United Nations (UN) for the establishment of trials went into force in April, and the necessary steps are being taken in preparation for its commencement. Japan has donated approximately half (US\$21.6 million) of the trial budget to be covered by the UN, and intends to make active personnel contributions as well.

As for Japan-Cambodia relations, Prime Minister Hun Sen visited Japan in May, during which he took part in the National Day at EXPO 2005, and Minister for Foreign Affairs Nobutaka Machimura visited Cambodia in June.

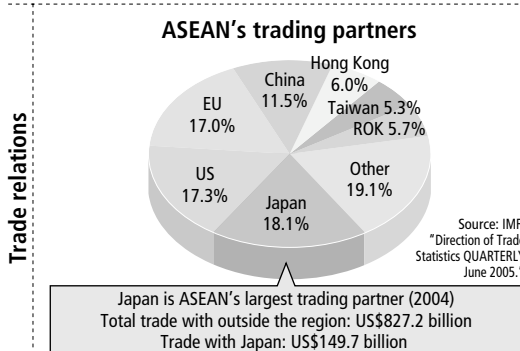
49. The extraordinary tribunals in the courts of Cambodia for the prosecution of the senior leaders of the Democratic Kampuchea (Khmer Rouge) who bear the most responsibility for the massacre of its people in the late 1970s.

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

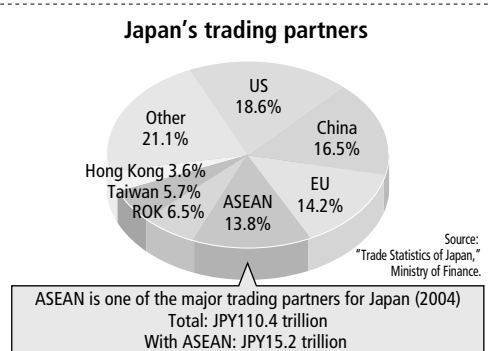
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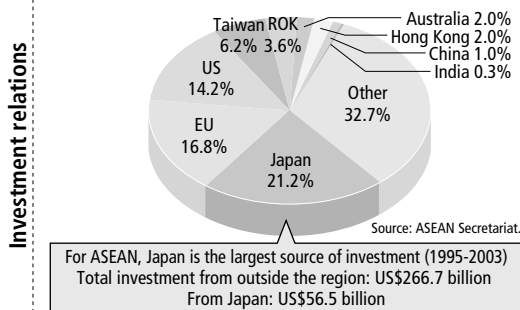
Japan from ASEAN's Perspective



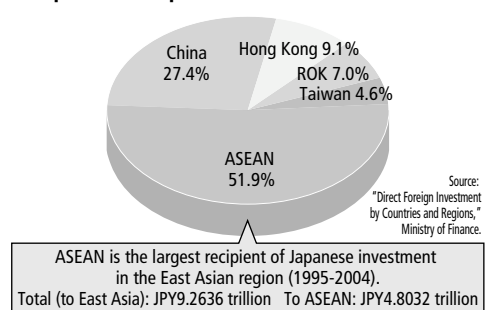
ASEAN from Japan's Perspective



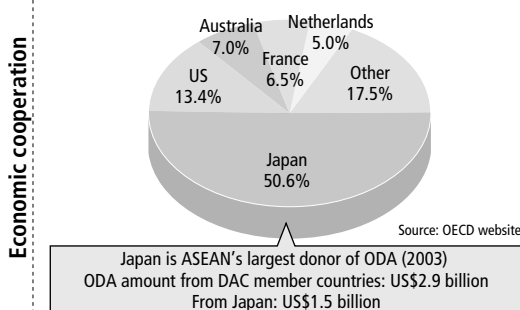
ASEAN's source of investment



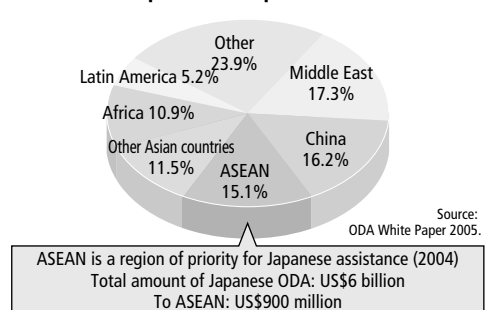
Recipients of Japanese investment in East Asia



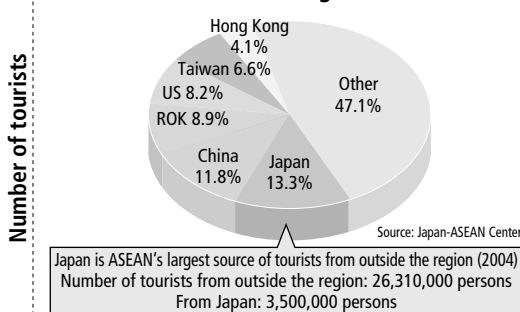
Donors of ODA for ASEAN



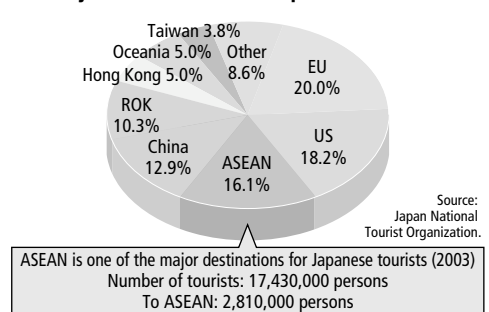
Recipients of Japanese ODA



Tourists visiting ASEAN



Major destinations of Japanese tourists



(e) Singapore

President Nathan was nominated to serve his second term in September. Under the Lee Hsien Loong administration which has entered its second year, Singapore's economy, being led by the manufacturing sector, has been steadily growing, and its trade has also been showing strong growth due to the expansion of Free Trade Agreements (FTA). In June, Singapore concluded a Comprehensive Economic Cooperation Agreement (CECA) with India. In the area of diplomacy, Singapore is following the basic policy of maintaining an appropriate balance with Japan, the US, and China, and working to strengthen ties with countries outside of the ASEAN region. In relation to China in particular, having normalized the temporarily cooled relations caused by his visit to Taiwan prior to his inauguration, Prime Minister Lee made his visit to China in October.

As for Singapore-Japan relations, Prime Minister Lee, Foreign Minister George Yeo, Defense Minister Teo Chee Hean, Minister for Trade and Industry Lim Hng Kiang, and others visited Japan; and Minister of State for Defense Yoshinori Ohno, Minister of State for Economic and Fiscal Policy Heizo Takenaka, Minister for Foreign Affairs Machimura, and Minister of Economy, Trade and Industry Shoichi Nakagawa visited Singapore.

(f) Thailand

The tsunami in the Indian Ocean of December 2004 left over 5,300 persons dead (of which 28 were Japanese) and 2,800 people missing (of which 1 was Japanese) in Thailand. Japan worked in cooperation with Thailand to confirm the identities of the Japanese victims, and provided various forms of assistance including the dispatch of the Japan Disaster Relief Team.

While the security situation in the southern-most region, which still shows no signs of improvement, has become a domestic challenge for the administration, Thailand's economy, on the other hand, continues to be in excellent condition. Under such circumstances, a general election was held in February upon the completion of the term of the lower house of the National Assembly. The Thai Rak Thai (TRT) party headed by Prime Minister Thaksin won a resounding victory gaining 377 of the 500 seats, and in March, Thaksin's second administration took office.

Regarding Thailand's relations with Japan, Minister



Parliamentary Secretary for Foreign Affairs Kiyohiko Toyama offering flowers at the ceremony commemorating the first anniversary of the tsunami, hosted by the Government of Thailand (December 26; Phuket, Thailand)

for Foreign Affairs Machimura visited Thailand in January, and Prince Akishino also paid a visit in August for research purposes. In September, a general agreement was reached on the main points of the Japan-Thailand EPA during a meeting between Prime Minister Thaksin and Prime Minister Koizumi during Thaksin's visit to Japan.

(g) Timor-Leste

After the UN Mission of Support in East Timor (UNMISET)⁵⁰ completed its mission in May, the United Nations Office in Timor-Leste (UNOTIL)⁵¹ has been working to ensure the sustainable development of Timor-Leste, and is scheduled to remain there until May 2006. The Petroleum Fund was established in September, financed by the tax revenue collected from oil and gas which have been produced in the Timor Sea since 1997. There are prospects for an improvement of economic conditions in Timor-Leste in the future, although its economy has been stagnant. However, on the diplomatic front, Timor-Leste continues to face various issues with Indonesia, such as the establishment of a border settlement, repatriation of refugees, and addressing past human rights violation problems.

Concerning relations with Japan, Parliamentary Secretary for Foreign Affairs Keishiro Fukushima visited Timor-Leste in April, and Senior Minister of State, Minister for Foreign Affairs and Cooperation Dr. Jose Ramos-Horta visited Japan twice in February and September.

50. UNMISET was established on May 20, 2002 as a successor mission to the United Nations Transitional Administration in East Timor (UNTAET), based on the UN Security Council resolution 1410 adopted on April 17, 2001. Japan dispatched its Self-Defense Forces troops to take part in this mission.

51. UNOTIL was established on May 20 as a successor mission to the UNMISET, based on the UN Security Council resolution 1599 adopted on April 28, 2005. This mission is headed by Sukehiro Hasegawa, former head of the UNMISET.



Parliamentary Secretary for Foreign Affairs Keishiro Fukushima, with UN military observers, inspecting the vicinity of the border of Timor-Leste where a shooting incident occurred (April 25; Timor-Leste)

(h) The Philippines

Faced with a number of medium to long-term priority issues such as reducing the deficit through tax reform and improving tax collection capabilities, and making peace with antigovernment forces, President Gloria Macapagal-Arroyo came under suspicion of fraud in the previous year's presidential election in June, and the Lower House filed the impeachment case against the president. Although the demand was dismissed in September, activities by civic groups that demanded the president's resignation continued. President Arroyo herself attributed the problems to the Philippine's political system, and announced in her policy speech in July that the constitution would be revised to shift the country's government from a presidential system to a parliamentary system. The Constitutional Consultative Commission is currently drafting amendments to the Constitution.

Concerning relations with Japan, Minister of Finance Sadakazu Tanigaki visited Manila in January. In May, Secretary of Foreign Affairs Alberto Romulo visited Japan to take part in the ASEM Foreign Ministers' Meeting and the ASEAN+3 Foreign Ministers' Informal Meeting, and also to tour EXPO 2005. Moreover, Minister of State for Defense Yoshinori Ohno and Special Assistant to the Prime Minister in charge of Foreign Affairs Yoriko Kawaguchi visited Manila in May and June respectively, and Secretary of Tourism Joseph H. Durano visited Japan as a special guest to EXPO 2005.

(i) Brunei

A drastic cabinet shuffle took place in May for an overhaul in which many young officials were promoted. Brunei placed importance on diversifying its economy in its national policy, in which it was decided that an enterprise group including Japanese corporations will partici-

pate in related projects in the oil and gas sector (production of ammonia and ethanol, etc.).

Concerning relations with Japan, Minister for Foreign Affairs Machimura visited Brunei in June seeking Brunei's support for the UN reform, and met with Foreign Minister Mohamed Bolkiah (currently the Minister of Foreign Affairs and Trade). A summit meeting between Prime Minister Koizumi and His Majesty Sultan Haji Hassanal Bolkiah was held in December on the occasion of the 1st East Asia Summit in Kuala Lumpur, and it was decided that meetings of the Joint Scoping Consultation for the Japan-Brunei Economic Partnership Agreement would be held.

(j) Viet Nam

The year 2005 was the 60th anniversary of the foundation of the Socialist Republic of Viet Nam, and the 75th anniversary of the foundation of its Communist Party. Prime Minister Phan Van Khai visited the US in June for the first time in the post-war era as an incumbent prime minister of Viet Nam. Viet Nam's domestic economy has been growing in recent years at a rate of over 7%, and in 2005 the rate reached 8.4%. Investment into Viet Nam has also been growing at a rapid rate. New foreign investment in 2005 rose dramatically to US\$4.1 billion, a 78% increase from the previous year, and investment from Japan also shot up greatly by 64% the previous year, to US\$410 million. Viet Nam has been working toward formal accession into the World Trade Organization (WTO) at an early date as a priority foreign policy, and in December, a bilateral negotiations agreement document related to Viet Nam's WTO accession was signed between Japan and Viet Nam. On the same occasion, the leaders of the two countries agreed to start meetings of the joint study group to work toward the commencement of economic partnership negotiations.

Concerning relations with Japan, Minister for Foreign Affairs Machimura visited Viet Nam in June, and Prime Minister Phan Van Khai visited Japan in July.

(k) Malaysia

Malaysia achieved successful results on the diplomatic front in 2005. Serving as the ASEAN chair, it successfully wrapped up a series of ASEAN-related summit meetings, including the first EAS in December. In the area of economy, following China's move to reevaluate the yuan in July, Malaysia abolished its fixed exchange rate system that pegged its ringgit against the dollar, which had been implemented since 1998, and shifted to a managed floating exchange rate system.

Concerning relations with Japan, His Majesty

Tuanku Syed Sirajuddin visited Japan as a state guest in March, meeting with His Majesty the Emperor and attending a State banquet at the Imperial Palace. Moreover, on the occasion of Prime Minister Koizumi's visit to Malaysia in December for the purpose of attending the EAS and others, the leaders of the two countries signed the Japan-Malaysia Economic Partnership Agreement, for which negotiations had been taking place since January 2004. Prime Minister Koizumi also attended the inauguration ceremony of the Malaysia-Japan University Centre (MJUC).

(l) Myanmar

At the ASEAN Foreign Minister's Meeting in July, Minister for Foreign Affairs U Nyan Win announced that Myanmar had decided to forego taking the post of ASEAN chair in 2006 because it wished to focus its attention on the ongoing democratization process. In November, the Government of Myanmar announced that its capital function would be moved from the current Yangon to Pyinmana (300 kilometers north of Yangon), and government offices have gradually begun their relocation.

The release of Daw Aung San Suu Kyi, who has

been in custody since May 2003, has not taken place despite strong pressures from the international community. In November, the Government of Myanmar took steps to extend her house arrest for another six months.

As its first step in the "roadmap" toward democratization, the Government of Myanmar reconvened the National Convention to hold deliberations on the basic principles of the new constitution. However, certain parties including the National League for Democracy (NLD) did not attend.

Japan has been persistently urging Myanmar through dialogue, demanding that Myanmar make concrete progress in its democratization process and national reconciliation involving all parties concerned, including Daw Aung San Suu Kyi. From this standpoint, Japan directly approached Myanmar at the summit and foreign ministerial levels on such occasions as the Asia Cooperation Dialogue (ACD) and Asian-African Summit in April, ASEM Foreign Ministers' Meeting in May, and the East Asia Summit (EAS) in December.

(m) Laos

The Lao People's Democratic Republic, which celebrated the 30th anniversary of its establishment in 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	The government formally abandons the "Burmese Way to Socialism" for a market-driven economy.
	June	The English name of the country is changed from "Union of Burma" to "Union of Myanmar."
	July	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	Myanmar joins ASEAN.
1997	November	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	Daw Aung San Suu Kyi and other NLD members are taken into custody while campaigning in the countryside.
	August	The government announces a seven-step "roadmap" for democratization in Myanmar.
	September	Daw Aung San Suu Kyi, who had been held in government custody, is returned to her home under house arrest.
2004	January	The Myanmar government and the Karen National Union (KNU) begin peace negotiations.
	May	The National Convention meets for the first time in eight years (May 17-July 9).
	October	Myanmar is approved for ASEM membership at the ASEM Summit in Hanoi.
	October 19	SPDC Secretary-1 Lt-General Soe Win assumes the post of prime minister upon Prime Minister Khin Nyunt's dismissal.
	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.
2005	February 17-	National Convention is held. (through March 31)
	July	The government announces that it will forego taking the post of ASEAN chair in 2006.
	November	The government announces that the capital functions will be moved from Yangon to Pyinmana.
	November 27	Daw Aung San Suu Kyi's house arrest is extended by six months.
	December 5-	National Convention is held (through January 31, 2006).

2005, has been strengthening its role in the international community. For example, for the year until the end of July, it served as the ASEAN chair and hosted the ASEAN Summit Meeting and other various international conferences.

Visits of VIPs to and from Japan have become more frequent in recent years. The Lao PDR celebrated the 50th anniversary of the establishment of diplomatic rela-

tions between Japan and Laos in March 2005, and various commemorative cultural events were held in both countries. Mr. Samane Vignaket, president of the National Assembly, visited Japan in May, and Mr. Somsavat Lengsavad, deputy prime minister and minister of foreign affairs, visited Japan in May and June, while Senior Vice-Minister for Foreign Affairs Ichiro Aisawa visited Laos in July.

4 South Asia

Overview

Against the backdrop of such developments as the recent economic growth and the trend that continued from the previous year to improve relations between India and Pakistan, the momentum to work toward stability continued in 2005 in the South Asia region.

Concerning developments toward improved India-Pakistan relations, President Pervez Musharraf of Pakistan visited India in April and met Prime Minister Manmohan Singh. The two leaders also met on the occasions of the UN General Assembly in September and the South Asian Association for Regional Cooperation (SAARC) Summit Meeting in November. As it was confirmed at the summit level to continue to improve relations, concrete confidence-building measures were implemented. For example, a bus service was started that runs between Srinagar and Muzaffarabad, passing through the Kashmir region and crossing the Line of Control (LoC) which divides the Kashmir region. Also, an agreement related to the advance notification prior to the launching of ballistic missiles was signed. Furthermore, after the large-scale earthquake took place in Pakistan and other areas in October, aid supplies were provided by India to Pakistan, and the LoC was opened at five locations in order to allow the passing of persons traveling for the purpose of aid activities and the transport of supplies.

In November, a SAARC Summit Meeting was held for the first time in approximately two years, and the Dhaka Declaration was adopted. This declaration stipulates the direction for the cooperation of the participating countries regarding such issues as the South Asian Free Trade Agreement (SAFTA), poverty reduction measures, counter-terrorism, and measures against natural disasters. It was agreed that while concrete advancement of these issues is an objective to be tackled in the future, it is necessary to ensure the expansion and

stability of trade and commerce within the region in order to realize high economic growth.

Concerning relations with Japan, many summit-level and other VIP exchanges took place, including Prime Minister Koizumi's visit to India and Pakistan in April, and visits to Japan by Bangladeshi Prime Minister Begum Khaleda Zia in July and Pakistani Prime Minister Shaukat Aziz in August. Japan was accepted in principle to participate in the SAARC Summit Meeting as an observer in November. This further deepened and strengthened friendly ties between Japan and South Asian countries. Moreover, Japan offered aid for the extensive damages caused by the major earthquake off the coast of Sumatra and the subsequent tsunami in the Indian Ocean which occurred at the end of 2004, and the large-scale earthquake in Pakistan (and surrounding areas) in October. Such provision of assistance helped strengthen Japan's relations with South Asian countries. In January 2006, Minister for Foreign Affairs Taro Aso, who took the post in October, visited India and Pakistan as his first overseas visitation in Asia to engage in bilateral talks, and efforts were made to further strengthen Japan's relations with the two countries.



Minister for Foreign Affairs Taro Aso paying a courtesy visit to Prime Minister Shaukat Aziz of Pakistan (January 5, 2006; Islamabad)

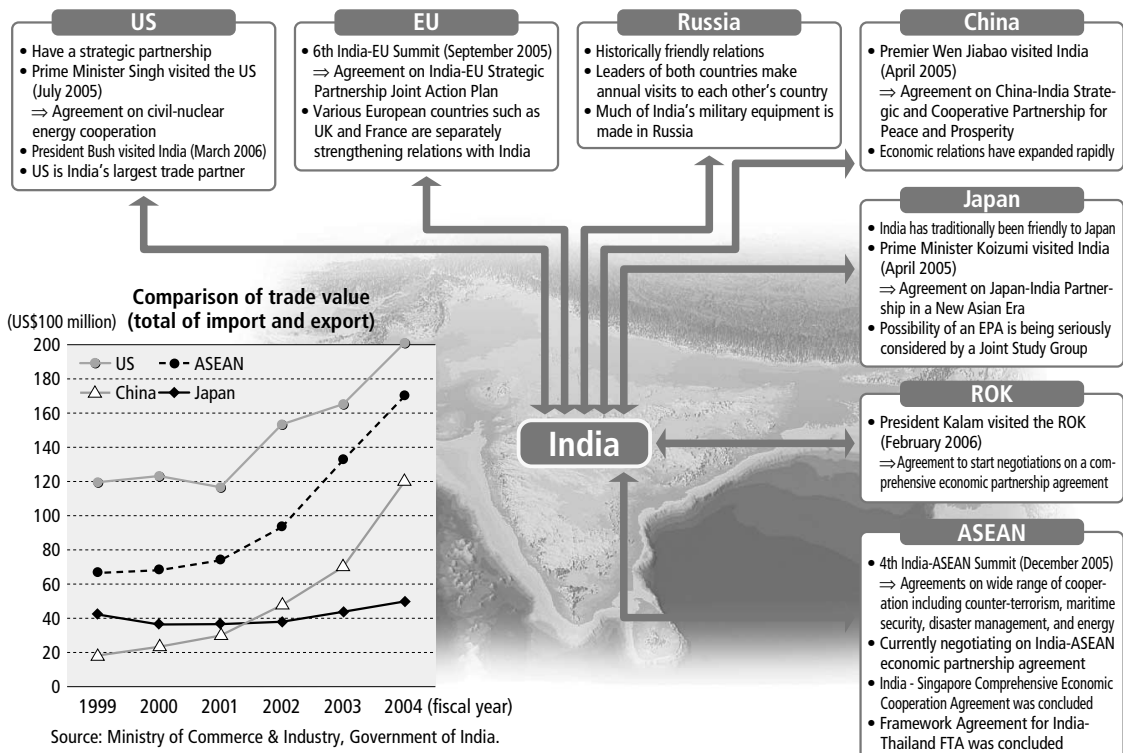
(a) India

Manmohan Singh's cabinet, led by the Congress Party, managed the government in a relatively stable manner while gaining the support of non-cabinet, left-wing parties. Based on the basic policies upheld at the start of the Singh administration, including deregulation and provision of relief to the socially vulnerable, the government has been placing priority on the development of agricultural communities and on employment measures, and at the same time, is continuing its economic deregulation policies, including the relaxation of regulation on foreign capital and the privatization of state-owned corporations. In the area of economy, India's Information and Communications Technology (ICT) industry continues to expand at a remarkable rate, and its real GDP growth rate was recorded at 6.9% for FY2004. In the area of domestic affairs, Minister of External Affairs Natwar Singh resigned in December over the corruption allegation related to the UN Oil for Food Program for Iraq.

India is strengthening ties with various countries against the backdrop of its rapid economic growth, and is enhancing its presence within the international community. Prime Minister Singh visited the US in July

and an agreement was made that in addition to cooperation in such areas as economy, security, and advanced technology, cooperation would be provided in developing civil nuclear energy. Concerning relations with European countries, British Prime Minister Tony Blair visited India, and Prime Minister Singh visited France. At the 6th India-EU Summit Meeting in September, an agreement was reached to enhance relations based on a joint action plan entitled India-EU Strategic Partnership. While strengthening ties with such western countries, India has also been developing close relations with Russia, a traditional ally, and neighboring China. In relation to China in particular, Premier Wen Jiabao visited India in April and it was agreed that the China-India Strategic and Cooperative Partnership would be built, and that the two countries would cooperate and hold dialogues regarding such areas as the border issue, economy, aviation, and cultural exchange. The economic partnership between China and India has expanded dramatically. The trade value for FY2004 increased by approximately 70% year-on-year, reaching US\$1.2 billion. India is actively strengthening relations with other countries in Asia. For example, it has been advancing talks related to economic partnership with the

India, the Focus of the World





Summit meeting between Prime Minister Junichiro Koizumi and Prime Minister Manmohan Singh. After the meeting, the Japan-India Partnership was signed (April 29; Delhi; Photo: Cabinet Public Relations Office, Cabinet Secretariat)

ROK, ASEAN and others, and in December, Prime Minister Singh attended the EAS.

Concerning relations with Japan, Prime Minister Koizumi visited India in April, and on that occasion, he made an agreement with Prime Minister Singh that a strategic orientation would be added to the Japan-India relations. A joint-statement, the Japan-India Partnership in a New Asian Era, and its action plan, the Eight-fold Initiative, were announced. Following this development, the Japan-India Joint Study Group (JSG) began its work. This group, which consists of representatives from business circles and academic fields as well as government officials from both countries, comprehensively discusses ways in which to strengthen economic ties between Japan and India. On the occasion of Minister for Foreign Affairs Tarō Aso's visit to India in January 2006, agreement was made to advance dialogues at the foreign ministerial level from a strategic perspective, and to seriously consider the possibility of concluding an Economic Partnership Agreement (EPA) based on the work of the JSG.

(b) Pakistan

Pakistan has been fighting terrorism through such activities as the operation to mop up Al-Qaeda in the Afghanistan-Pakistan border region, and participation in the Operation Enduring Freedom-Maritime Interdiction Operation (OEF-MIO) in the Indian Ocean. Japan's Self-Defense Forces (SDF) marine vessels have been providing supplies of fuel and water to Pakistan's vessels. Pakistan's economy continues to be in an excellent state, achieving a growth rate of 8.4% in FY2004. Japan has highly evaluated Pakistan's reform efforts, and has been assisting its stable development as a "moderate and modern Islamic state."

On the occasion of Prime Minister Koizumi's visit to Pakistan in April, a Japan-Pakistan Joint Declaration was issued, which confirms the importance and future direction of the Japan-Pakistan relations, and the resumption of the yen loan provision to Pakistan was announced. Furthermore, Minister for Foreign Affairs Aso visited Pakistan in January 2006, and agreed to work to strengthen ties in such areas as human resources development, counter-terrorism, disarmament, and nonproliferation.

Pakistan suffered a major disaster on October 8, when a large-scale earthquake hit mainly the Kashmir region and the northern part of the country, killing over 73,000 people and causing over 3 million to lose their homes. In the wake of the earthquake, Japan has provided assistance totaling approximately US\$200 million through the unified efforts of the government and the private sector by dispatching international disaster relief, including SDF units, providing emergency aid supplies, offering assistance through grant aid and yen loans, and offering cooperation through non-governmental organizations (NGOs).

(c) Sri Lanka

The major earthquake off the coast of Sumatra and tsunami in the Indian Ocean in December 2004 caused major damage to Sri Lanka. This triggered a move by the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE) toward building a cooperative relationship on reconstruction efforts. In June, they agreed to establish a joint mechanism to fairly divide the assistance received from the international community. Through this, it was anticipated that the peace process which had become stagnant would be revitalized. However, due to such events as the decision by the Supreme Court in July to suspend the implementation of the joint mechanism,⁵² the agreement did not make it to the implementation stage, and in August Minister of Foreign Affairs Lakshman Kadirgamar was assassinated, plunging Sri Lanka's peace into a serious situation.

In the area of domestic affairs, a presidential election was held upon President Chandrika Bandaranaike Kumaratunga's completion of her term in office in November. After a one-on-one competition between Prime Minister Mahinda Rajapaksa and the opposition party leader Ranil Wickremesinghe, Prime Minister Rajapaksa won by a narrow margin and became the fifth president of Sri Lanka. President Mahinda Rajapaksa has

52. The court decision states that while the joint mechanism can be justified since its objective is to bring prompt aid, restoration, and reconstruction to the tsunami victims, the method for deciding on projects by the regional committees within the joint mechanism violates the existing laws and regulations.

disclosed that he has placed the advancement of the stagnated peace process as one of the highest priority issues.

With a view to contributing to the “consolidation of peace,” Japan has actively supported Sri Lanka’s peace process through the hosting of the sixth round of the Peace Talks in March 2003, and the Tokyo Conference on Reconstruction and Development of Sri Lanka in June 2003. In 2005, Yasushi Akashi, representative of the Government of Japan, visited Sri Lanka in February, May, and December, and attended the Meeting of the Four Co-chairs of the Tokyo Conference in January, September, and December. In this way, he has been engaged in persistent activities for the realization of peace in Sri Lanka.

(d) Bangladesh, Nepal, and Bhutan

In Bangladesh, frequent terrorist incidents took place including the assassination of former Finance Minister Shah AMS Kibria in January, simultaneous terrorist bombings in approximately 400 locations around the country in August, and simultaneous terrorist bombings in three eastern provinces in October. As a backdrop to these incidents, it has been suggested that the influence of Islamic extremists has increased, and the Government of Bangladesh has been working to improve public security, which it has placed as one of its priority issues.

Prime Minister Begum Khaleda Zia visited Japan from July 11 to 15. At the summit meeting, the two countries agreed to develop an even closer relationship, and issued a “Joint Press Statement” which proposes concrete measures toward enhanced bilateral relations, development of Bangladesh, and multilateral coopera-

tion at the regional level. In addition, the Cultural Exchange Programme between the Government of Japan and the Government of the People’s Republic of Bangladesh was signed under the witness of the leaders of both countries.

In Nepal, King Gyanendra Bir Bikram Shah Dev suddenly dismissed Prime Minister Sher Bahadur Deuba from office on February 1 and took over the government himself, upon which he declared a state of emergency, suspended several constitutional freedoms and rights, and arrested political party members and other personnel. The Government of Nepal announced in October that it would hold regional elections (official announcement on January 26, 2006, and voting on February 8, 2006), and Lower House elections (until mid-April 2007). However, moves to indicate linkage between the political parties and the Communist Party of Nepal (Maoist) were observed and they are calling on voters to boycott the elections. Japan is calling on the Government of Nepal to restore democracy and to achieve peace through dialogue with the CPN (M).

With regard to Bhutan, Parliamentary Secretary for Foreign Affairs Katsuyuki Kawai paid a visit in June. He was the first incumbent senior political government official to visit from Japan. Moreover, in October, a symposium related to Gross National Happiness (GNH) advocated by King Jigme Singye Wangchuck was held in Tokyo. The year 2006 is the 20th Anniversary of the Establishment of Diplomatic Relations between Japan and Bhutan, and further development of friendly bilateral relations is expected.

5 Oceania

Overview

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

Australia and New Zealand are important countries which have basic values in common with Japan such as human rights, democracy, and market economy.

Many of the Pacific Island countries have friendly relations with Japan, based on historical relations and people-to-people exchange since the pre-war period.

Many largely share Japan’s approach in tackling various challenges facing the international community. The Pacific Island countries are not only important suppliers of marine resources but also provide sea lanes used for Japan’s resource imports. These island countries, with a small population and land mass, 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 Pacific Islands Leaders Meeting (PALM)⁵³ every three years starting in 1997.

(a) Australia

Australia is an important partner for Japan. Both countries are allies of the US, developed countries located in the Asia-Pacific region, and share a great deal of common awareness of issues regarding regional politics and security. 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. It was also decided that a strategic dialogue between Japan, Australia, and the US at the ministerial level was to be held. As such, Japan-Australia relations have become even closer in recent years, and have reached a new stage of a global "strategic relationship" in a wide range of areas from trade and economy to political security. In the area of economy, a complementary trade relation exists between Japan and Australia, in which Japan exports industrial products, and imports primary products such as mineral resources and agricultural products from Australia. Recognizing the 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. This joint study finished in March 2005. In order to further develop and deepen the bilateral economic partnership between

Australia and Japan, both countries started another joint study which is intended to study various policy options to enhance the economic relationship, including the feasibility or pros and cons of a bilateral Free Trade Agreement (FTA), as decided by Prime Minister Koizumi and Prime Minister Howard in April 2005. In June, the two countries began negotiations on the Japan-Australia Social Security Agreement. The purpose of this agreement is to resolve such issues as the dual payment of social security contributions and the reduction of the burden on Japanese corporations and others are anticipated. Active mutual exchanges are also being promoted between Japan and Australia. On the occasion of EXPO 2005, many VIPs, including Prime Minister John Howard and Foreign Minister Alexander Downer, visited Japan. The year 2006 is Japan-Australia Year of Exchange, commemorating the 30th anniversary of the signing of the Basic Treaty of Friendship and Co-operation between Japan and Australia, and various exchange programs are scheduled to be held throughout the year.

(b) New Zealand

Prime Minister Helen Clark visited Japan from May 31 to June 4. After meeting with Prime Minister Koizumi, a joint statement was issued in June. In the statement, both prime ministers confirmed that Japan and New Zealand are partners in the region sharing common values; that they would continue to cooperate in such priority areas as science and technology, people-to-people exchanges, education, tourism, forestry, and trade and investment. In this context, both prime ministers welcomed the signing of the memorandum for promoting cooperation in research and development. The two governments confirmed that they would take a forward-looking and fresh look at the present bilateral economic relationship and consider ways to strengthen it. Also included in the statement were the importance of cooperation toward the prosperity of the Asia-Pacific region; active engagement in the process toward building the East Asian community in the future; cooperation in the areas of disarmament and non-proliferation; urging North Korea to completely dismantle its nuclear programs; and enhancement of bilateral dialogues at various levels. On the occasion of the EAS which was held in Malaysia in December, Prime Minister Koizumi



Prime Minister Junichiro Koizumi and Prime Minister John Howard of Australia addressing a joint press conference after their meeting (April 20; Prime Minister's Official Residence; Photo: Cabinet Public Relations Office, Cabinet Secretariat)

53. Prime Minister Junichiro Koizumi and Laisenia Qarase, the PIF chair and prime minister of the Republic of Fiji, co-chaired PALM3 (2003), to which the prime minister of Japan, presidents, prime ministers, and other leaders of 14 countries and two regions that are members of PIF participated (Nauru was absent). Five priority areas mainly discussed were security, environment, education and human resources development, health and sanitation, and trade and economic growth. Also, the Regional Development Strategy and Joint Action Plan for a More Prosperous and Safer Pacific (the Okinawa Initiative) was adopted to realize "sustainable development" for the Pacific Island region. In it, it is emphasized that Japan will provide an accumulation of concrete cooperation while respecting the ownership of the island countries.



Prime Minister Junichiro Koizumi and Prime Minister Helen Clark of New Zealand shaking hands before their meeting (June 2; Prime Minister's Official Residence; Photo: Cabinet Public Relations Office, Cabinet Secretariat)

met with Prime Minister Helen Clark, as did Minister for Foreign Affairs Taro Aso with Foreign Minister Winston Peters, and they confirmed the continuation of the cooperation noted in the joint statement issued in June.

As for New Zealand's domestic affairs, the National Party, the leading opposition party, called for a tax cut program in the general election in September, and it increased its number of seats significantly. However, the Labor Party and minority parties established the third-term Clark administration. As for its domestic economy, the effects of the reforms undertaken since the 1980s continue to carry on, showing sound results in which the unemployment rate and growth rate remain around 3%, and government debt is less than one-fourth of the GDP. Moreover, New Zealand has upheld the necessity to change its economy to a knowledge-based one (innovation policy), and it is promoting education, research and development, and making focused efforts in advancing such industries as biotechnology, Information and Communications Technology, and creative industries including film production.

(c) Pacific Island Countries

With respect to the Solomon Islands, Australia dispatched the Regional Assistance Mission to Solomon Islands (RAMSI) in July 2003 to deal with the deterioration of law and order stemming from racial conflicts. Since then, public security has recovered dramatically. Japan also provided assistance in rebuilding damaged educational facilities, and in the reintegration of former armed soldiers into society. Eminent Persons Group of PIF approved the report on the RAMSI activities in July 2005, and it was decided that the Government of the Solomon Islands would work on reconstruction in the future in line with the recommendations given in the report.

Since the Pacific Island countries gained independence, China and Taiwan have been providing economic assistance to and strengthening ties with the various countries in this region. Under such circumstances, in May, the Republic of Nauru established diplomatic relations with Taiwan, and broke off diplomatic relations with China. As a result, of the 12 Pacific Island countries, there are now six countries which maintain diplomatic relations with Taiwan, and six which have such relations with China.

In 2005, many dignitaries from the Pacific Island countries (Papua New Guinea, Samoa, Micronesia, Fiji, Vanuatu, Marshall Islands, Palau, Solomon Islands, and Nauru) visited Japan in succession, including those who were invited to attend EXPO 2005. During these visits, many meetings with prominent figures of Japan including Prime Minister Koizumi took place.⁵⁴

Tatsuo Arima, representative of the Government of Japan, attended the 17th Japan-Pacific Island Forum (PIF) Post Forum Dialogue held in Papua New Guinea in October, and exchanged opinions mainly on the evaluation of the implementation progress of the Regional Development Strategy and Joint Action Plan for a More Prosperous and Safer Pacific (the Okinawa Initiative), which was adopted at the Third Pacific Island Leaders Meeting (PALM3). Moreover, Mr. Arima explained that Japan intends to host PALM4 in 2006, and requested the cooperation of the PIF countries. In response, the PIF countries welcomed the leading efforts taken by Japan and expressed their strong wish to cooperate.

54. All of the Pacific Island countries support Japan in its bid for permanent membership in the UN Security Council.

6 Regional Cooperation and Interregional Cooperation

Overview

In today's Asia, which is given great "opportunities," and at the same time is facing "challenges," the drive toward the development of an East Asian community (EAc) has been heightened to an unprecedented level. EAc aims to realize a prosperous, stable, and cooperative East Asia through the promotion of regional cooperation mainly in the areas of economy and society. At the same time, it is also an effort to welcome China and India, the two major emerging nations, as countries which will constructively contribute to the peace and prosperity of the East Asia region.

While such major changes were taking place in the regional environment, the first East Asia Summit (EAS) was held, making 2005 a historical year. Throughout 2005, Japan has contributed to the building of new order in the region by offering various suggestions during the preparatory process of the EAS and other occasions, for ensuring further peace and prosperity in East Asia. Moreover, in addition to the cooperation under the existing framework of ASEAN+3, Japan has been actively promoting cooperation through Asia-Pacific Economic Cooperation (APEC) and Asia-Europe Meeting (ASEM) as forms of inter-regional cooperation which link East Asia with American and European countries.

(a) East Asia Summit (EAS)

The holding of EAS was decided upon at the ASEAN+3 Summit Meeting held in Vientiane, Laos, in November 2004. A consensus was reached at the ASEAN+3 Foreign Ministers' Informal Meeting in April 2005 that the EAS would accept the participation of countries other than ASEAN+3. At the proposal made by Japan, an ASEAN+3 Foreign Ministers' Informal Meeting was held in Kyoto in May to discuss the content and format of the EAS. Minister for Foreign Affairs Nobutaka Machimura highly evaluated ASEAN's decision to open the EAS to allow the participation of countries other than ASEAN+3. At the same time, he asserted that the EAS was an evolving process and it was necessary to continue to consider its content and format while respecting the leadership of ASEAN. Through such developments, it was decided at the ASEAN+3 Foreign Minister's Meeting

held in Vientiane in July that 16 countries (ASEAN+3 countries, India, Australia, and New Zealand) would participate in the EAS.

During the preparatory process of the EAS, Japan proposed several basic principles that need to be achieved in order that the East Asian regional cooperation, which takes into consideration the future establishment of an EAc, will further develop while obtaining the understanding and support of countries within and outside of the region, and further contribute to regional peace and prosperity. Specifically, such principles include the following: first, widely sharing benefits of regional cooperation with those outside the region (openness), ensuring transparency regarding the contents of cooperation, and widely incorporating valuable cooperation partners into the cooperation framework (inclusiveness); second, respecting universal values such as freedom, democracy, human rights, and the rule of law, and adhering to global rules; and third, deepening regional cooperation without hastening political institutionalization, but through the promotion of cooperation in specific areas (a so-called "functional approach"). These concepts had gradually become accepted by the various countries in the region.

At the first EAS held in Kuala Lumpur, Malaysia on December 14, leaders of the participating countries freely and vigorously discussed the future of East Asia and the modalities of regional cooperation. Prime Minister Koizumi announced that he hoped to develop the EAS into a forum in which discussions could be held, from a strategic and comprehensive standpoint, on the philosophy and principles of regional cooperation and on ways to tackle common issues, with a view to building a community in the future. He also stated that if a sense of commonality could be brought about among the participating countries by advancing actual cooperation regarding such issues as avian influenza, terrorism, anti-piracy measures, and the energy issue, the EAS would be able to play a significant role in community-building.

Having carried out such discussions, the Kuala Lumpur Declaration was adopted at the end of the Summit Meeting, reflecting the aforementioned concepts asserted by Japan to a considerable degree. At the same time, the leaders reached a consensus on an annual

Developments Leading to the East Asia Summit (EAS) and Future Plans



Minister for Foreign Affairs Taro Aso attending a foreign ministers' meeting (luncheon) of the EAS member countries (December 10; Kuala Lumpur, Malaysia)

holding of the EAS. As such, results which contribute to the future development of the EAS were achieved.⁵⁵ Regarding the modalities of the relationship between EAS and community building, an agreement was reached to incorporate the text, "the East Asia Summit could play a significant role in community building," into the declaration. It can be said that this is an achievement on which

EAS will build an important foundation for contributing to the future development of regional cooperation. Furthermore, satisfactory results to concrete cooperation among the 16 participating countries must be achieved in various areas in order that the EAS will be able to actually play an important role in community building in the future. The fact that a separate EAS declaration was released on avian influenza prevention at the first EAS serves as a vital catalyst for this.

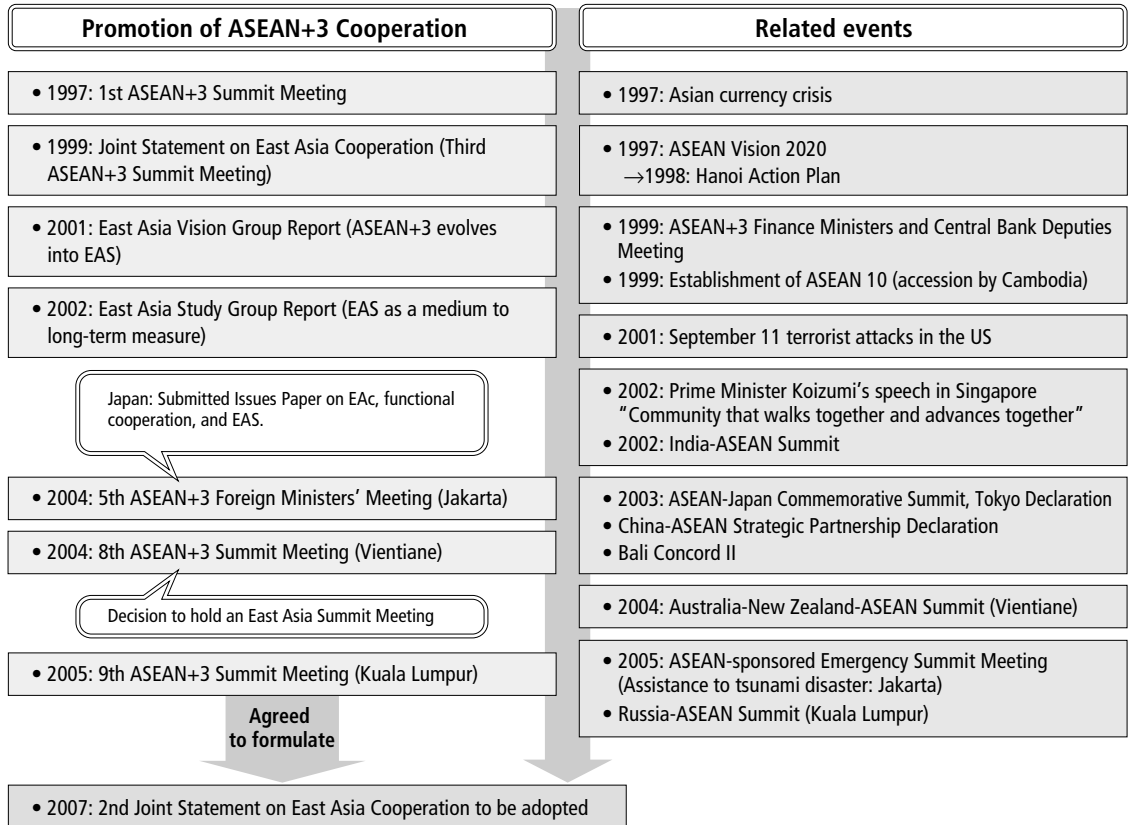
Additionally, President Vladimir Putin of Russia attended part of the summit as a guest and expressed his wish to become a full official member of the EAS starting from the next session. A response to this request is to be considered among the participating countries in the future. The next EAS is scheduled to be convened in Cebu, Philippines on December 13, 2006.

(b) ASEAN+3

ASEAN+3 was inaugurated in direct response to the Asian currency crisis, and over the following eight years,

55. Following are the main outcomes: (1) EAS could play "a significant role" in community building in this region. (2) EAS is an open, inclusive, and transparent forum. (3) EAS will work to strengthen global norms and universally recognized values. (4) EAS will carry out activities focused on a wide range of areas such as politics, security, economy, society and culture. (5) EAS will be convened annually (this point is reiterated in the chairmans' statement). It will be hosted and chaired by ASEAN, and held back-to-back with the annual ASEAN Summit.

Progress in ASEAN+3 Cooperation



it has now grown to encompass 48 cooperation frameworks in 17 fields ranging from finance, trade and investment, to the environment and transnational crimes. In 2005, the ASEAN+3 cooperation continued to make advances. For example, ministerial meetings were held in areas of economy, currency and finance, agriculture and forestry, environment, transnational crimes, information and communication, and art and culture, and Japan contributed to the development of cooperation in these areas.

In addition, the contribution made by Japan in 2005 that is particularly noteworthy is its effort for promoting the development of overall regional cooperation that is ongoing, with a view to building an East Asian community (EAc) in the future. Specifically, a database of the East Asian cooperation was created. Based on the belief that in order for the ASEAN+3 and other forms of regional cooperation to make further progress, it is essential to accurately grasp the actual situation of the regional cooperation which have thus far been accumulated in a multilayered fashion, Japan compiled a comprehensive database on the East Asia

regional cooperation and submitted it to the ASEAN+3 Foreign Minister's Meeting in July. This database catalogs 72 cooperative activities in the framework of ASEAN+3, and 30 in other forms. It revealed for the first time that the East Asia regional cooperation is developing in many directions centered around ASEAN+3, but also widely involving other countries. Using this database compiled by Japan as reference, the ASEAN Secretariat is currently making preparations to build an ASEAN database to be shared by the entire region.

Furthermore, regarding developments in the private sector, the third general assembly of the East Asia Think-Tank Network was held in Tokyo in August, and policy recommendations aimed at building an EAc were compiled. Included in these policy recommendations are proposals, such as open-ended regionalism, which contribute to the sound development of regional cooperation. These policy proposals were taken up as reference for discussion at consultations among government officials.

At the 9th ASEAN+3 Summit held on December 12 in Kuala Lumpur, the current situation of ASEAN+3 cooperation as well as modalities of future cooperation

were discussed. Prime Minister Koizumi asserted the necessity of improving the capacity to combat threats in the region such as avian influenza and terrorism, and announced that Japan will implement assistance measure of US\$135 million to support efforts to fight avian influenza in Asia. He also made remarks regarding the importance of ensuring further prosperity and promoting the establishment of common awareness in the region through economic partnerships, cooperation in the areas of currency and finance, and other efforts, as well as the importance of assistance for ASEAN integration.

In the Kuala Lumpur Declaration issued after the summit meeting, it was confirmed, among others, that ASEAN+3 will continue to be the “main vehicle” for the building of an EAc, and that efforts will be commenced to prepare a second Joint Statement on East Asia Cooperation to be adopted in 2007. In particular, it can be said that this agreement to draw up the second Joint Statement is a new advancement toward maintaining and strengthening the momentum of the ASEAN+3 cooperation, which is rich in experience, and promoting regional cooperation with a view to building an EAc in the future. Moreover, Japan made its presence felt once again by hammering out a large-scale, comprehensive assistance measure to fight avian influenza, which is a pressing issue for the entire region.

(c) Japan-China-ROK Trilateral Cooperation

Relations among Japan, China, and the ROK, which are close in geographical proximity and hold deep historical ties, have advanced significantly in recent years, particularly in the areas of economy and culture.⁵⁶ In 2005, the third meeting of the Japan-China-ROK Three-Party Committee, in which the foreign ministers of the three countries confirm such advancements in cooperation, and deliberate on the modalities of future cooperation, was held on May 7 in Kyoto. Opinions were exchanged on such issues as concrete methods to advance the trilateral cooperation in the future, East Asia regional cooperation, the North Korean issue, and UN reform. Also, inter-governmental consultations were held to discuss the establishment of legal frameworks for investment, creation of a business-friendly environment, as well as

protecting intellectual property rights, and it was decided that talks on these issues would continue to be held in 2006 and onward.

Further promotion of Japan-China-ROK cooperation will contribute to the peace and prosperity of the region, as well as to the further advancement of East Asia regional cooperation with a view to building an EAc in the future, and Japan will continue to place emphasis on this cooperation.

(d) Asia-Pacific Economic Cooperation (APEC)

APEC, composed of 21 countries and regions in the Asia-Pacific which are diverse in such areas as their stages of economic development and social systems, has been undertaking three main activities—the liberalization of trade and investment, facilitation of trade and investment, and economic and technical cooperation—in order to achieve sustainable development within the region. APEC has also been contributing to creating a sense of community and ensuring unity in the Asia-Pacific region with “open regional cooperation” and “concerted voluntary action” as its fundamental principles.

Deepening cooperation on the economic front in the APEC region, which accounts for about 70% of Japan’s trade volume and direct investment, and strengthening relations of trust with APEC members are extremely important in ensuring the long-term development and stability of the Japanese economy. In recent years, the annual APEC Economic Leaders’ and Ministerial Meetings have served as a meaningful opportunity for the frank exchange of views between leaders and ministers regarding not only economic affairs, but also the major matters of concern of the international community, including security issues mainly involving counter-terrorism and non-proliferation issues.

In 2005, the ROK, serving as the APEC chair, hosted various meetings. At the 13th APEC Economic Leaders’ Meeting held in Busan in November, the APEC Economic Leaders’ Statement on the Doha Development Agenda (DDA) Negotiations was issued in order to add political impetus to the WTO negotiations. Regarding the fight against avian influenza, under the concerted opinions of the leaders on the need for international

56. Japan-China-ROK trilateral cooperation began with a breakfast meeting held between the three leaders in Manila, Philippines, in November 1999, under the initiative of Prime Minister Obuchi and moved forward. Since then, the leaders have come to exchange opinions regularly, and cooperation is also deepening at various ministerial levels including that of foreign ministers, as well as at the working-level. At the summit meeting in 2003, the three leaders issued their first joint declaration, which positioned Japan-China-ROK cooperation as “future oriented” cooperation that is “open to the outside.” Furthermore, at the summit meeting in 2004, the Action Strategy on Trilateral Cooperation was announced, outlining strategic directions for cooperation in the future in the various areas identified in the joint declaration issued by the leaders of the three countries.

cooperation in such areas as early response, the APEC Initiative on Preparing for and Mitigating an Influenza Pandemic was issued. Japan introduced the Pandemic Influenza Preparedness Action Plan of the Japanese government, which was formulated on November 14, and mentioned that it would provide the necessary international cooperation.

At the 17th APEC Ministerial Meeting also held in November in Busan, the ministers approved the Report on the Mid-term Stocktake of the Bogor Goals⁵⁷ that evaluated progress toward the Bogor Goals⁵⁸ adopted in 1994 and outlined the future road map. In addition, it was decided that Japan would host APEC in 2010, a turning point year for APEC.

(e) Asia-Europe Meeting (ASEM)

The Asia-Europe Meeting (ASEM) was established in 1996 with the objective of strengthening relations between Asia and Europe. After its enlargement in October 2004, a total of 38 countries and one organization participate in ASEM. They are: from the Asian side, Japan, China, the ROK, and the 10 ASEAN member states; and from the European side, the 25 European Union (EU) member states and the European Commission. The participating countries account for globally about 40% of the population, 50% of gross domestic product (GDP), and 60% of trade volume. Under its three pillars: (1) political, (2) economic, and (3) cultural, social, and other areas, dialogue and cooperation between Asia and Europe are being deepened through various meetings, such as Summit Meeting and Ministerial Meetings. In tackling today's global challenges faced by the international community, it is becoming increasingly important for Asia and Europe to advance their dialogue and cooperation through ASEM, and Japan has been playing an active role in this.

In May 2005, Japan hosted the 7th ASEM Foreign

Ministers' Meeting (FMM7), the first ministerial-level meeting since the enlargement of ASEM, using the Kyoto State Guest House as the venue for an international conference for the first time. Minister for Foreign Affairs Nobutaka Machimura chaired the meeting and led discussions on global challenges such as strengthening of multilateralism and addressing security threats, major regional situations, the promotion of human-centered and sustainable development, and the promotion of dialogue among cultures and civilizations. The direction was also set at the FMM7 on how to manage the activities of the enlarged ASEM effectively and efficiently. Based on these discussions, it was decided to advance dialogue and concrete cooperation under the "Asia-Europe Partnership to Tackle Global Challenges" toward the 6th ASEM Summit Meeting (ASEM6).

On the occasion of the FMM7, the Meeting of the Three-Party Committee of China, Japan and the Republic of Korea, the ASEAN+3 Foreign Ministers' Informal Meeting, and many other bilateral foreign ministers' meetings were also held.

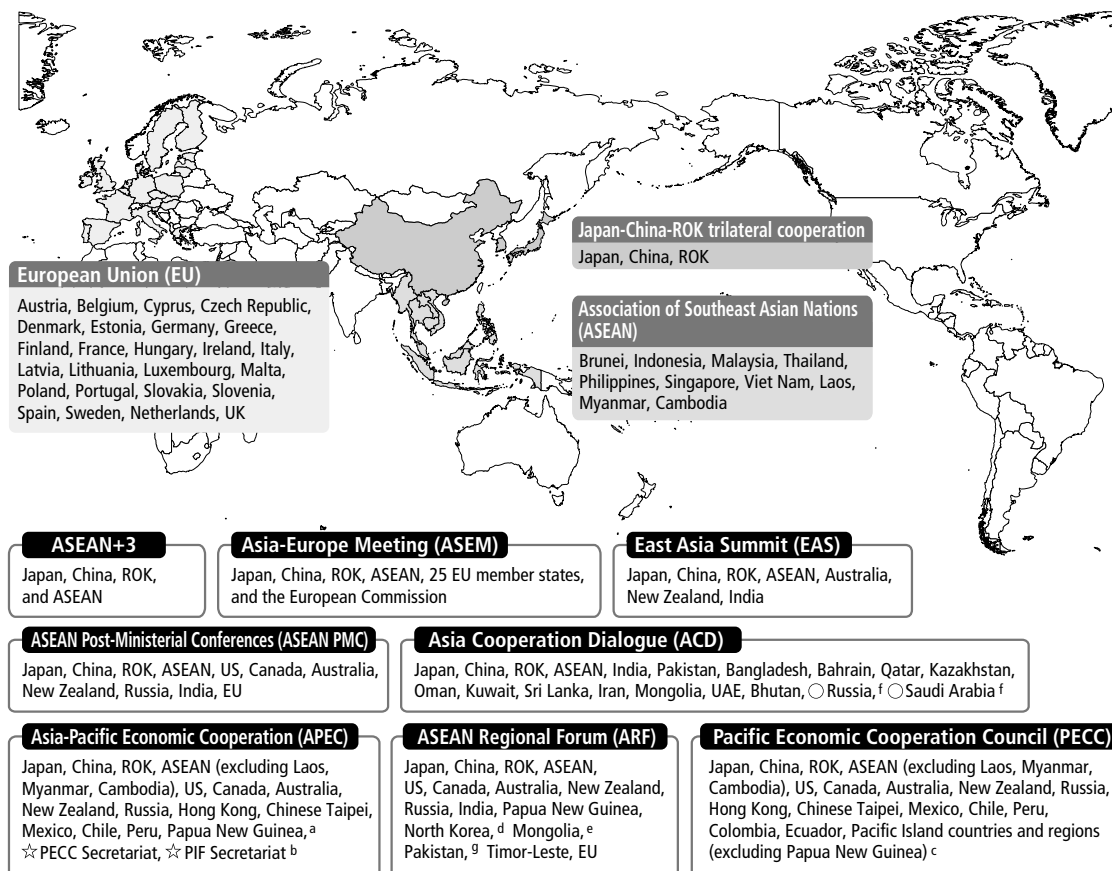


Minister for Foreign Affairs and Chairman Nobutaka Machimura along with foreign ministers of other countries addressing the opening ceremony of the ASEM Foreign Ministers' Meeting (May 6; Kyoto State Guest House)

57. It was agreed at the Leaders' Meeting in 2001 that an understanding of the state of overall progress made toward the Bogor Goals in the interim phase should be gained in 2005, which is the mid-point year in the time frame (ending in 2010) set for developed countries and regions to achieve the Bogor Goals. To fulfill this objective, the stock-take report evaluates the state of progress which had been made toward the achievement of Bogor Goals by that point, and outlines the future path to take regarding such areas as support for the multilateral trade system, promotion of high-quality free trade agreement (FTA), and implementation of efforts related to domestic systems.

58. Goals of achieving free and open trade and investment by 2010 for developed countries and regions, and by 2020 for developing countries and regions. They were adopted at the Leaders' Meeting that was held at the Bogor Palace in Indonesia in 1994.

International Frameworks in the Asia-Pacific Region



^a Attends the AMM as an observer.

^b ☆ participate as observers.

^c Pacific Island countries and regions (PIF is made up of the following plus Australia and New Zealand): Papua New Guinea, Fiji, Samoa, Solomon Islands, Vanuatu, Tonga, Nauru, Kiribati, Tuvalu, Micronesia, Marshall Islands, Palau, the Cook Islands, and Niue.

^d North Korea: Participated in the ARF for the first time in July 2000.

^e Mongolia: Its participation was approved at the 5th Ministerial Meeting in 1998.

^f ○ are countries whose participation was approved at the Foreign Ministers' Meeting in April 2005.

^g Pakistan: Participated in the ARF for the first time in July 2004.