

CHAPTER 2

REGIONAL DIPLOMACY

A

ASIA AND THE PACIFIC

Overview

In considering Japan's diplomacy toward Asia and the Pacific, it is important to bear in mind the following four fundamental considerations.

First, given that the Asia-Pacific region is home to more than 50% (approximately 3.345 billion people) of the world's population¹ and the total gross domestic product (GDP) of the region accounts for just under approximately 30% of the global total (US\$8.6425 trillion),² while there is therefore the possibility to heighten further its overall potential, including economic power, the region is still subject to sources of instability, such as the financial crisis and conflicts, with the political and economic systems in the region remaining vulnerable in certain aspects. Second, China's influence in the region is growing rapidly and India is steadily making its own presence felt. Third, there are elements of instability that plague the peace and stability of the region, including international and intra-regional tensions on the Korean Peninsula, the Taiwan Straits and in India-Pakistan relations, and the increasingly serious concerns about so-called "transnational issues" including the series of terrorist incidents in Southeast Asia and acts of piracy. Fourth, in an international environment in which movements toward strengthened regional cooperation are increasing, regional cooperation in a wide range of fields, in the form of the promotion of the cooperation within the framework of the Association of Southeast Asian Nations (ASEAN)+3 (Japan, China and the Republic of Korea (ROK)), cooperation among Japan, China and the ROK, and free trade agreements (FTA) and economic partnership agreements (EPA), is being realized.

In this situation, in order to ingrain step-by-step democratic systems of governance and advanced economic systems in the Asia-Pacific region, support to various countries in the region and realizing regional peace, stability and prosperity in cooperation with these countries are essential for securing Japan's safety and prosperity. We believe that this will contribute to the

realization of peace, stability and prosperity for the entire international community.

For this reason, Japan is active in Asia-Pacific diplomacy with the following three basic principles. First, in order to build stable international relations in this region, Japan will continue to ensure deterrence against destabilizing movements and make efforts to resolve issues focusing on dialogue. Second, Japan will actively promote regional cooperation between countries within the region in various areas including the area of the economy and take the initiative in the modernization of the entire region. Third, in parallel with these diplomatic activities, Japan will continue and strengthen dialogue and cooperation between the major countries outside the region as necessary.

Based on these basic principles, in 2002 Japan advanced dialogue through bilateral and multilateral meetings with the leaders and ministers of each country in the region, such as the Japan-North Korea summit meeting in September and the ASEAN+3 Summit Meeting in November. Furthermore, in addition to having considerations at bilateral working group meetings with Thailand and the Philippines and establishing a committee for Japan and the entire ASEAN toward the realization of the Japan-ASEAN Comprehensive Economic Partnership, Japan has actively promoted regional cooperation in various areas including the area of the economy, such as the Japan-China Economic Partnership Consultation, Japan-Korea FTA Joint Study Group and Japan-China-ROK cooperation. Furthermore, Japan has strengthened partnership with countries outside the region through meetings with leaders and ministers of the major countries outside the region in multilateral frameworks, such as the Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), ASEAN Regional Forum (ARF), Forum for East Asia-Latin America Cooperation (FEALAC), and on other occasions.

¹ Source: 2000 United Nations statistics.

² Source: World Bank, *World Development Indicators*; International Monetary Fund (IMF), *International Financial Statistics*; etc.

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Korean Peninsula

(a) Overview

The relationship with the Republic of Korea (ROK) is extremely important for Japan and as globalization advances it can be thought that this importance will continue to increase from the perspective of security in Northeast Asia and the perspective of the economy. Japan, in order to realize peace, stability and prosperity in Northeast Asia, which is essential to secure its own safety and prosperity, has as a policy that it will further develop relationships of trust and cooperation between the two countries while closely coordinating with the Roh Moo Hyun administration.

The year 2002 was a year in which there was a great deal of activity involving North Korea, including Japan-North Korea relations. Regarding Japan-North Korea relations, Prime Minister Junichiro Koizumi visited Pyongyang in September and the first Japan-North Korea summit meeting was held. Normalization talks resumed in October for the first time in two years. Various types of dialogue were actively held between the ROK and North Korea and such developments as the agreement of railroad and road connections between the ROK and North Korea were seen.

However, many outstanding issues still remain involving North Korea. At the Japan-North Korea summit meeting in September, Chairman of the National Defense Commission of North Korea Kim Jong Il admitted the abductions of Japanese nationals for the first time and offered his apologies. Following this, five of the victims of abduction returned to Japan for the first time in 24 years. But because North Korea is not responding to Japan's request for the realization of a prompt return of the families who remain in North Korea and a clarification of the facts concerning other victims of abduction, no progress in the situation has been seen. In addition, the concerns of the international community regarding North Korea's nuclear weapons development program are rising, which began when North Korea admitted the existence of a uranium enrichment program for nuclear weapons on the occasion of US Assistant Secretary of State James Kelly's visit to North Korea as a special envoy of the president.

Japan will continue to strongly urge North Korea to

indicate a positive response to such concerns in close partnership with the international community, including the US and the ROK.

(b) Japan-North Korea Relations

Abnormal relations between Japan and North Korea have been continuing after World War II. At the same time, concerns such as the abduction issue and security issues including the nuclear issue exist between Japan and North Korea. Japan's basic stance of its policies regarding North Korea is to realize the normalization of relations with North Korea in a form that contributes to peace and stability in the region, through resolving concerns between Japan and North Korea with the partnership of the three countries, Japan, the US and the ROK.

Reopening of Dialogue between Japan and North Korea

Since the 11th Round of the Japan-North Korea Normalization Talks in October 2000, there has not been a great deal of activity between Japan and North Korea, but in March 2002 the North Korean Red Cross Society announced the resumption of investigations on the fate and whereabouts of Japanese "missing persons" that had been suspended and proposed holding the Japan-North Korea Red Cross Talks. To that end the Japan-North Korea Red Cross Talks were held on April 29–30. On July 31, the Japan-North Korea foreign ministers' meeting was held on the occasion of the 9th ARF Ministerial Meeting in Brunei and based on the agreement at this meeting, the Japan-North Korea Red Cross Talks were held on August 18–19 and the Japan-North Korea director-general level consultations were held on August 25–26. At the director-general level consultations, the two sides shared the recognition that it was important to improve Japan-North Korea relations and realize the normalization of relations in order to achieve peace and stability in the region, and discussed methods by which to resolve the various issues between Japan and North Korea. The two sides shared the view that it is important to have political will for the solution of these issues.

Prime Minister Koizumi's Visit to North Korea and the Japan-North Korea Summit Meeting

As a series of dialogues were being held between Japan and North Korea, the two sides announced on August 30 that Prime Minister Koizumi would visit North Korea and would hold a Japan-North Korea summit meeting with Chairman of the National Defense Commission of North Korea Kim Jong Il. For Japan, the purpose of this meeting included achieving a breakthrough toward the resolution of various issues such as the abduction issue by drawing out Chairman Kim's political will through frank discussions between the two leaders. Furthermore, the purpose was to strongly urge North Korea to act responsibly as a member of the international community in order to wipe out the international community's concerns over security issues such as the nuclear issue and the missile issue and to resolve these issues by promoting dialogue with relevant countries such as the US and the ROK. On September 17, Prime Minister Koizumi visited North Korea as the first Japanese prime minister to do so, met with Chairman Kim and signed the Japan-Democratic People's Republic of Korea (DPRK) Pyongyang Declaration.

At the Japan-North Korea summit meeting, regarding

the abduction issue, which is a vital matter directly linked to the lives and safety of the Japanese people, North Korea provided information related to suspected abduction cases³ and Prime Minister Koizumi protested strongly to Chairman Kim. Chairman Kim honestly acknowledged that these were the work of persons affiliated with North Korea in the past and offered his apologies, expressing his regret. Regarding the issue of unidentified suspicious vessels, Chairman Kim said that it was thought to be the work of certain elements of the military authorities and promised further investigation and the prevention of a recurrence. Furthermore, regarding security issues, Chairman Kim confirmed the importance of advancing dialogue between relevant countries and resolving issues and announced that he would comply with all international agreements related to the nuclear issue on the Korean Peninsula and freeze all missile launchings without any time limit. Through this meeting, Prime Minister Koizumi believed that there were certain prospects for advancing a comprehensive resolution of issues between Japan and North Korea and decided to resume normalization talks in order to ensure further the resolution of issues.



The Japan-North Korea summit meeting (September 17, 2002) Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

³ Information provided by North Korea: of the 11 Japanese nationals involved in the eight cases and two Japanese nationals who went missing after visiting Europe, four are alive, eight are dead and one individual's entry into North Korea could not be confirmed. Furthermore, one person, for whom Japan had not asked for an investigation, was confirmed to be alive.

Japan-DPRK Pyongyang Declaration

Japanese Prime Minister Junichiro Koizumi and Chairman Kim Jong Il of the DPRK National Defense Commission met and had talks in Pyongyang on September 17, 2002.

Both leaders confirmed the shared recognition that establishing a fruitful political, economic and cultural relationship between Japan and the DPRK through the settlement of unfortunate past between them and the outstanding issues of concern would be consistent with the fundamental interests of both sides, and would greatly contribute to the peace and stability of the region.

1. Both sides determined that, pursuant to the spirit and basic principles laid out in this Declaration, they would make every possible effort for an early normalization of the relations, and decided that they would resume the Japan DPRK normalization talks in October 2002.

Both sides expressed their strong determination that they would sincerely tackle outstanding problems between Japan and the DPRK based upon their mutual trust in the course of achieving the normalization.

2. The Japanese side regards, in a spirit of humility, the facts of history that Japan caused tremendous damage and suffering to the people of Korea through its colonial rule in the past, and expressed deep remorse and heartfelt apology.

Both sides shared the recognition that, providing economic co-operation after the normalization by the Japanese side to the DPRK side, including grant aids, long-term loans with low interest rates and such assistance as humanitarian assistance through international organizations, over a period of time deemed appropriate by both sides, and providing other loans and credits by such financial institutions as the Japan Bank for International Co-operation with a view to supporting private economic activities, would be consistent with the spirit of this Declaration, and decided that they would sincerely discuss the specific scales and contents of the economic co-operation in the normalization talks.

Both sides, pursuant to the basic principle that when the bilateral relationship is normalized both Japan and the DPRK would mutually waive all their property and claims and those of their nationals that had arisen from causes which occurred before August 15, 1945, decided that they would discuss this issue of property and claims concretely in the normalization talks.

Both sides decided that they would sincerely discuss the issue of the status of Korean residents in Japan and the issue of cultural property.

3. Both sides confirmed that they would comply with international law and would not commit conducts threatening the security of the other side. With respect to the outstanding issues of concern related to the lives and security of Japanese nationals, the DPRK side confirmed that it would take appropriate measures so that these regrettable incidents, that took place under the abnormal bilateral relationship, would never happen in the future.
4. Both sides confirmed that they would co-operate with each other in order to maintain and strengthen the peace and stability of North East Asia.

Both sides confirmed the importance of establishing co-operative relationships based upon mutual trust among countries concerned in this region, and shared the recognition that it is important to have a framework in place in order for these regional countries to promote confidence-building, as the relationships among these countries are normalized.

Both sides confirmed that, for an overall resolution of the nuclear issues on the Korean Peninsula, they would comply with all related international agreements. Both sides also confirmed the necessity of resolving security problems including nuclear and missile issues by promoting dialogues among countries concerned.

The DPRK side expressed its intention that, pursuant to the spirit of this Declaration, it would further maintain the moratorium on missile launching in and after 2003.

Both sides decided that they would discuss issues relating to security.

Prime Minister of Japan
Junichiro Koizumi

Chairman of the DPRK
National Defense Commission
Kim Jong Il

September 17, 2002
Pyongyang

The Dispatch of an Investigation Team concerning the Abduction Cases and the Return of Five of the Victims of Abduction

In the press reports on the day of the Japan-North Korea summit meeting, the spokesman for the Ministry of Foreign Affairs of North Korea stated that the North Korean government would guarantee to provide conveniences for the families and relatives of the survivors and, if necessary, the relevant parties of the Japanese Government so that they could meet, and that it was prepared to take appropriate measures for the realization of a return to Japan or a temporary return to Japan if the survivors themselves so desired. In light of this, Japan dispatched an Investigation Team concerning the abduction cases to North Korea from September 28 to October 1. The Investigation Team, in addition to interviews with the North Korean authorities, conducted as many investigation activities as were possible, such as meetings with survivors and relevant parties and visits to cemeteries. As a result of these investigations, the Japanese Government reached the conclusion that it would be reasonable to determine that the five persons who were still alive were the actual victims of abduction, but more specific information on those who were said to be dead was necessary to determine that they had died. Japan is of the position that it would continue to strongly urge North Korea to reveal the facts. Furthermore, in relation to the abduction issue, while Japan has called for North Korea to hand over the *Yodo-go* hijack suspects over the years, by the testimony of a former wife of a *Yodo-go* suspect and other evidence it became clear that they had been involved in the abduction cases that took place in Europe. In relation to this, in September the police authorities obtained an arrest warrant for Kimihiro Uomoto (former name Kimihiro Abe), one of the *Yodo-go* suspects, but North Korea has not admitted their involvement in these abduction cases.

Furthermore, regarding the five people who were confirmed to be alive, they returned to Japan on October 15 as a result of negotiations that also included the participation of their families. After their return, as a result of comprehensive consideration of the various circumstances such as the situation of the victims themselves and the will of their families, the Government decided that they would continue to stay in Japan and, furthermore, would strongly urge North Korea to secure the safety of their families remaining in North Korea and their early return, along with a decision on the date for their return.

The 12th Round of the Japan-North Korea Normalization Talks

Given the result of the Japan-North Korea summit meeting, the 12th Round of the Japan-North Korea Normalization Talks were held in Kuala Lumpur, Malaysia, on October 29–30, and was attended by Ambassador in charge of Japan-North Korea Normalization Talks Katsunari Suzuki and Ambassador Jong Thae Hwa of North Korea as heads of their respective delegations. In this meeting, Japan took up the abduction issue and security issues including the nuclear issue as a matter of the highest priority. Regarding the abduction issue, although Japan repeatedly and strongly urged a positive response for the return of the families of the five victims, there was no change in the North Korean position that the five victims should return to North Korea at once and a specific date for the families' return was not decided. Regarding security issues such as the nuclear issue, North Korea, in response to Japan's conveying its concerns in detail, repeatedly explained that it was observing the Japan-DPRK Pyongyang Declaration.

At the meeting, although North Korea took the position that the core issues were the normalization of relations and economic cooperation, both Japan and North Korea agreed to make efforts toward the resolution of issues of concern in accordance with the Japan-DPRK Pyongyang Declaration. Both sides agreed that, based on the Japan-DPRK Pyongyang Declaration, they would launch Japan-North Korea security consultations sometime in November in order to discuss security issues. Furthermore, North Korea proposed convening the next round of the Japan-North Korea normalization talks at the end of November and Japan decided that it would bring back this proposal and examine it.

Developments after the Normalization Talks

However, after the normalization talks, North Korea stated its position that the atmosphere was not ready for the Japan-North Korea normalization talks including consultations to prepare for the meeting, given the current situation in which the abduction issue and security issues including the nuclear issue were becoming more complex, and that currently it was not in a situation to hold the Japan-North Korea security consultations. Thus, normalization talks and security consultations were not held in 2002. Meanwhile, both Japan and North Korea are in agreement on the aspect of

Situation concerning the Korean Peninsula (January–September 2002)

Month	Japan-North Korea relations	ROK-North Korea relations	US-North Korea relations	North Korea's third country relations
1	25 Trilateral Coordination and Oversight Group (TCOG) Meeting (Seoul)		29 US president positions North Korea as part of an "axis of evil" in his State of the Union address.	
2	12 North Korea releases Mr. Takashi Sugishima.		2 Ministry of Foreign Affairs of North Korea condemns the US president's statement as virtually a declaration of war. 20 US president delivers speech in the ROK and announces the US has no intention of invading North Korea and is prepared to hold dialogues with it.	28–3/6 President Kim Yong Nam of the Presidium of the Supreme People's Assembly of North Korea visits Thailand and Malaysia.
3	11 The National Police Agency announces that there are suspicions that Ms. Keiko Arimoto was abducted by North Korea. 22 The North Korean Red Cross Society denies Ms. Arimoto's abduction and announces it will "continue the project to investigate the situation of the missing persons" and that it is "prepared to hold the Japan-North Korea Red Cross Talks."		13 US-North Korea working-level contact (New York) 20 US-North Korea working-level contact (New York)	18–22 Chairman of the Supreme People's Assembly of North Korea Choe Tae Bok visits Russia. 28–30 Indonesian President Megawati visits North Korea.
4	9 TCOG Meeting (Tokyo) 29–30 Japan-North Korea Red Cross Talks (Beijing)	3–6 Special Envoy of the President of the ROK Lim Dong Won visits North Korea.		3 North Korea announces the resumption of negotiations with Korean Peninsula Energy Development Organization (KEDO).
5	8 Five North Korean defectors try to seek asylum at the Japanese Consulate General in Shenyang.	1–3 Reunion of separated families in North Korea and the ROK (Mt. Kumgang) 7 North Korea announces postponement of the Committee for the Promotion of Inter-Korean Economic Cooperation 11–14 Member of the National Assembly Park Geun He visits North Korea.		2–6 Vietnamese President Luong visits North Korea. 11 Laotian President Bounnhang visits North Korea. 20–23 North Korean Foreign Minister Paek Nam Sun visits Russia.
6	17 TCOG Meeting (San Francisco)	14 The ROK sends a letter to North Korea under the name of its Minister of Unification with an aim to promote South-North dialogue. 29 South-North exchange of fire in the Yellow Sea	7 US announces food assistance (100,000 tons) to North Korea. 14 US-North Korea working-level contact (New York)	15–18 EU Troika mission visits North Korea.
7		17 ROK Ministry of National Defense determines that the exchange of fire was a planned surprise 20 First South-North direct transport service begins operation. 25 North Korea expresses "regret" over the South-North exchange of fire. Proposes working-level contact for the 7 th inter-Korean ministerial talks.	31 US-North Korea foreign ministers' contact (Brunei: ASEAN Regional Forum (ARF))	10–19 President Kim Yong Nam of the Presidium of the Supreme People's Assembly visits Indonesia, Libya and Syria.
8	31 Japan-North Korea foreign ministers' meeting (Brunei)	2–4 Working-level contact for ministerial talks (Mt. Kumgang) 12–14 7 th inter-Korean ministerial talks (Seoul) 27–30 2 nd Committee for the Promotion of Inter-Korean Economic Cooperation (Seoul) (agrees to assistance of 400,000 tons of rice to North Korea)		28–29 Russian Foreign Minister Ivanov visits North Korea. 7–9 North Korean Foreign Minister Paek Nam Sun visits Mongolia. 20–24 General Secretary Kim Jong Il visits the Russian Far East.
9	7 TCOG Meeting (Seoul) 12 Unidentified ship salvaged from the southwest sea off the coast of Kyushu 17 Japan-North Korea summit meeting (Pyongyang) 28 Investigation Team concerning the abduction cases visits North Korea (to 10/1)	6–8 4 th South-North Red Cross Talks (Mt. Kumgang) 13–14 Reunion of separated families in North Korea and the ROK (Mt. Kumgang) 14–15 6 th inter-Korean working-level military talks (Panmunjom) 16–17 Reunion of separated families in North Korea and the ROK (Mt. Kumgang) 18 Ceremony for the simultaneous commencement of the construction of connecting railroads and roads	12 US-North Korea general level talks (Panmunjom) (related to the connection of the East coast railways and roads)	

Situation concerning the Korean Peninsula (October 2002–February 2003)

Month	Japan-North Korea relations	ROK-North Korea relations	US-North Korea relations	North Korea's third country relations
10	4 Unidentified ship determined to be a North Korean operations ship. 15 Five abductees return to Japan. 27 Japan-US-ROK Trilateral Leaders' Meeting (Los Cabos) 29–30 12 th Round of the Japan-North Korea Normalization Talks (Kuala Lumpur)	19–22 8 th inter-Korean ministerial talks (Pyongyang) 26 North Korean economic observation team visits the ROK (to 11/3).	3–5 US Special Envoy Kelly visits North Korea. 16 US Department of State announces that North Korea admitted developing a uranium enrichment program for nuclear weapons. 25 North Korea proposes concluding a non-aggression treaty between the US and North Korea.	
11	4 Japan-China-ROK Trilateral Leaders' Meeting (Phnom Penh) 9 TCOG Meeting (Tokyo) 17 North Korea suggests ending its moratorium on missile launching.	6–9 3 rd Committee for the Promotion of Inter-Korean Economic Cooperation (Pyongyang)		5 North Korea and East Timor establish diplomatic relations. 14 KEDO decides to freeze the supply of heavy oil in December. 21 North Korea condemns KEDO's decision to freeze the supply of heavy oil as a violation of the "Agreed Framework." 29 IAEA Board of Governors unanimously adopts the resolution concerning the "Implementation of the Safeguards Agreement with North Korea."
12	11 Law concerning Support for Victims of Abduction by the North Korean Authorities promulgated	19 ROK presidential election 20 Mr. Roh Moo Hyun elected as 16 th president.		10 In the waters off Yemen, Spanish and US forces inspect a North Korean vessel loaded with Scud missiles 12 North Korea announces that it has lifted the freeze on its nuclear facilities and that it will immediately resume the operation and building of its nuclear facilities. 21– North Korea begins removing seals and impeding the functioning of surveillance cameras at the graphite-moderated experimental reactor, used nuclear fuel storage facilities, fuel rod fabrication plant and reprocessing facility. 27 North Korea decides to expel IAEA inspectors. 29 North Korea states that the Korean Peninsula nuclear issue is an issue between the US and North Korea and not of an international nature, and that the special position of its relationship with the Nuclear Non-Proliferation Treaty (NPT) has become hazardous.
1	7 TCOG Meeting (Washington)	21–24 9 th inter-Korean ministerial talks (Seoul) 27–29 Mr. Lim Dong Won, special envoy of the president of the ROK, visits North Korea.		6 IAEA Board of Governors unanimously adopts a resolution concerning the "Implementation of the Safeguards Agreement with North Korea." 10 North Korea declares its withdrawal from the NPT.
2		25 Inauguration ceremony of President Roh Moo Hyun (Seoul)		12 IAEA Board of Governors adopts a resolution concerning the "Implementation of the Safeguards Agreement with North Korea." It decides that it will report North Korea's violation of the safeguards agreement, etc. to the Security Council and the General Assembly of the United Nations.

advancing normalization talks in accordance with the Japan-DPRK Pyongyang Declaration and making efforts toward the resolution of outstanding issues of concern and Japan will continue to urge North Korea for a positive response toward the resolution of such issues.

(c) ROK-North Korea Relations

Since ROK President Kim Dae Jung took up his position in February 1998, the ROK government has been pursuing an engagement policy (Sunshine Policy) toward North Korea based on the following three tenets: (1) it will not tolerate any armed provocation that will destroy peace; (2) it will not attempt to seek unification by absorbing North Korea or harming North Korea; and (3) it will actively promote reconciliation and cooperation between the two Koreas. President Roh Moo Hyun, who assumed office in February 2003, has basically continued this engagement policy.

Between the ROK and North Korea, the first-ever South-North Joint Declaration was announced in Pyongyang in June 2000, but no significant progress was seen in 2001. However, from April 3–6, 2002, Lim Dong-won, a senior advisor to the president, visited North Korea as a special envoy of the president of the ROK and had meetings with Chairman Kim Jong Il and Kim Yong Sun, secretary of the Central Committee of the Korea Workers' Party, and agreed that they would advance inter-Korean dialogue and cooperation. In light of this, in April and May, a reunion of families separated between South and North was held.

In this environment, an incident occurred where the exchange of fire between naval vessels of the ROK and North Korea broke out in the Yellow Sea on June 29 and one of the ROK's high-speed boats was sunk and four soldiers of the ROK forces were killed. It was thought that South-North relations would again become stagnant because of this incident, but on July 25 North Korea expressed its regret and intention to prevent such an occurrence again and proposed a ministerial-level conference. In light of this, dialogue between the ROK and North Korea was activated starting in August and the Ministerial Talks (two rounds), meetings of the Committee for the Promotion of Inter-Korean Economic Cooperation (two rounds), South-North Red Cross Talks, working-level meetings concerning railroad and road connections between the ROK and North Korea, and construction of the Kaesong Industrial Complex

were held. Furthermore, dialogue and cooperation advanced in various areas, which included interpersonal exchanges in cultural and sports areas such as the South-North soccer games and North Korea's participation in the Busan Asian Games.

(d) US-North Korea Relations

In his State of the Union Address on January 29, 2002, US President George W. Bush criticized North Korea, which is arming itself with missiles and weapons of mass destruction (WMDs) while starving its citizens, calling North Korea one of the countries constituting an "axis of evil." Through its Foreign Ministry spokesperson's statement, North Korea condemned this by saying "it was tantamount to a declaration of war."

Under these circumstances, North Korea informed the United States (US) in late April that it was prepared to enter into talks, and in response, the US informed in late June that a US delegation was prepared to visit North Korea. However, on July 1, the US notified North Korea that it was unable to visit North Korea because it had not received a timely response from North Korea regarding the date for a visit by the delegation and the exchange of fire between the ROK and North Korea in the Yellow Sea had engendered an atmosphere that was difficult to accept in conducting dialogue.

On the occasion of the 9th ARF Ministerial Meeting that was held on July 31 in Brunei, US Secretary of State Colin Powell and North Korean Foreign Minister Paek Nam Sun had unofficial contact. Furthermore, in response to Prime Minister Koizumi's stressing to Chairman Kim Jong Il the necessity of US-North Korea dialogue at the Japan-North Korea summit meeting in September, Chairman Kim stated that North Korea was prepared to hold such dialogue and Prime Minister Koizumi conveyed these intentions to President Bush.

With these developments, US Assistant Secretary of State James Kelly visited North Korea from October 3–5 as a special envoy of the US president and met with First Vice Foreign Minister Kang Sok Ju. At the meeting, Assistant Secretary of State Kelly conveyed his concerns to North Korea about a wide range of pending issues including the development and export of WMDs and missiles, conventional arms, human rights issues and the humanitarian situation. At this occasion, Assistant Secretary of State Kelly conveyed that he had obtained information suggesting that North Korea had a



Minister for Foreign Affairs Yoriko Kawaguchi meeting with US Assistant Secretary of State James Kelly after his visit to North Korea (October)

uranium enrichment program for nuclear weapons and North Korea admitted having such a plan. Afterward, North Korea condemned the attitude of the US in this meeting as being “extremely pressuring and arrogant.”

On October 25, North Korea proposed the conclusion of a non-aggression treaty between the US and North Korea through its Foreign Ministry spokesperson’s statement. In response, the US stated that it was essential for North Korea to abandon first its nuclear weapons program promptly and in a verifiable manner and to comply with related international agreements. Thus, the US has not agreed to North Korea’s proposal but President Bush and Secretary of State Powell have repeatedly stated the position that the US has no intention of invading North Korea and that it is necessary to resolve the nuclear weapons program peacefully and diplomatically.

(e) Other Foreign Policy Moves by North Korea

In regard to its relations with Russia, on July 28–29, Russian Foreign Minister Igor Ivanov visited North Korea and met with Chairman Kim Jong Il and discussed issues such as Russia-North Korea economic cooperation. Furthermore, Chairman Kim visited the Russian Far East on August 20–24 and held the Russia-North Korea summit meeting with President Vladimir

Putin on August 23 in Vladivostok. At the meeting, the area of the economy, especially the issue of connecting the Trans-Siberian railway with the railway on the Korean Peninsula, was discussed. Other diplomatic moves included the visit to North Korea by Indonesian President Megawati Sukarnoputri (March) and a visit to North Korea by a directors-general level delegation of European Union (EU) countries (June).

However, since October, in respect to the North Korean nuclear weapons development issue, the international community including these countries has urged North Korea to abandon its nuclear weapons program promptly and in a verifiable manner and to comply with related international agreements. China and Russia, which have traditionally been friendly countries to North Korea, have called for the denuclearization of the Korean Peninsula in the Joint Declaration released at a China-Russia summit meeting in December.

(f) North Korea’s Nuclear Weapons Development Issue

Since the existence of North Korea’s uranium enrichment program became known in October 2002, the international community has expressed strong concerns about North Korea’s nuclear weapons development issue including this program. This issue has become a crucial issue of not only the Northeast Asia region, but

also of the entire international community.

In 1993, tensions on the Korean Peninsula were heightened because North Korea stated that it would withdraw from the Nuclear Non-Proliferation Treaty (NPT) and rejected compliance with the Safeguards Agreement⁴ with the International Atomic Energy Agency (IAEA). As a result of consultations between the US and North Korea, North Korea remained an NPT signatory state and agreed to freeze operations and dismantle nuclear power facilities (graphite-moderated experimental reactors) at which the production of plutonium that would serve as material for nuclear weapons would be easy. With the condition that North Korea would fully comply with the IAEA Safeguards Agreement, the US agreed that it would provide two light-water reactors at which the production of plutonium would be relatively difficult and it would supply North Korea with 500,000 tons of heavy oil per year as a substitute energy source until the completion of the first light-water reactor ("Agreed Framework"). Given this "Agreed Framework," the Korean Peninsula Energy Development Organization (KEDO) was established in 1995 and it has undertaken the construction of light-water reactors and supplied heavy oil to North Korea.

However, when US Special Envoy of the President Kelly visited North Korea in October 2002, North Korea admitted the existence of a uranium enrichment program and the international community intensified its concerns. On October 26 at the 10th APEC Economic Leaders' Meeting in Mexico, Prime Minister Koizumi held a Japan-US-ROK trilateral leaders' meeting with President Bush and President Kim Dae Jung and issued a Joint Statement that strongly urged North Korea to abandon its nuclear development program promptly and in a verifiable manner. The APEC Leaders' Statement on North Korea was issued at the APEC Economic Leaders' Meeting and all of the countries and the regions participating in the Asia-Pacific Economic Cooperation (APEC) urged North Korea to abandon its nuclear weapons program. Furthermore, a similar message was issued in the Chairman's Press Statement at the ASEAN+3 Summit Meeting in November.

Despite such approaches of the international community, North Korea did not indicate a positive response and the KEDO Executive Board meeting held in New York on

November 14 decided that it would stop the supply of heavy oil to North Korea in December. The Executive Board also declared that it could not supply heavy oil in the future unless North Korea took concrete and reliable actions to abandon fully its uranium enrichment program. Furthermore, the resolution of the IAEA Board of Governors on November 29 called for North Korea to abandon its nuclear weapons program promptly and in a verifiable manner.

In response, on December 12, North Korea declared that, given the fact that the supply of heavy oil had been stopped, it would lift the freeze on nuclear-related facilities that had been implemented according to the "Agreed Framework" between the US and North Korea and immediately resume operations and construction of nuclear-related facilities necessary for electric power generation. North Korea's actions included the removal of seals on the graphite-moderated experimental reactors on December 21, the removal of seals on the used nuclear fuel storage facilities from December 22–24 and the expulsion of IAEA inspectors from the country at the end of the year. In response to these developments, the IAEA held an emergency Board meeting on January 6, 2003 and unanimously adopted the resolution concerning the implementation of Safeguards Agreement with North Korea. Furthermore, the Trilateral Coordination and Oversight Group (TCOG) Meeting was held on January 7 and the serious concerns of the international community in response to North Korea's actions were expressed. In contradiction to these concerns, North Korea declared its withdrawal from the NPT in its government statement on January 10. No positive response was seen from North Korea thereafter, and at the IAEA Board meeting that was held again on February 12, it was decided that North Korea's nuclear weapons development issue would be reported to the Security Council and this was reported in a letter on February 14. North Korea's actions are regrettable even in light of North Korea's obligations under international agreements, and Japan is concerned about it. Japan will continue to strongly urge North Korea to respond positively on this issue in close coordination with the relevant countries including the US and the ROK and relevant international organizations such as the IAEA and Security Council.

⁴ This stipulates the content, rights and obligations of the IAEA's inspection activities in order for non-nuclear-weapon states that have concluded the NPT to guarantee that no nuclear material will be diverted for military purposes.

(g) North Korean Domestic Politics and Economy

Kim Jong Il, general secretary of the Korea Workers' Party, controls all of North Korea mainly through the Korea Workers' Party and has been implementing a "military-first policy (Songun Policy)". Furthermore, the Party advocates the construction of a "powerful nation" that is a major power in terms of ideology, politics, the military and the economy.

In 2002, North Korea changed its economic system on a number of points. In July, it greatly raised the overall prices of products including food and workers' wages and took new measures such as substantially reviewing the distribution system. In September, it designated Sinuiju, the northwestern region along the China-North Korea border, as a "Special Administrative Region." In this region, the guarantee of private property rights, entry by foreigners without visas, a favorable environment for investment by corporations and a guarantee of conditions for economic activities, and the promotion of investments by investors have been recognized as efforts toward activating the economy in this region. However, the future prospects of the region remain unclear as Mr. Yang Bin, who was appointed as the governor of the Sinuiju Administrative Region, was detained by Chinese authorities. In addition, North Korea prohibited the use of US dollars in the country in December.

Economic conditions in North Korea remain in a difficult situation and in particular, the energy shortage such as electricity is seen to be in a grave situation. In regard to the food situation, according to the Food and

Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP), 3.84 million tons of grain production is expected from November 2002 to October 2003, and as approximately 4.92 million tons of grain are necessary, approximately 1.08 million tons of grain imports are needed. Even with the addition of commercial imports and the assistance of the international community, it is expected that there will be a shortage of approximately 560,000 tons of grain.

In recent years, there have been cases where North Korean defectors who have escaped from North Korea into China have sought protection at various diplomatic establishments and it can be thought that the severe food situation and economic difficulties in North Korea constitute the background to their escape.

(h) Japan-ROK Relations

Regarding Japan-ROK relations, through President Kim Dae Jung's visit to Japan in 1998 and Prime Minister Keizo Obuchi's visit to the ROK in 1999, past issues between the two countries were put behind them and the building of a new Japan-ROK partnership toward the 21st century was agreed upon. In 2001, there were some issues such as Japanese history textbooks and visits to Yasukuni Shrine by Prime Minister Koizumi, but two summit meetings were held in October and bilateral relations improved.

In 2002, the FIFA World Cup was co-hosted and the year was the Year of Japan-ROK National Exchange. On the occasion of Prime Minister Koizumi's official visit to the ROK in March, the two



A scene from the Korea Super EXPO 2002, a commemorative event of the Year of Japan-ROK National Exchange in 2002 (June Photo: The Japan Foundation)

leaders affirmed their determination to add further momentum to the development of friendly and cooperative relations between Japan and the ROK through making the year 2002 a truly historic one.

The FIFA World Cup that was held from May 31 to June 30 saw great enthusiasm by the attendance of Their Imperial Highnesses Prince and Princess Takamado (Prince Takamado passed away in November 2002) and Prime Minister Koizumi at the Opening Ceremony which was held in the ROK, the attendance of President Kim and Mrs. Kim at the final match and Closing Ceremony which were held in Japan, and the distinguished performance of the Japan and ROK teams at the tournament. This dramatically improved the friendly relations between the two countries. At the Japan-ROK summit meeting on July 1, the two leaders declared their determination to develop cooperative relations between Japan and the ROK, which has as its basis mutual trust and respect, to an

even higher dimension in light of the success of the co-hosting of the FIFA World Cup, as stated in the “Joint Message Toward the Future by Prime Minister Koizumi and President Kim Dae Jung” that was released after the meeting.

Furthermore, close partnership between Japan and the ROK was promoted regarding policy toward North Korea on the occasion of successive summit meetings, foreign ministers’ meetings and TCOG Meetings concerning North Korea, such as Prime Minister Koizumi explaining the results of his visit to North Korea at the Japan-ROK summit meeting that was held on September 22 on the occasion of the fourth Asia-Europe Meeting (ASEM) held in Copenhagen.

Mr. Roh Moo Hyun won the presidential election that was held on December 19 and was inaugurated as the 16th president on February 25, 2003. Prime Minister Koizumi held a summit meeting with President Roh Moo Hyun, forerunning other countries, after attending

Various Events of the Year of Japan-ROK National Exchange in 2002

- 1 Exchange of New Year’s television message by the leaders of Japan and the ROK
- 2 Korean language introduced in Japan as a subject of the National Center for University Entrance Examinations test (January)
- 3 Opening events (January 21, Seoul; January 28, Tokyo)
- 4 Various events commemorating the Year of Japan-ROK National Exchange in 2002 held throughout the year
 - (1) Exhibitions
 - Joint exhibition of Ikuro Hirayama and Kim Heung Sou (January to February, Tokyo), etc.
 - (2) Performances, etc.
 - ① Concert celebrating the release of *The Monsters*, a CD jointly produced by Japan and the ROK at the Asia Music Festival 2002 (February, Tokyo)
 - ② *Seoul*, a film jointly produced by Japan and the ROK (co-starring Tomoya Nagase and Choi Min Su)
 - ③ Japan-Korea Joint Court Music Concerts (May, Japan and the ROK), etc.
 - (3) Other events
 - ① Program recreating the delegation to Japan (Japan-Korea People’s Exchange Festival 2002) (September to November, Japan and the ROK)
 - ② Industrial Culture Expo
 - Korea Super EXPO 2002 (June, Makuhari)
 - 3rd Japan Festival in Korea (October, Kwangju)
- 5 Over 840 commemorative events, including the above-mentioned, held throughout the year.
 Other diverse exchanges on various aspects
 - ① First broadcast of *Friends*, a television drama jointly produced by Japan and the ROK (co-starring Kyoko Fukada and Won Bin) (February)
 - ② Successive production and release of films jointly produced by Japan and the ROK
 - Hotaru* (released in the ROK in January, starring Ken Takakura, filmed partly in the ROK), *One Fine Spring Day* (financed by Shochiku, starring Lee Young Ae), *KT* (a film about the Kim Dae Jung incident), etc.
- 6 Closing events (December 10, Tokyo; December 13, Seoul)

2002 Japan-ROK Goodwill Ambassadors

As symbols of the Year of Japan-ROK National Exchange, leading actresses from the two countries (Japan: Norika Fujiwara/ROK: Kim Yun Jin) serve as goodwill ambassadors to promote national exchange between the two countries.

the inauguration ceremony on February 25 and affirmed that with the new administration as well, it was essential to develop further future-oriented friendly and cooperative relations for the prosperity and stability of the region, in particular through the further development of exchanges and mutual understanding primarily among the young generation.

Meanwhile, issues in Japan-ROK relations include the issue of territorial rights over Takeshima Island, the issue of the name of the Sea of Japan and the ROK's objections regarding visits to Yasukuni Shrine by Prime Minister Koizumi. Takeshima is clearly an integral part of Japan, both in light of historical facts and international law and, as such, Japan's position is consistent. Japan is of the policy that it will persistently continue bilateral discussions in the future. Furthermore, in

regard to the issue of the name of the Sea of Japan, the "Sea of Japan" is a name that has been internationally established based on historical grounds and Japan will continue to seek the understanding and support of the international community for its position.

(i) Japan-ROK Economic Relations

In the area of the economy, framework-building and various consultations for trade and investment promotion and closer economic relations have proceeded, based on the Action Plan that was announced on the occasion of President Kim Dae Jung's visit to Japan in October 1998.

The ROK proposed the Agreement between the Government of Japan and the Government of the

Topic

The Issue of the Name of the Sea of Japan

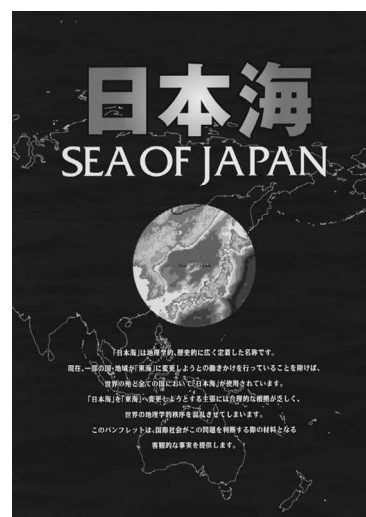
Beginning in the 1990s, the Republic of Korea (ROK) and North Korea began to claim there were issues in respect to the name "Sea of Japan" at the United Nations Conferences on the Standardization of Geographical Names (UNCSSG) and the International Hydrographic Organization (IHO). They have since argued that the name "Sea of Japan" only became internationally used from the beginning of the 20th century as a result of Japan's colonialism. For this reason, they maintain the name should be changed to the "East Sea," as the ROK and others use, or at least that both the "Sea of Japan" and "East Sea" be used together.

Their assertion has no objective basis, and Japan objects to the claim by the ROK and North Korea based on the following three points:

1. The name "Sea of Japan" has been thoroughly internationally established.
2. The name "Sea of Japan" was established in Europe from the late 18th century to the early 19th century, and it did not come about as a result of any colonialistic or imperialistic intent on the part of Japan in the first half of the 20th century.
3. The name "Sea of Japan" is objectively based on the geographical fact that the Japanese Archipelago separates the sea area from the Pacific Ocean.

Japan has published a pamphlet summarizing these points and has distributed it to relevant organizations and the mass media of various countries. Japan takes the position that if an already internationally established sea name were changed due to the claims of specific countries without clear evidence, it would not only bring about geographical confusion but also serve as a "bad precedent" for future generations in the international movement toward geographical standardization. Japan thus seeks the understanding and support of the international community in this issue. Furthermore, Japan has promptly lodged objections every time the ROK and others raise this issue at UNCSSG meetings and various other international conferences.

Currently at the IHO, work for the revision of guidelines concerning the names and limits of seas is ongoing. In this regard, Japan will continue to engage in close consultation with the IHO Directing Committee and will attempt to gain the understanding and support of the international community for Japan's position.



A pamphlet concerning the issue of the name "Sea of Japan"

Republic of Korea for the Liberalisation, Promotion and Protection of Investment after the ROK's economic crisis in late 1997 from the perspective of introducing foreign capital and formal negotiations began in September 1999. At the ninth plenary consultation in December 2001, Japan and the ROK reached a basic agreement and it was signed on the occasion of Prime Minister Koizumi's visit to the ROK in March 2002. Parliamentary approval was obtained in Japan in May and in the ROK in October, and the Agreement went into effect in January 2003.

In January 2002, Business Forum consisting of business leaders and eminent figures from the two countries released a joint statement recommending that a Japan-ROK Free Trade Agreement (FTA) be promoted early as a comprehensive economic partnership agreement. Upon receiving this recommendation, on the occasion of Prime Minister Koizumi's visit to the ROK in March 2002, the two sides agreed to establish a joint study group composed of representatives from industry, government and academia. By February 2003, the Japan-Korea FTA Joint Study Group had held four meetings and has had wide-ranging discussions on liberalization and the facilitation of trade and on various cooperation issues.

Furthermore, in regard to mutual recognition, expert meetings in areas including electrical appliances and telecommunications equipment have been held based on the Japan-ROK Economic Agenda 21 released in March 1999. In addition, in regard to the Japan-ROK Social Security Agreement, two preparatory consultations have been held and work toward formal negotiations is underway.

(j) ROK Domestic Politics

Despite achievements such as overcoming the economic crisis and realizing the inter-Korean summit meeting, the final phase of the Kim Dae Jung administration received a critical assessment due to the effects of the delay of various reforms and continued suspicions over corruption cases. In particular, the corruption surrounding the administration that even led to the arrest of the president's son had repercussions and President Kim, considering the effects that the decline of the centripetal force of the administration would have on the presidential election, left the Millennium Democratic Party (MDP) in May 2002 to manage the situation.

From the perspective of eradicating the corruption

(Photo)

surrounding the administration, the cabinet was reorganized in July and the first female prime minister was nominated since constitutional government was established in the ROK, but this was rejected at the National Assembly due to the opposition of the opposition parties. The appointment agreement bill for the president of a newspaper company who had been nominated next was rejected while the appointment agreement bill was finally approved for Prime Minister Kim Suk Soo in October, but approximately three months went by without a prime minister.

Domestic politics in the ROK in 2002 centered upon the defensive and offensive of various parties toward the presidential election in December. The ruling party, the MDP, held regional primary elections beginning in March and chose Mr. Roh Moo Hyun as its presidential candidate in April. The opposition Grand National Party (GNP) also held primary elections and chose its former president, Mr. Lee Hoi Chang, as its presidential candidate in May. The MDP was completely defeated at both the countrywide local elections in June and the reelelections and by-elections for National Assembly members in August, which could be called the runup to the presidential election, and it appeared that GNP candidate Lee had an advantage. However, in November the MDP candidate, Mr. Roh, agreed with Mr. Chung Mong Joon of the National Alliance 21 to have a sole candidate right before the official announcement of the presidential election and Mr. Roh became the sole candidate. With this as a turning point, candidate Roh's approval rating rose sharply and the election became virtually a

one-to-one race between candidates Roh and Lee. Voting for the presidential election was held on December 19 and candidate Roh won the election in a close race. The new administration's term of office is five years, from February 25, 2003 to 2008.

(k) ROK Economy

(Photo)

The growth rate of the ROK's gross domestic product (GDP), which marked 9.3% in 2000, fell to 3.0% in 2001. Nevertheless, supported by steady domestic demand and an increase in exports, it is expected that GDP will recover to the range of 6% in 2002. However, in addition to indications of the possibility that the growth of domestic demand will slow, it has been pointed out that the decline in the US economy and steep rise in oil prices due to the situation in Iraq are risk factors. In recent years, the unemployment rate peaked in February 1999 at 8.7%, but since then it has remained at a low level (3.0% in December 2002). The ROK's trade balance is in the black, with a trade surplus of US\$9.3 billion in 2001 and as exports (in terms of countries, to the US and China; in terms of commodities, semiconductors and telecommunications apparatuses increased) rose its surplus was US\$10.8 billion in 2002.

The Kim Dae Jung administration promoted reforms focusing on the four main areas of finance, enterprises (*chaebol* conglomerates), the public sector

and labor in order to overcome the economic crisis that emerged at the end of 1997. In November 1999, President Kim issued a declaration to the effect that the currency crisis had been overcome. Reform continued thereafter and the results of South Korean corporations quickly recovered in 2002. The corporations subject to workout (corporation improvement work) were removed from bank control one after another and their reconstruction was realized. Structural reform has been positively assessed both at home and abroad in that it has had certain results, such as the fact that the ratio of non-performing bank loans has reached its lowest level since 1999 (2.4% at the end of June 2002).

2	China and Neighboring Countries and Regions
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(a) Overview

The year 2002 marked the 30th anniversary of the normalization of Japan-China relations and a series of events and exchange activities were held in both countries to commemorate "Japan Year" and "China Year," deepening mutual understanding and trust between the people of the two countries. Economic relations between Japan and China have also continued to expand and deepen following China's accession to the World Trade Organization (WTO) at the end of 2001. The total value of trade between the two countries surpassed the US\$100 billion mark in 2002, setting a new record for the maximum value.

Interdependence between Japan and China is becoming deeper, and it is extremely important for securing Japan's security and prosperity to build stable, friendly and cooperative relations with China. Japan and China, both of which, having great influence in the international community, are expected not only to bring about profit for the two countries, but also to cooperate with one another to realize peace, stability and prosperity in the Asia-Pacific region, and thus the international community.

With this in mind, Japan regards Japan-China relations as one of its most important bilateral relationships, and it is to further promote cooperation in various areas under the "Partnership of Friendship and

Cooperation for Peace and Development.”⁵ For example, at bilateral meetings of the summit and foreign ministerial levels, Japan has actively exchanged opinions regarding issues on regional situations such as the situation on the Korean Peninsula as well as issues on the global scale such as environmental issues, in addition to bilateral issues.

Japan intends to continue contributing to the realization of peace, stability and prosperity of the international community by further strengthening cooperative relations in the international arena, and by making the foundation of Japan-China bilateral relations even more robust.

(b) Japan-China Relations

Overview

In 2002, the year marking the 30th anniversary of the normalization of Japan-China relations, exchanges at wide-ranging levels between the two countries were actively held. In addition to summit and foreign ministerial meetings that were held on various occasions at international conferences, Minister for Foreign Affairs

Yoriko Kawaguchi visited China in September and had meaningful meetings with President Jiang Zemin, Vice Premier Qian Qichen and Foreign Minister Tang Jiaxuan. Through these meetings, clues to resolving individual issues existing between the two countries were found and opinions were actively exchanged regarding the regional and international situation, in addition to bilateral issues.

Meanwhile, there were protests from China against Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine in April 2002 and January 2003, and President Jiang expressed his dissatisfaction at the Japan-China summit meeting that was held on the occasion of the 10th Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting in October 2002.

“Japan Year” and “China Year”

In 2002, a series of events and exchange activities were held in both countries to commemorate “Japan Year” and “China Year.” The opening reception of “Japan Year” and “China Year” was held on a large scale in Tokyo, with the attendance of Prime Minister Koizumi and Chairman of the Standing Committee of the

(Photo)

⁵ (a) On the occasion of President Jiang Zemin's visit to Japan in 1998, in addition to reaffirming the principles laid down in the “Joint Communiqué of the Government of Japan and the Government of the People's Republic of China” and the “Treaty of Peace and Friendship between Japan and the People's Republic of China,” the “Japan-China Joint Declaration on Building a Partnership of Friendship and Cooperation for Peace and Development” was issued with the view to laying out cooperative relations between Japan and China toward the 21st century.

(b) Cooperation between Japan and China in the international arena is stressed in this declaration and 33 concrete items for cooperation are clearly stated in the joint press announcement, which was issued at the same time. Currently, cooperation in various areas based on these items is steadily advancing.

(c) Examples of the 33 cooperative areas between Japan and China are: a summit-level dialogue; regional issues (e.g., the situation on the Korean Peninsula); the Beijing-Shanghai High-Speed Railway; cooperation in environmental preservation; and the protection of the Japanese crested ibis.

National People's Congress of China Li Peng. Subsequently, 5,000 people from China visited Japan and 13,000 people from Japan visited China, and there were many exchange activities and commemorative events such as "Madame Butterfly," an opera performed by Japan-China collaboration, and concerts by prominent Japanese musicians. At the exchange ceremony on the occasion of 13,000 Japanese people visiting China, President Jiang delivered a speech in which he emphasized the importance of strengthening friendly relations between Japan and China as well as cooperation between the two countries for the prosperity of the Asian region.

(Photo)

Major Events of the 2002 "Japan Year" and "China Year"

Apr	2	Opening reception	Co-hosted by the Organizing Committees of Japan and China (Chairman of the Organizing Committee of Japan: Nobuyuki Idei, Chairman and Group CEO of Sony Corporation; Chairman of the Organizing Committee of China: Sun Jiazheng, Minister of Culture). Attended by Prime Minister Koizumi and Chairman of the Standing Committee of the National People's Congress of China Li Peng.
May	9	5,000 Chinese people visit Japan	The ceremony commemorating the exchange is attended by Prime Minister Koizumi from the Japan side and Vice-Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) Hu Qili.
Jul	26	Commemorative symposium	Symposium entitled "Recollections and Prospects of the 30 th Anniversary of the Normalization of Relations" held with the co-sponsorship of the Ministry of Foreign Affairs, Nagasaki Prefecture and other parties.
Sep	13	Issuance of commemorative stamps (Japan)	Reception commemorating the 30 th anniversary of the normalization of relations held with the co-sponsorship of the Ministry of Public Management, Home Affairs, Posts and Telecommunications and the Embassy of China in Japan
	16–23	China Philharmonic Orchestra	The China Philharmonic Orchestra, China's leading orchestra, gives a concert in Japan.
	20	Issuance of commemorative stamps (China)	The Shanghai Post Bureau issues the "Commemorative Stamp Sheet for the 30 th Anniversary of the Normalization of Relations."
	21–23	13,000 Japanese people visit China	Approximately 13,000 Japanese people, including 85 Diet members, visit China. A welcome reception, tree-planting ceremony and exchange ceremony are conducted.
	26–29	Traditional performance art: Takigi Noh (Noh performed in torchlight)	Kanze-style Takigi Noh performed in Beijing.
	29	Celebratory reception	A celebratory reception is held at the Embassy of Japan in Beijing on the day of the 30 th anniversary of the normalization of relations. Vice-Premier Qian Qichen and others attend from the China side.
Sep–Oct		Takarazuka Revue Company performs in China	Conducts a tour performance in the three cities of Shanghai, Beijing and Guangzhou.
Oct	1–3	Joint performance of the opera <i>Madame Butterfly</i>	Performed in Beijing, conducted by Seiji Ozawa and directed by Keita Asari.
	2	Japan-China Economic Forum	Dialogue between leading figures in the Japanese and Chinese business world and young people. Broadcast on television in both Japan and China.
	9	Japan-China Friendship Arts Festival	First-rate artists from Japan and China gather in NHK Hall and hold a concert. The Japan-China Achievements of Media Cooperation Exchange Photo Exhibit (a panel photo exhibit depicting the achievements of exchange in the 30 years after the normalization of relations) is held at the same hall at the same time.
	13	GLAY Concert in Beijing	A free concert inviting 40,000 people is held in Beijing.
Nov	10,12	Japan-China joint opera <i>Chanchiki</i>	Joint performance by Japan and China of this opera by the late Ikuma Dan, former president of the Japan-China Cultural Exchange Association.

Japan-China Economic Relations

There was significant progress in economic relations between Japan and China in 2002, with the backdrop of China's steady economic development and its accession to the WTO in December 2001. The total value of trade in 2002 increased 15.0% from the previous year against the background of a favorable increase of exports to China (an increase of 32.3% from the previous year), amounting to 12.7043 trillion yen (approximately US\$101.6 billion). China surpassed the United States (US) as the largest exporter to Japan (the second largest trade partner in terms of the total value of exports and imports) and Japan is China's largest trade partner. In the first half of fiscal year (FY) 2002, investment to China was 113.2 billion yen (approximately US\$900 million) on a contractual basis, indicating a growth of 23.2% over the same period a year ago.⁶

Meanwhile, China's rapid economic development and the development of closer economic ties between Japan and China have been accompanied by some frictions. Prime Minister Koizumi gave a speech on this point at the Boao Forum for Asia⁷ in April and expressed his view that China's economic development is not a threat but a challenge and opportunity for Japan, and economic relations between Japan and China are not confrontational but mutually complementary. In a related development, at the summit meeting that was held between Prime Minister Koizumi and Premier Zhu Rongji on the occasion of this forum, the two leaders agreed to establish the Japan-China Economic Partnership Consultation with the purpose of identifying economic issues at an early stage and preventing disputes between the two countries as well as further strengthening mutually complementary bilateral economic relations. Prompted by this, the first meeting (deputy ministerial level) was held in Beijing on October 15 and opinions were exchanged frankly regarding concerns such as the issue of intellectual

property rights including damages resulting from counterfeit goods, business troubles related to investment in China, the exercise of safeguard measures for iron and steel products by China, and the issue of pesticide residue on agricultural products from China.

Salvaging the North Korean Operations Vessel

In regard to the incident involving an unidentified vessel off the southwest coast of Kyushu in December 2001,⁸ it was necessary to appropriately handle its salvage by coordinating with China, because the location where the ship sank was practically in waters that Japan treats as China's exclusive economic zone. At the summit meeting that was held between Prime Minister Koizumi and Premier Zhu on the occasion of the Boao Forum for Asia in April, the two leaders agreed to resolve the issue through calm consultations between the two countries. Afterward, as a result of carrying out continued consultations with China, Japan and China exchanged a note verbale concerning the salvage of the vessel on June 18 and confirmed the settlement of the issue at the Japan-China foreign ministerial meeting held in Thailand the following day. The task of salvaging the vessel was successfully carried out from June 25 to September 14 and served as a significant step toward clarifying the truth about the operations vessel.

Incident at the Japanese Consulate General in Shenyang

On May 8, there was an incident in which five North Koreans attempted to enter the premises of the Japanese Consulate General in Shenyang, but ended up being forcibly captured and apprehended by Chinese armed police officers. Japan lodged a strong protest against the Chinese side that the Chinese armed police officers' entry to the premises of the Consulate General without the consent of Japan constituted a breach of the

⁶ Trade and investment figures are derived from statistics of the Ministry of Finance.

⁷ This is a forum that has as its goal to provide an opportunity for dialogue among participants from the political, business and academic areas of Asian nations and regions and to increase opportunities for trade and investment within the Asian region as well as between Asia and other regions. The First Annual Conference was held from April 12 to 13, 2002 in Boao, Hainan Island, China under the theme "A New Century, New Challenges, A New Asia: Economic Development and Cooperation."

⁸ Early in the morning of December 22, 2001, Japan Coast Guard patrol vessels were dispatched to the southwest coast of Kyushu upon receiving information from the Japan Defense Agency concerning an unidentified vessel in Japan's exclusive economic zone. The patrol vessels were attacked by the retreating unidentified vessel (later determined to be a North Korean operations vessel) and they responded with shooting for the purpose of self-defense. The unidentified vessel then exploded and quickly sank. Three coast guard officers were injured in the incident and a patrol vessel incurred great damage.

inviolability of the consular premises, and Japan also repeatedly requested that the settlement of humanitarian concerns for the five people who attempted to enter the consular premises be given top priority. As a result, the five people who had been held by China were allowed to leave the country, and, on May 23, the five people departed for the Republic of Korea (ROK) via Manila, Philippines.

At meetings that were held between Foreign Minister Kawaguchi and Foreign Minister Tang in Thailand and Brunei in June and July, respectively,

Foreign Minister Kawaguchi reiterated that there was no change in the Japanese position concerning this incident and both countries agreed to hold consultations between diplomatic authorities of the two countries in order to prevent the recurrence of such incidents. As a result, the first round of consultations concerning a framework of Japan-China consular cooperation was held in late August in Beijing and the second round of consultations was held in January 2003 in Tokyo, at which constructive dialogue was held regarding cooperation in the consular area between Japan and China, including the

Record of Japan's Official Development Assistance (ODA) to China

(Unit: 100 million yen)

FY ^{*1}	Loan aid ^{*2}	Grant aid ^{*2}	Technical cooperation ^{*2}	Total
1980	^{*3} 660.00	6.80	^{*4} 5.64	672.44
1981	^{*3} 1,000.00	23.70	10.17	1,033.87
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	^{*4} 98.30	2,240.18
1999	1,926.37	59.10	^{*4} 73.30	2,058.77
2000	^{*5} 2,143.99	47.80	81.96	2,273.75
2001	1,613.66	63.33	77.77	1,754.76
Total	28,292.75	1,296.82	1,322.49	30,912.06

Notes: ^{*1}. "FY" for loan aid refers to the fiscal year that includes the date when the Exchange of Notes (E/N) was concluded. For grant aid and technical cooperation, "FY" refers to the fiscal year (except that the record of grant aid in and after FY1996 refers to grant aid which obtained a Cabinet decision in the corresponding fiscal year and on which an E/N was concluded by May 30 of the following fiscal year).

^{*2}. Amounts of loan aid and grant aid are based on the E/N, while technical cooperation is based on JICA's record of expenditures.

^{*3}. The yen loans were first announced in December 1979, but they are accounted for in FY1980 due to the fact that the E/N was concluded in April 1980. Furthermore, as a result of the review of projects in China, 40 billion yen of the amount accounted for in FY1980 has been counted as a provision in FY1981 (to avoid double counting 40 billion yen, the amount for FY1980 is 66 billion yen, or 106 billion yen based on E/N minus 40 billion yen).

^{*4}. As for technical cooperation, the amount for FY1980 includes those provided in previous fiscal years. In addition, the amount for FY1998 and thereafter includes those covering Hong Kong.

^{*5}. Includes special yen loans of 17.202 billion yen.

^{**} Due to numbers being rounded off, there are cases in which the totals do not add up.

prevention of the recurrence of similar incidents.

Economic Cooperation with China

Japan has been providing Official Development Assistance (ODA) to China since 1979 and assisted China's open and reform policy, but in addition to changes in China's assistance needs due to its economic development, issues that directly impact Japan, such as environment problems, have increased. Furthermore, in the light of criticism in Japan in the context of Japan's severe economic and fiscal situation, as well as China's increasing military spending and economic support for third countries, Japan formulated the Economic Cooperation Program for China and set forth a new assistance policy for China in October 2001. As a result of comprehensively examining its consistency with priority areas based on this program, over half of the cases of yen loans to China for FY2001 targeted the environment area and the scale was approximately 25% smaller than the previous year. Japan takes the policy to continue extending ODA toward China and further focuses on the assistance in priority areas such as the response to environmental issues as well as the

improvement in public welfare and social development in the inland regions, and the promotion of mutual understanding as stated in the Economic Cooperation Program for China, while obtaining the support and understanding of the Japanese people.

(c) The Situation in China

Domestic Politics

As China is currently striving to build its economy as the highest priority, it has a relatively stable government administration. In these circumstances, domestic politics in China in 2002 developed around the 16th National Congress of the Communist Party of China (Party Congress)⁹ that was held in November.

At the fifth session of the 9th National People's Congress (NPC)¹⁰ that was held in March, Premier Zhu pointed out that "this year is an extremely important year," and declared that he would strive to strictly implement: (1) economic growth through a policy of stimulating domestic demand (e.g., issuing government bonds and measures aimed at increasing incomes for the low-income group including farmers); (2) industrial structural

(Photo)

⁹ This is the meeting that decides the most important matters of the Communist Party of China. The meetings have been held every five years since the 11th Party Congress in 1977.

¹⁰ This is the supreme authority as well as the legislative body of the state. Its length of term has been five years since the 5th NPC in 1978 and the 9th NPC is from 1998 to 2003.

adjustment accompanying China's accession to the WTO; (3) continuing the fight against corruption; and (4) "Three Represents" thought.¹¹ This showed China's present stance in dealing with issues that it faces.

The 16th Party Congress was held from November 8 to 14, with elections of Central Committee members and revisions to the Party Constitution taking place. The Party Congress highly assessed the Political Report that General Secretary Jiang Zemin delivered on the opening day as a "general overview of great achievements over the past 13 years" in the era of General Secretary Jiang, and, at the same time, it clarified that there was no change in the basic policy of continuing to promote a government administration with economic building, stability and solidarity as the biggest focus and highest priority.

A draft amendment to the Party Constitution¹² was

also adopted at the Party Congress and the "Important Thought of 'Three Represents'" advocated by General Secretary Jiang was newly incorporated into the amended Party Constitution as the guiding principle of the Communist Party of China (CPC). Moreover, it positioned the CPC as the "vanguard of the working class" as well as the "vanguard of the Chinese people and the Chinese nation" and officially approved the membership of social groups that are leading China's current economic development, such as private sector leaders, by newly adding "advanced element of other social strata" to the qualifications for membership. It can be said that this has paved the way to essentially convert the CPC from being the "vanguard party of the working class" to a "national party."

At the First Plenary Session of the 16th Central Committee of the Communist Party of China¹³ that was

Comparative Table of the Former Leaders and New Leaders of the Chinese Communist Party

(Numbers in parentheses indicate age as of November 2002)

	Former leaders	New leaders
General Secretary	Jiang Zemin (76)	Hu Jintao (59)
Chairman of the Central Military Commission	Jiang Zemin	Jiang Zemin
Members of the Standing Committee of the Political Bureau (in order of rank)	Jiang Zemin	Hu Jintao
	Li Peng (74)	Wu Bangguo (61)
	Zhu Rongji (74)	Wen Jiabao (60)
	Li Ruihuan (68)	Jia Qinglin (62)
	Hu Jintao (59)	Zeng Qinghong (63)
	Wei Jianxing (71)	Huang Ju (64)
	Li Lanqing (70)	Wu Guanzheng (64)
		Li Changchun (58)
		Luo Gan (67)
Average age	70.3 years	62.0 years

¹¹ This was announced by General Secretary Jiang in February 2000 and states that the CPC "must always represent the development trend of China's advanced social productive forces, the orientation of China's advanced culture and the fundamental interests of the overwhelming majority of the people."

¹² In the Party Constitution prior to the amendment, only "Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory" were upheld as the guiding principles. In the beginning, it only stipulated that the "Communist Party of China is the vanguard of the Chinese working class." Furthermore, Article 1 had as the qualifications for membership in the party "any worker, farmer, member of the armed forces, intellectual or any advanced element."

¹³ At the First Plenary Session, in addition to the general secretary, members of the Political Bureau of the Central Committee (standing committee members, members and alternate members), the Secretariat of the Central Committee, Central Military Commission members and Central Commission for Discipline Inspection members were elected.

held on the following November 15, Mr. Hu Jintao was elected the new general secretary to replace Mr. Jiang Zemin, and nine new members of the Standing Committee of the Political Bureau of the CPC Central Committee¹⁴ were elected, giving rise to a new regime. They are Hu Jintao, Wu Bangguo (Vice-Premier), Wen Jiabao (Vice-Premier), Jia Qinglin (former Secretary of the CPC Beijing Municipal Committee), Zeng Qinghong (former head of the Organization Department of the CPC Central Committee), Huang Ju (former Secretary of the CPC Shanghai Municipal Committee), Wu Guanzheng (Secretary of the CPC Shandong Provincial Committee), Li Changchun (Secretary of the CPC Guangdong Provincial Committee) and Luo Gan (State Councilor). At the first session of the 10th NPC in March 2003, General Secretary Hu became president and a new regime began. Furthermore, it was decided that Mr. Jiang would remain in office as the chairman of the CPC Central Military Commission, still maintaining his political influence together with the “Three Represents” thought.

Economy

Since it has shifted to the open and reform policy, the Chinese economy has achieved a high growth rate for

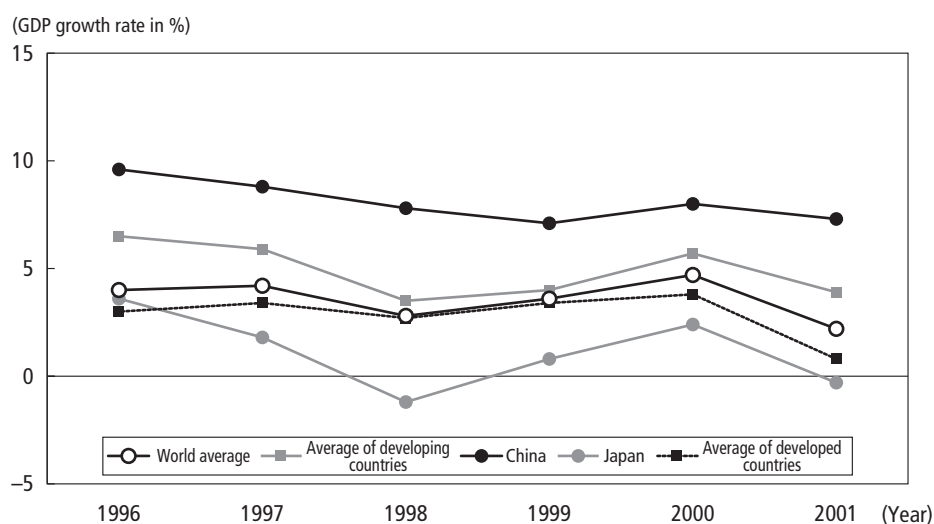
real gross domestic product (GDP), recording an annual average of approximately 9.6% for the past 24 years. It has attained rapid growth, with its GDP scale (nominally for 2001) the sixth largest in the world (after the US, Japan, Germany, France and the United Kingdom (UK)).

At the fifth session of the 9th NPC in March 2002, a policy was put forth that aimed at annual economic growth of approximately 7%, but, in the end, economic growth of 8.0% was achieved, surpassing its goal.

At the Party Congress that was held in November, a policy was put forth with a new goal of economic growth calling for the quadrupling of GDP in 2000 by 2020. To achieve this, it will be necessary for China to maintain economic growth of approximately 7% per year for the next 20 years. Furthermore, at the Party Congress, private sector leaders were officially given the way to become members of the CPC and their position is improving as the engine for China's economy.

While China continues stable economic growth, the GDP per capita is no more than US\$911 and remains at a low level in the international community. China still faces a number of serious issues such as economic disparity between urban and rural areas, coastal regions and midwestern regions, and within urban areas, the

Chinese Economy Continues High Growth (Changes in GDP Growth Rate)



Source: International Monetary Fund (IMF), *World Economic Outlook* (September 2002 edition).

¹⁴ These are members of the Standing Committee of the Political Bureau of the CPC Central Committee, which is effectively the supreme policy-making institution as well as one of the most powerful directive institutions of the CPC. The average age of the new Standing Committee members is 62.0 years, rejuvenated from the 70.3 years of the 15th Standing Committee members.

conversion of industrial structure (in particular, in the areas of agriculture, state-owned enterprises and finance), increased pressure in the job market, and the balancing of environmental preservation and economic growth.

Foreign Relations

China is seeking a favorable international environment in order to realize sustained economic development, which is the highest priority agenda, and carrying out omni-directional diplomacy such as the development of relations with major countries such as the US and Russia, the strengthening of cooperation with neighboring countries, and active participation in international frameworks.

US-China relations have basically remained favorable with President George W. Bush's visit to China in February and President Jiang's visit to the US in late October. Both countries are continuing to make efforts toward the development of constructive and cooperative relations with summit diplomacy at the core. At the US-China summit meeting that was held on October 25, the Iraqi and North Korean issues were taken up as priority agenda, and taking the opportunity of this meeting, progress was seen in carrying out US-China dialogue on concerns between the US and China, such as the proliferation of missile technology and others, human rights and military exchanges.

Regarding China-Russia relations, cooperative relations are developing under the "Sino-Russian Good-Neighborly Treaty of Friendship and Cooperation,"¹⁵ which was concluded in 2001. President Vladimir Putin visited China in December to communicate with the

new leaders of China and issued a joint declaration that indicated a future direction toward which Sino-Russian relations would advance.

In its relations with neighboring countries, China held activities commemorating the 10th anniversary of the establishment of diplomatic relations with the ROK and President Jiang visited Viet Nam in February. In addition, China signed the "Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the People's Republic of China"¹⁶ on the occasion of the China-ASEAN summit meeting held in November. It is also notable that China is actively participating in frameworks for regional cooperation, of which China is a member, such as the ASEAN Regional Forum (ARF), Asia-Pacific Economic Cooperation (APEC), ASEAN+3 and Shanghai Cooperation Organization (SCO).¹⁷

(d) Hong Kong

In Hong Kong, which has reached its 5th anniversary since its return to China, the "one country, two systems"¹⁸ principle is basically functioning smoothly. In February, the Chief Executive of the Hong Kong Special Administrative Region (SAR) Tung Chee Hwa was reelected without a vote for a second term. At the Legislative Council the system for appointing principal officials¹⁹ was announced in April and changes in principal officials under this system were announced in June, which became effective on July 1.

Although the Hong Kong economy has overcome an economic recession resulting from the Asian currency

¹⁵ This replaced the Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance that expired in 1980 and systemically guarantees the stability of both countries. The term of the new treaty is 20 years. In his speech at Moscow State University, President Jiang stated: "This treaty is built on the basis of non-alliance, non-confrontation and not targeting any third country."

¹⁶ This was signed on November 4 by the leaders of China and ASEAN member states at the end of the China-ASEAN summit. Its purpose is to strengthen cooperation in the areas of the economy, trade and investment between China and ASEAN member states and aims for the establishment of a China-ASEAN free trade area within 10 years (by 2015 for new ASEAN member states).

¹⁷ In 1996, the five countries, China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan, launched the "Shanghai Five" Summit Meeting in Shanghai. Since then, summit meetings have been held every year by rotation. At the beginning, it served mainly as an opportunity to build confidence in the military area in the border regions, but since 1998 consultations on a broad range of issues, such as politics, security, economy and culture, have been held. As Uzbekistan became a member state at the meeting in 2001, the "Shanghai Five" was dissolved and the SCO was newly established, with its Secretariat in Beijing. A summit meeting was held in St. Petersburg in June 2002, at which a political declaration calling for non-proliferation in Asia and the resumption of political dialogue between India and Pakistan, etc., as well as a charter defining its position as a permanent organization was adopted, and the establishment of a counter-terrorism center (Bishkek, Kyrgyzstan) with the aim of a joint response against terrorism was agreed upon.

¹⁸ A system which provides Hong Kong with a high degree of autonomy, except in the areas of diplomacy and defense.

¹⁹ By having the chief executive directly appoint the principal officials, it aims to strengthen the unity of the administration and the leadership of the chief executive as well as to create an administration that is sensitive to public opinion.

and financial crisis, negative growth has continued due to the effects of the slowdown of the US economy in 2001 and other factors. Since then, there has been a slight recovery but issues still remain, such as the recovery of the real estate market, improving the deflationary trend and the high unemployment rate.

As for VIP visits between Japan and Hong Kong, Parliamentary Secretary for Foreign Affairs Kenshiro Matsunami visited Hong Kong in August 2002 and met with the Financial Secretary Antony Leung, and in November 2002, Chief Secretary for Administration Donald Tsang visited Japan and paid courtesy calls to Chief Cabinet Secretary Yasuo Fukuda, Foreign Minister Kawaguchi and others.

(e) Taiwan

In Taiwan, the “administration” of Mr. Chen Shui Bian of the Democratic Progressive Party (DPP) was inaugurated in May 2000 and the Kuomintang (KMT), which had been in the post of the “administration” for more than 50 years, went out of power. At the beginning, the DPP “administration” struggled in terms of political management as a minority party in power, but at the “Legislative Yuan” election in December 2001, the DPP defeated the KMT and became the dominant party. Now it has united with the Taiwan Solidarity Union (TSU), which is supported by former “President” Lee Teng-hui, and the ruling and opposition parties are for the most part rivals.

In 2001, the annual growth rate of the Taiwanese economy was negative 2.18%, due to the effects of a recession in the Information and Communications Technology (ICT)-related industry, the slowdown of the US economy and other factors. However, the economy is thought to have bottomed out, and the growth rate in 2002 recovered to 3.54%. In another development, Taiwan officially joined the WTO as a separate customs territory on January 1, 2002.

Regarding relations across the Taiwan Straits, the differences in the positions of China and Taiwan concerning “One China” remain strong. “President” Chen stated in August 2002 that “China and Taiwan are separate countries (one country on each side).” China strongly objected to this and cross-strait dialogue did not resume in 2002. On the other hand, economic exchanges between the Straits are increasing and considerations are being advanced for “three links,”

with direct trade, postal and transportation links. Furthermore, Chinese authorities approved a “lunar new year charter flight” (via Hong Kong and Macao) by a Taiwanese airline in order to facilitate the homecoming of Taiwanese businesspersons working on the mainland during the Lunar New Year (Chinese New Year) in January 2003, realizing the first landing at an airport on the mainland by a Taiwanese passenger plane.

As for relations between Japan and Taiwan, private and regional exchanges have been maintained as working relations on a non-governmental basis in accordance with the Japan-China Joint Communiqué of 1972. For Japan, Taiwan is an important region with close economic relations and Taiwan ranks fourth as a trading partner for Japan in terms of total value, next to the US, China and the ROK.

Japan strongly hopes that cross-strait relations will be resolved peacefully through direct consultations between the two parties and has repeatedly expressed its hopes for the early resumption of cross-strait dialogue.

(f) Mongolia

The year 2002 marks the 30th anniversary of the establishment of diplomatic relations between Japan and Mongolia and VIP visits and cultural exchanges were actively held. These included the visit to Mongolia by Their Imperial Highnesses Prince and Princess Akishino, which was the first visit there by members of the Imperial Family, visits to Japan by Sanjibegziin Tumor-Ochir, the chairman of the Mongolian State Great Hural, and Foreign Minister Luvusangiin Erdenechuluun.

Japan has consistently assisted Mongolia’s reform efforts with the recognition that successes in democratization and transition to a market economy in Mongolia will contribute to the peace and stability of the Northeast Asian region. Japan will continue to strengthen further the Comprehensive Partnership between the two countries.

In domestic politics, a bill for the privatization of land passed the parliament for the first time with a stable political situation in the background, and positive growth of approximately 3.7% (preliminary figure) was maintained in the area of the economy. As 2002 was designated the Year of Foreign Investment Promotion, the current administration made efforts for the introduction of foreign capital, such as holding investment

seminars and amending the Foreign Investment Law.

As for diplomatic activities, President Nastagiin Bagabandi visited Europe and Prime Minister Nambaryn Enkhbayar visited the US, China and

Southeast Asia, and Russian Prime Minister Mikhail Mikhaylovich Kasyanov and North Korean Foreign Minister Paek Nam Sun visited Mongolia.

3

Southeast Asia

(a) Overview

As Southeast Asia has strengthened its unity through the Association of Southeast Asian Nations (ASEAN), economic disparities within the region have become more prominent. Furthermore, the environment surrounding ASEAN is changing rapidly, with the outbreak of the Asian currency and financial crisis in 1997 and subsequent economic recovery, developments toward regional economic integration, China's rapid economic growth and the ensuing modernization of its military, and the frequent occurrence of terrorist incidents.

Japan will continue to advance cooperation with ASEAN so that it can realize its political and economic stability and contribute to the peace, stability and prosperity of East Asia as a whole. From this perspective, regarding the economic field, Japan concluded an economic partnership agreement with Singapore in January 2002. Furthermore, Japan has proposed the Initiative for Japan-ASEAN Comprehensive Economic Partnership and has made efforts to strengthen economic partnerships in a wide range of fields. Moreover, Japan has actively supported the Initiative for ASEAN Integration (IAI) with the purpose of alleviating disparities within the region, which is essential for the stability of ASEAN. On the security side, Japan has actively tackled multilateral political and security dialogue and cooperation through the ASEAN Regional Forum (ARF) and ASEAN+3 (Japan-China-Republic of Korea (ROK)), with the bilateral security system centering upon the United States (US) as the linchpin.

(b) Overall Situation in ASEAN

ASEAN, which became ASEAN10 in 1999 when Cambodia joined, has developed into a regional cooperation body that includes almost all of the Southeast Asian region. Meanwhile, issues arising from the

weakness of the political system and the increase in economic disparities resulting from the advancement of globalization have become more prominent. Securing the unity of ASEAN has become an important issue for the future.

Efforts have been made in order to overcome this issue, such as holding the Initiative for ASEAN Integration Development Cooperation Forum in Jakarta, Indonesia in August 2002, at which 44 projects concerning the alleviation of disparities within the region were put forward. Furthermore, at the ASEAN summit meeting held in Phnom Penh, Cambodia, in November 2002, a declaration by ASEAN leaders concerning terrorism was issued, and discussions were held, focusing on regional integration, tourism, terrorism and sustainable development, with the purpose of securing political and economic stability in the ASEAN region. In addition, ASEAN has made efforts to strengthen relations with countries outside the organization such as Japan, the ROK, China and India.

(c) Japan-ASEAN Relations

In his policy speech in Singapore in January 2002, Prime Minister Junichiro Koizumi expressed his intention to continue the policy focused on ASEAN that has been carried on since the Fukuda Speech in 1977 and promote cooperation with ASEAN under the basic concept of "act together, advance together" as "sincere and open partners." Moreover, Prime Minister Koizumi proposed the following "five initiatives" regarding cooperation for the future: (1) cooperation in education and the development of human resources; (2) Japan-ASEAN Exchange Year 2003; (3) Initiative for Japan-ASEAN Comprehensive Economic Partnership; (4) Initiative for Development in East Asia (IDEA); and (5) Japan-ASEAN security cooperation including transnational issues.

Concrete cooperation was advanced based on these

Joint Declaration of the Leaders of Japan and ASEAN on the Comprehensive Economic Partnership (Outline)

1. We shared the view that economic integration in this region that is of a comparable nature to ones achieved in other regions should be completed as soon as possible.
2. We recognized that Japan and ASEAN should seek broad-based economic partnership covering not only liberalization of trade and investment but also trade and investment promotion and facilitation measures including, but not limited to, customs procedures and standards and conformance, and cooperation in other areas, such as financial services, information and communications technology, science and technology, human resources development, small and medium enterprises, tourism, transport, energy and food security.
3. We endorsed the approach that, while considering a framework for the realization of a Comprehensive Economic Partnership between Japan and ASEAN as a whole, any ASEAN member country and Japan could initiate works to build up a bilateral economic partnership. From the viewpoint of promoting this approach, we expressed satisfaction with the progress of consultations between Japan and ASEAN countries to explore bilateral economic partnerships and agreed that such bilateral economic partnerships should seek to develop and enhance the comprehensive economic partnership between Japan and ASEAN.
4. Through the Japan-ASEAN Comprehensive Economic Partnership, by 2020, the export value from ASEAN to Japan will increase by US\$20.63 billion, which would be equivalent to 44.2% of that in the base year 1997. The export value from Japan to ASEAN will increase by US\$20.022 billion, which would be equivalent to 27.5% of that in the base year.
5. Based on these understandings, we decided that Japan and ASEAN would develop a framework that would provide a basis for concrete plans and elements toward realizing a Japan-ASEAN Comprehensive Economic Partnership in accordance with such guiding principles as comprehensiveness of countries and sectors, reciprocity and mutual benefits.
6. We recognized that special and differential treatment could be provided to developing countries of ASEAN in accordance with WTO Agreements. Additional flexibility should also be accorded to the new members of ASEAN.
7. We also decided that the implementation of measures for the realization of the partnership, including elements of a free trade area, should be completed as soon as possible within 10 years, taking into account the economic levels and sensitive sectors in each country.
8. We confirmed that the Japan-ASEAN Comprehensive Economic Partnership should be consistent with the rules and disciplines of the WTO.
9. The Comprehensive Economic Partnership should begin in areas where implementation is feasible; it could address areas such as technical assistance and capacity building to ASEAN, particularly for the new members, trade and investment promotion and facilitation measures, trade policy dialogue and facilitation of mobility for businesspeople.
10. Finally, we also decided on the establishment of a committee, consisting of relevant senior officials of Japan and ASEAN responsible for sectors and scope of the Comprehensive Economic Partnership and tasked this committee to consider and draft a framework for the realization of the Comprehensive Economic Partnership and present its report to the Leaders' Meeting in 2003. We also instructed that the progress of the creation of bilateral economic partnerships should be reported to this Committee.

five initiatives throughout 2002. With respect to the Initiative for Japan-ASEAN Comprehensive Economic Partnership, a joint declaration at the Japan-ASEAN Summit Meeting in Phnom Penh in Cambodia was issued, which stated that Japan would have consultations for a bilateral economic partnership with any ASEAN member country that was prepared to do so, while considering a framework of partnership between

Japan and ASEAN as a whole. At the meeting, Japan and ASEAN agreed to realize a partnership including elements of a free trade area at the earliest possible date within the next 10 years. At present, works are being advanced in order to establish bilateral economic partnerships with Thailand and the Philippines. Furthermore, at the summit meeting, it was officially announced that the Japan-ASEAN Exchange Year 2003

would begin in January 2003 and it was decided that a Japan-ASEAN Commemorative Summit Meeting would be held in Japan in December.

(d) The Situation in Indonesia, Timor-Leste and Myanmar and Japanese Diplomacy

Indonesia

In 2002, Indonesia continued to tackle reform in various areas. At the Annual Session of the People's Consultative Assembly in August, the fourth phase of amendments to the Constitution was adopted and the direct election of the president and structural reform of the People's Consultative Assembly was agreed upon. The economic situation is such that Indonesia is heading



Senior Vice-Minister for Foreign Affairs Tetsuro Yano meeting with President Megawati Sukarnoputri of Indonesia (December)

Local Situation in Indonesia

Aceh Separatist Movement

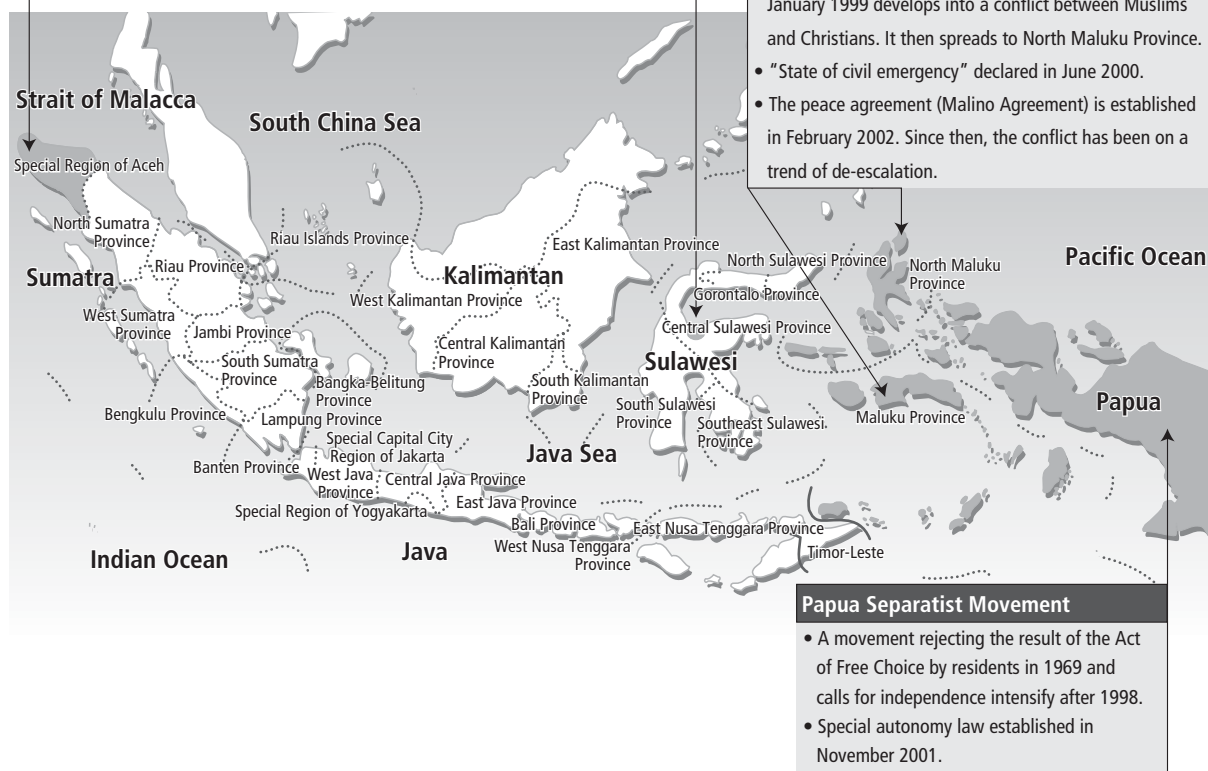
- Armed conflict led by the Free Aceh Movement (GAM) aimed toward separation and independence escalates after 1998.
- Special autonomy law established in August 2001.
- Preparatory Conference on Peace and Reconstruction in Aceh held in Tokyo in December 2002. In the same month, the central government and GAM sign the consensus document on the framework for "cessation of hostilities."

Conflict between Residents of Poso

- Conflict between Muslim and Christian residents erupts intermittently after December 1998.
- A reconciliatory meeting is held in Malino in South Sulawesi Province in December 2001 and the Malino Declaration is adopted. Since then, the conflict has been on a trend of de-escalation.

Conflict between Residents of Maluku

- The conflict that erupted among residents of Ambon in January 1999 develops into a conflict between Muslims and Christians. It then spreads to North Maluku Province.
- "State of civil emergency" declared in June 2000.
- The peace agreement (Malino Agreement) is established in February 2002. Since then, the conflict has been on a trend of de-escalation.



Papua Separatist Movement

- A movement rejecting the result of the Act of Free Choice by residents in 1969 and calls for independence intensify after 1998.
- Special autonomy law established in November 2001.

toward recovery, bolstered by strong domestic consumption. However, judicial reform and the establishment of the rule of law, including the development of the legal system, are becoming important in order to respond to the decrease in domestic and foreign investment.

There were approximately 500 victims in the terrorist bombing in Bali that occurred on October 12, 2002, which reminded the international community of the threat of terrorism. The Indonesian government is making efforts toward a thorough investigation of the incident and the arrest of suspects.

Regarding the issue of Aceh, where a separatist and independence movement is taking place, a framework agreement concerning the cessation of hostilities was signed on December 9 between the Indonesian government and the Free Aceh Movement (GAM), thereby serving as the first step toward peace. There are plans to conduct ceasefire monitoring from now on in a way that involves the international community.

Japan believes that the stability of Indonesia is extremely important for the stability and prosperity of the Southeast Asian region and has thus continued to support its reform efforts. Prime Minister Koizumi visited Indonesia in January 2002 and pledged to extend assistance in areas such as the judicial system, police, tax collection and the promotion of small and medium-sized enterprises. Furthermore, at the summit meeting that was held at the 10th Asia-Pacific Economic

Cooperation (APEC) Economic Leaders' Meeting in Mexico, Prime Minister Koizumi stated that Japan would provide assistance of US\$26 million for the areas of economic reform, governance reform and human resources development. Moreover, Japan hosted the Preparatory Conference on Peace and Reconstruction in Aceh in Tokyo together with the US, European Union (EU) and World Bank and is actively striving toward the promotion of the "consolidation of peace" in Aceh.

Timor-Leste (formerly East Timor)

Timor-Leste became independent on May 20, following the adoption of a constitution in March 2002 and a presidential election in April, in which the former president of the National Council of Timorese Resistance (CNRT), Mr. Xanana Gusmao, was elected the first president under the transitional rule of the United Nations Transitional Administration in East Timor (UNTAET). Since independence, the United Nations Mission of Support in East Timor (UNMISET) has assisted Timor-Leste, which is facing many issues such as economic independence, the return of Timorese refugees in West Timor and national reconciliation, in maintaining security and nation-building. Furthermore, the Commission for Reception, Truth and Reconciliation is active toward national reconciliation.

From the perspective of actively contributing to the "consolidation of peace" in Timor-Leste, Japan is



Prime Minister Junichiro Koizumi encouraging Self-Defense Forces personnel taking part in Peacekeeping Operations in Timor-Leste (April Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)



Prime Minister Junichiro Koizumi meeting with Mr. Xanana Gusmao right before his inauguration as the first president of Timor-Leste (April Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

supporting its nation-building for achieving its self-reliance. Since February, Self-Defense Forces (SDF) have been dispatched for the United Nations Peacekeeping Operations in Timor-Leste, in which 680 members of the Engineering Unit of the SDF and 10 members of the Headquarters staff have been active. Furthermore, at the Sixth Donors' Meeting on Timor-Leste held in Dili, the capital, in May, Japan announced that in the next three years, it would provide humanitarian assistance and reconstruction and development assistance of approximately up to US\$60 million.

Prime Minister Koizumi visited Timor-Leste just prior to its independence in April and held a meeting with Mr. Gusmao right before his inauguration as president, in which Prime Minister Koizumi expressed his congratulations for Timor-Leste's independence. In addition, a joint press statement was released and confirmed Prime Minister Koizumi and Chief Minister Mari Alkatiri's resolve to cooperate together in order to build future-oriented bilateral relations. Mr. Seiken Sugiura, Senior Vice-Minister for Foreign Affairs, attended the independence celebrations in May. At the same time as Timor-Leste's independence, Japan established diplomatic relations with Timor-Leste and established an embassy there.

Myanmar

In Myanmar, the restrictions on the movements of Daw Aung San Suu Kyi were lifted by the ruling State Peace and Development Council (SPDC) in May 2002. By the visits of Malaysian Prime Minister Mahathir Mohamed and Australian Foreign Minister Alexander Downer to

urge for concrete promotion of dialogue between the SPDC and Daw Aung San Suu Kyi, international expectations for the progress of national reconciliation were raised. However, little progress has been made up until now.

Japan has tenaciously requested both the SPDC and Daw Aung San Suu Kyi to bring their dialogue into effective talks toward transition to civilian rule. In this vein, Minister for Foreign Affairs Yoriko Kawaguchi visited Myanmar in August 2002 and met with both senior government officials, such as Chairman of the SPDC Senior-General Than Shwe, and Daw Aung San Suu Kyi. Moreover, on the occasion of ASEAN-related summit meetings held in Phnom Penh in November, Prime Minister Koizumi met with Chairman of the SPDC Senior-General Than Shwe and directly urged for such progress.

(e) The Situation in Other Countries of Southeast Asia and Japanese Diplomacy

Brunei

In 2002, Brunei, as the chair of ASEAN, actively promoted regional diplomacy, such as through the hosting of ASEAN+3, ASEAN post-ministerial conferences and the ARF. Regarding relations with Japan, His Royal Highness Crown Prince Haji Al-Muhtadee Billah visited Japan in March 2002 and His Royal Highness Prince Mohamed Bolkiah, Minister of Foreign Affairs, visited in August. In addition, Foreign Minister Kawaguchi visited Brunei to attend the ASEAN post-ministerial conferences in July.

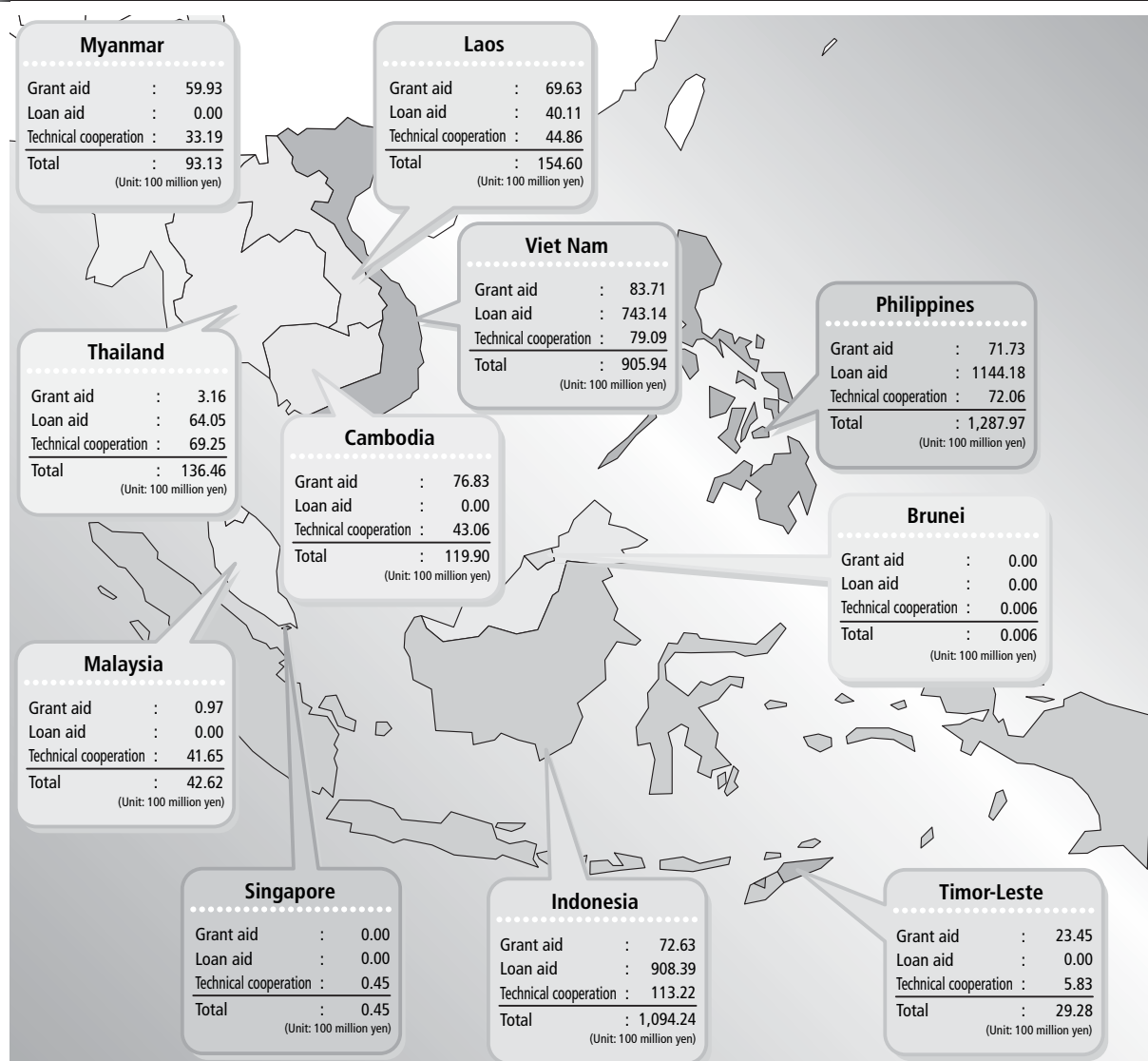
Cambodia

The coalition government of the Cambodian People's Party and the FUNCINPEC Party continued to run a stable administration in 2002 under the leadership of Prime Minister Samdech Hun Sen. In January 2002, Minister of Finance Masajuro Shiokawa visited Cambodia for the first time as Japanese finance minister, while His Royal Highness Prince Norodom Ranariddh,

President of the National Assembly, visited Japan in March. In addition, Prime Minister Koizumi visited Cambodia to attend ASEAN-related summit meetings held in Phnom Penh in November.

Cambodia and the United Nations (UN) had negotiated over the establishment of the Extraordinary Chambers for the issue of the Khmer Rouge (KR) trials,²⁰ but in February 2002, the UN unilaterally

Record of Japan's Assistance to Southeast Asia (FY2001)



Notes: 1. "FY" for loan aid refers to the date the exchange of notes (E/N) was concluded; for grant aid and technical cooperation, "FY" refers to the budget year.
 2. Amounts of loan aid and grant aid are based on the E/N, while those of technical cooperation are based on JICA's record of expenditures.

²⁰ In the latter half of the 1970s, the KR administration, led by Pol Pot, mass slaughtered perhaps one million or even two million of its own people. In June 1997, the Cambodian government asked the UN for assistance in holding trials targeting the former KR leaders. Negotiations concerning the formula of the trial began in August 1999 between the Cambodian government and the UN. In July 2000, the two sides reached a basic agreement on the formula of "Extraordinary Chambers established within the national courts of Cambodia with the participation of foreign prosecutors and judges" and negotiations had been held between the UN and Cambodia toward a memorandum of understanding (MOU).

announced that it would discontinue negotiations due to its distrust toward Cambodia. Since then, countries concerned such as Japan have called for the UN to resume negotiations until the UN announced that it was poised to resume negotiations with Cambodia in August on the condition that a clear mandate be given from member states to the UN. In response, Japan submitted a draft resolution to the Third Committee of the UN²¹ toward implementation of the trials. This resolution was adopted at the Third Committee and the Plenary Session of the UN on November 20 and December 18, respectively. At present, consultations are being held between Cambodia and the UN based on the resolution.

The Philippines

In 2002, the Philippines continued to tackle issues such as peace negotiations with anti-government forces and economic reform. Regarding counter-terrorism measures, the Armed Forces of the Philippines and the US forces held joint military exercises for approximately six months beginning in January 2002 as a strategy to wipe out the Islamic extremist organization, the Abu Sayyaf Group, in the Philippines. As for relations with Japan, active summit-level diplomacy developed, with Prime Minister Koizumi's visit to the Philippines in January 2002 and President Gloria Macapagal-Arroyo's working visit to Japan in May and visit in December as a state guest. In particular, close cooperative relations were built with the announcement of the Joint Statement on the Japan-Philippines Economic Partnership and the Support Package for Peace and Stability in Mindanao on the occasion of President Arroyo's visit to Japan in December.

Laos

In Laos, elections for members of the Fifth Legislature of the National Assembly were held in February 2002. The first session of the Assembly after the elections was held in April and approved the reappointment of President Khamtai Siphandon and Prime Minister Boungnang Volachit. Regarding relations with Japan, Finance Minister Shiokawa visited Laos for the first time as Japanese finance minister in January 2002,

while Prime Minister Boungnang visited Japan in May and Deputy Prime Minister and President of the Committee for Planning and Cooperation Thongloun Sisoulith visited Japan in February and December, respectively.

Malaysia

In 2002, Malaysia progressed stably in both areas of politics and the economy. The coronation ceremony of His Majesty Syed Sirajuddin, the 12th King of Malaysia, was held in May. Furthermore, the Council of the United Malays National Organization announced its decision that Prime Minister Mahathir would resign after the Organization of the Islamic Conference (OIC) Summit Meeting in October 2003 and be succeeded by Deputy Prime Minister Dato' Seri Abdullah Haji Ahmad Badawi. With regard to counter-terrorism measures, control over Islamic extremists has been pursued. As for relations with Japan, summit meetings were held on the occasions of Prime Minister Koizumi's visit to Malaysia in January and Prime Minister Mahathir's visits to Japan in May and December. Furthermore, activities commemorating the 20th anniversary of the Look East Policy²² were held in both countries.

Singapore

Singapore progressed stably in 2002 in both areas of politics and the economy. As for relations with Japan, Prime Minister Koizumi visited Singapore in January, and Prime Minister Goh Chok Tong and Prime Minister Koizumi signed the Japan-Singapore Economic Agreement for a New Age Partnership, which is the first free trade agreement (FTA) for Japan. This agreement went into effect in November.

Thailand

In 2002, based on a sweeping majority in the House of Representatives, the administration of Prime Minister Thaksin Shinawatra actively promoted various economic reform policies. As for relations with Japan, a closer relationship has been forged through exchanges such as the visit of Prime Minister Koizumi to Thailand in January, the summit meeting on the occasion of the

²¹ A committee that is in charge of social issues such as human rights.

²² A Malaysian policy for developing human resources that was proposed by Prime Minister Mahathir in 1981. It has as its purpose learning not only advanced skills but also work ethic, management philosophy and experience of success by dispatching promising people to Japan and the ROK. Japan has cooperated with this policy these past 20 years, and the government and private sector together have received a total of 6,600 trainees and students.

Boao Forum for Asia in April and the ASEAN-related summit in November, and the visit of Foreign Minister Kawaguchi to attend the first Asia Cooperation Dialogue (ACD) Meeting in June.

Viet Nam

In Viet Nam, elections for the National Assembly were held in May 2002 and President Tran Duc Luong and

Prime Minister Phan Van Khai were re-elected at the 11th National Assembly that was convened in July. As for relations with Japan, VIP visits were actively held, with the official visit of Prime Minister Koizumi to Viet Nam in April 2002 and the visit to Japan in October by General Secretary Nong Duc Manh of the Communist Party of Viet Nam (CPV), who is effectively his country's most influential political figure.

4

South Asia

(a) Overview

South Asia in 2002 observed a continuation of the mounted military tensions between India and Pakistan since December 2001. The situation became very volatile in particular from May to June. Responding to this situation, relevant countries called on India and Pakistan to reduce the tensions, which contributed to defusing the crisis. Since then, there have been some positive developments such as the withdrawal of their troops deployed along the India-Pakistan borders, but dialogue between the two countries has not yet resumed. India and Pakistan both have the capacity to develop nuclear weapons and this heightening of tensions between the two countries brought about a renewed recognition of the danger and possible serious consequences such increased tensions have for the international community, and demonstrated the importance of engagement by the international community for the realization of peace and stability in South Asia.

Meanwhile, in Sri Lanka in 2002, positive developments were seen toward the resolution of the ethnic conflict that had continued for approximately 20 years. In February, a ceasefire agreement was concluded between the Sri Lankan government and the Liberation Tigers of Tamil Eelam (LTTE), and peace negotiations between the two parties began in September. Japan has

been actively contributing to the “consolidation of peace” in Sri Lanka by utilizing its Official Development Assistance (ODA) and other means.

Furthermore, various commemorative events were held in different countries and friendly relations between Japan and South Asia were strengthened.

(b) India-Pakistan Relations and Japanese Diplomacy

Tensions between India and Pakistan have heightened since the attack on the Indian Parliament in December 2001.²³ Following that, President Pervez Musharraf of Pakistan delivered a speech in January 2002, in which he expressed his position that no organization would be allowed to indulge in terrorism in the name of Kashmir and that some extremist groups would be banned. India welcomed this announcement but indicated its position that it would determine its effectiveness based only on the extent of implementation of specific measures in the future. As the situation reached a stalemate, a terrorist attack²⁴ occurred at an Indian army camp in Kashmir on May 14 and due to this incident, tensions again mounted significantly. As both countries had had large-scale military deployments along the Line of Control in Kashmir and along the India-Pakistan border, and as there were concerns that a large-scale military clash might occur

²³ India concluded that this incident was carried out by some Kashmiri extremists and demanded that Pakistan take firm measures against the perpetrators. Diplomatic measures were also taken, including the recall of the Indian ambassador to Pakistan. Furthermore, India launched a heavy deployment of troops along the Line of Control in Kashmir and along its border with Pakistan. Pakistan responded by putting its forces on a state of high alert.

²⁴ On May 14, some extremists fired with guns at an army camp in the suburbs of Jammu in Kashmir, and 34 people, including many citizens, were killed.

between the two countries, the United States (US), the United Kingdom (UK) and Japan along with other countries recommended their citizens in India and Pakistan to leave. In June, US Deputy Secretary of State Richard Armitage visited Pakistan and obtained a commitment from President Musharraf to stop infiltration across the Line of Control permanently. In response, after mid-June, tensions were eased to some extent with India's announcement that it would end its prohibition on

Pakistani airplanes passing through Indian airspace along with other positive measures, but no significant change was seen in the status of military deployments by the two countries.

On October 16, after the completion of important planned political developments for both countries, such as local elections in Kashmir held from September to October and a general election in Pakistan held in October, India announced its decision to redeploy armed

India-Pakistan Relations in 2002 (Major Developments and Japan's Efforts)

Date	Major developments
Jan 5–6	11 th Summit Meeting of the South Asian Association for Regional Cooperation (SAARC) held in Nepal
Jan 12	President Musharraf of Pakistan condemns all terrorist activities, including those committed in the name of Kashmir, in a speech to the nation. He also announces measures to ban extremist groups.
Jan 25	India test-fires an Agni-type missile.
Mar 12–15	President Musharraf of Pakistan visits Japan.
May 14	An Indian army camp in Kashmir is attacked by terrorists. Military tensions intensify between India and Pakistan.
May 17	Indian Parliament unanimously adopts a resolution condemning Pakistan.
May 18	India asks Pakistan to recall its high commissioner in Delhi. The high commissioner leaves India.
May 24	Foreign Minister Kawaguchi issues a statement calling for the easing of tensions between India and Pakistan. Foreign Minister Kawaguchi holds a telephone conference with Foreign Minister Sattar of Pakistan.
May 25	Pakistan test-fires a Ghauri-type missile.
May 27	Foreign Minister Kawaguchi holds a telephone conference with External Affairs Minister Singh of India.
May 28–31	Senior Vice-Foreign Minister Sugiura visits India and Pakistan.
May 28	Prime Minister Koizumi holds a telephone conference call with President Musharraf of Pakistan.
May 29	Prime Minister Koizumi holds a telephone conference call with Prime Minister Vajpayee of India.
May 31	G8 Foreign Ministers' Statement on India and Pakistan.
June 4	Japan updates "Travel Advice and Warning" for India and Pakistan and advises Japanese nationals living in India and Pakistan to leave the countries. Foreign Minister Kawaguchi holds a telephone conference call with Foreign Minister Sattar of Pakistan.
June 6–8	US Deputy Secretary of State Armitage visits Pakistan. President Musharraf of Pakistan conveys his commitment to permanently stop infiltrations across the Line of Control in Kashmir.
June 10	India announces the lifting of the restriction to ban Pakistani airplanes from flying through Indian airspace.
June 17–20	Special Envoy of the President of Pakistan Sheikh visits Japan.
July 31	Foreign Minister Kawaguchi meets with External Affairs Minister Sinha of India (Brunei).
Sep 11	Prime Minister Koizumi meets with President Musharraf of Pakistan (New York).
Sep 12	Prime Minister Koizumi meets with Prime Minister Vajpayee of India (New York).
Oct 4, 8	Pakistan test-fires a Shaheen-type missile.
Sep 16–Oct 8	State assembly elections are held in Kashmir.
Oct 10	General elections are held in Pakistan.
Oct 16	India decides to redeploy its armed forces from positions on the border with Pakistan.
Oct 17	Pakistan decides to withdraw its armed forces from positions on the border with India.
Nov 23	New administration of Prime Minister Jamali inaugurated in Pakistan.
Dec 9	Pakistan announces that 12 th Summit Meeting of the SAARC, scheduled to be held in Jan 2003, will be postponed.

forces from positions on the international border with Pakistan. On October 17, Pakistan also decided to withdraw its forces from positions on the border with India. Despite such positive development in reducing the military tensions, there are still few prospects for the resumption of dialogue between the two countries, particularly with the postponement of the South Asian Association for Regional Cooperation (SAARC) Meeting that had been scheduled in January 2003 in Pakistan as well as other circumstances.

Japan, from the perspective that tensions between India and Pakistan would significantly damage the stability of the South Asian region, has put diplomatic efforts into collaboration with countries including the US and the UK with the aim of alleviating the tensions between India and Pakistan. In May, Minister for Foreign Affairs Yoriko Kawaguchi stopped over in Pakistan and met with Foreign Minister Abdul Sattar. In late May, when tensions had heightened between the two countries, Senior Vice-Minister for Foreign Affairs Seiken Sugiura visited both countries and called for the reduction of tensions. Furthermore, in September on the occasion of the United Nations (UN) General Assembly, Japan held summit meetings with the prime minister of India and the president of Pakistan, and Prime Minister Junichiro Koizumi urged India and Pakistan to further reduce the tensions and resume dialogue. Japan will continue to persistently urge both countries to reduce the tensions and resume dialogue.

(c) The Situation in India and Japanese Diplomacy

In 2002, India strengthened its relations with Western and Asian countries. In particular, it has rapidly expanded its cooperative relations with the US politically and militarily. The implementation of joint patrol of the Strait of Malacca by the US and Indian navies from April to September was a good example of strengthened military cooperation between the two countries. Moreover, regarding India's relations with other Asian countries, further improvement was observed in its relations with China and the first India-ASEAN Summit Meeting was held in November, at which India proposed concluding a free trade agreement (FTA) with the Association of Southeast Asian Nations (ASEAN) within ten years.

Regarding its relations with Japan, Foreign Minister

Kawaguchi and Indian Minister of External Affairs Yashwant Sinha (who was finance minister in June) held meetings during the first meeting of the Asian Cooperation Dialogue (ACD) in June and the 9th ASEAN Regional Forum (ARF) Ministerial Meeting in July. The leaders held dialogue concerning cooperation in a wide range of areas not only for the purpose of strengthening bilateral relations, but also as global partners based on the Japan-India Joint Declaration. Furthermore, at the end of April, Dr. Taro Nakayama, president of the Japan-India Parliamentarians' Friendship League, attended the ceremony commemorating the 50th anniversary of the establishment of diplomatic relations as a special envoy of the prime minister and in October, former Prime Minister Yoshiro Mori attended the opening ceremony of "Japan Week," a Japanese culture week, as a special envoy of the prime minister.

Moreover, in January 2003, Foreign Minister Kawaguchi visited India, the first time in six years for a Japanese foreign minister. On this occasion, Foreign Minister Kawaguchi delivered a policy speech and indicated a direction for strengthening a global partnership between the two countries from a strategic perspective.

(d) The Situation in Pakistan and Japanese Diplomacy

In October 2002, Pakistan held its first general election since the country's 1999 coup d'état. This election was recognized as a watershed development for Pakistan's return to democracy and attracted international attention. From the perspective of assisting democratization, Japan dispatched an Election Observation Team as well



JICA experts supporting the activities of the Election Commission of Pakistan (October Photo: JICA)

as three experts from the Japan International Cooperation Agency (JICA) to Pakistan's Election Commission. As a result of this general election, a new cabinet was inaugurated with Prime Minister Mir Zafarullah Khan Jamali as its head.

Regarding relations with Japan, VIP visits became more active as Pakistan made it clear that it would cooperate with the international community in the fight against terrorism following the terrorist attacks in the US. In March 2002, President Musharraf visited Japan and a summit meeting was held. Furthermore, the Prime Minister's Special Envoy Mitsuo Horiuchi visited Pakistan and attended a ceremony commemorating the 50th anniversary of the establishment of diplomatic relations between Japan and Pakistan.

(e) Progress toward Peace in Sri Lanka

In Sri Lanka, the conflict between the government and the LTTE had lasted for approximately 20 years. Prime Minister Ranil Wickremesinghe, who assumed office in 2001, has promoted a peace process mediated by Norway. In December 2001, an informal ceasefire was reached and a formal ceasefire agreement was established in February 2002. Based on the ceasefire agreement, a Sri Lanka Monitoring Mission led by the three Nordic countries has started its activities. Since then, the Sri Lankan government and the LTTE have continued coordination with the aim of beginning the peace talks

and the first session was held in Thailand in September. In the second session of the peace talks that was held from the end of October to the beginning of November, the establishment of three subcommittees taking up security, immediate humanitarian assistance and political issues was agreed upon. Furthermore, in the third session of the peace talks in Norway in December, consultations on political issues officially began and the two sides agreed that they would implement a federal system within the framework of a unified country and aim at the peaceful resolution of the conflict.

Japan is proposing an initiative called the "consolidation of peace" as one of the new pillars for international cooperation and is promoting assistance aimed at a "consolidation of peace" in Sri Lanka, in which certain progress had been made toward a lasting peace. On October 25, upon Sri Lanka's request, the Japanese Government appointed former Under-Secretary-General of the United Nations Yasushi Akashi as the representative of the Government and he is actively contributing to the peace process in Sri Lanka. Prime Minister Wickremesinghe agreed with Prime Minister Koizumi to: (1) hold the "Tokyo Conference on Reconstruction and Development of Sri Lanka" in May or June 2003 in Tokyo; and (2) hold one of the sessions of peace talks between the Sri Lankan government and the LTTE in Japan in March 2003 on the occasion of his visit to Japan in December.

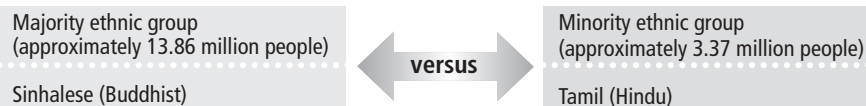
In January 2003, Foreign Minister Kawaguchi



Representative of the Government of Japan Yasushi Akashi viewing a demining site in Sri Lanka

The Ethnic Conflict in Sri Lanka

1. Basic structure (scheme of the conflict)



2. Background

1948 Independence

Implementation of Sinhala only policies by the Sinhalese-led government

[Examples] • Official language law establishing Sinhalese as the only official language
• Settlement programs for Sinhalese in the northern and eastern regions
• Preferential university admission standards for Sinhalese

Revolt and demand to increase **autonomy** by Tamils

Assertion that the northern and eastern regions are inherent to the Tamils

Young generation of Tamils begin armed struggles

1976 Liberation Tigers of Tamil Eelam (LTTE) established

Leader: Velupillai Pirapaharan
Members: Approximately 6,000 people (from *The Military Balance 2001/2002*)

Demand for the separation and independence of the northern and eastern regions
Realization of Tamil Eelam (country)

Conflict intensifies, spurred by the mass riot of July 1983

Mass riots

Triggered by the killing of 13 Sinhalese soldiers in Jaffna in the northern region, the Sinhalese set fire to Tamil homes, stores and other buildings especially in Colombo and throughout the country, resulting in many casualties.

● Intervention by India fails

1985 Peace talks with armed Tamil groups including the LTTE (Thimpu) → **Breakdown**

1987 Indo-Sri Lanka peace accord

➡ Indian Peacekeeping Force is dispatched (1987–1989)

➡ Groups other than the LTTE are disarmed

Only the LTTE continues armed struggles

Assistance from Tamil emigrants abroad

1989–1990 Peace talks with the LTTE (Colombo) → **Breakdown**

1995 Peace talks with the LTTE (Jaffna) → **Breakdown**

Unresolved conflict (over 65,000 victims)

Obstacle to political stability and economic development

3. Current situation

Feb 2000	Facilitation by Norway begins
Feb 2002	Ceasefire agreement established
Sep	First peace talks (Thailand)
Oct	Second peace talks (Thailand)
Nov	Support Meeting for the Sri Lanka Peace Process (Oslo, Norway)
Dec 2–5	Third peace talks (Oslo, Norway)
Jan 6–9, 2003	Fourth peace talks (Thailand)
Feb 7–8	Fifth peace talks (Berlin, Germany)
Mar	Sixth peace talks (Hakone)
Jun	Tokyo Conference on Reconstruction and Development of Sri Lanka (Tokyo)

visited Sri Lanka and, as the first visiting foreign minister from a major country, she traveled to the conflict-stricken region of Jaffna in northern Sri Lanka and observed defining activities by non-governmental organizations (NGOs). Furthermore, at meetings with the prime minister and other leaders, Foreign Minister Kawaguchi again explained Japan's measures and policies regarding its contributions toward peace in Sri Lanka. In response, the leaders of Sri Lanka expressed their gratitude and strong hopes for Japan's contributions. Japan is planning to hold the sixth session of the peace talks in Hakone in March and the Tokyo Conference on Reconstruction and Development of Sri Lanka in Tokyo in June 2003.

(f) The Situation in Nepal and Bangladesh and Japanese Diplomacy

In May 2002 in Nepal, the lower house was dissolved due to a feud within the ruling Nepali Congress Party. In October, His Majesty King Gyanendra Bir Bikram Shah Dev removed Prime Minister Sher Bahadur Deuba, and after dissolving the cabinet appointed Mr. Lokendra Bahadur Chand as the new prime minister along with a new cabinet. The Maoist movement²⁵ that resumed in November 2001 was active throughout the year. As a result of the Nepalese government making efforts toward dialogue besides conducting military operations, a ceasefire was announced between the government and the Maoists on January 29, 2003 and coordination toward dialogue is currently being conducted. With regard to Nepal's security issues, Japan has expressed its support for the Nepalese government's efforts toward the restoration of order and has provided 1.3 billion yen in non-project grant aid as its first foreign currency support (signed November 8).

In Bangladesh, the largest opposition party, the Awami League, abandoned its boycott of the National Assembly, which it had been continuing since the general election in October 2001, and began to attend the National Assembly. However, fierce confrontation between the ruling and opposition parties still continues, with the Awami League frequently walking out of the chamber as they believe parliamentary management is unfair to them. The year 2002 marked the 30th anniversary of the establishment of diplomatic relations between Japan and Bangladesh and various commemorative events were held in both countries. In October, Vice President of the Japan-Bangladesh Parliamentarians' League Shin Sakurai visited Bangladesh as a special envoy of the prime minister and, in addition to reaffirming the existing friendly relations between the two countries with the prime minister and other leaders of Bangladesh, attended the ceremony commemorating the 30th anniversary.

(g) Commemorative Events

The year 2002 marked the 50th anniversary of the establishment of diplomatic relations between Japan and India, Pakistan and Sri Lanka and the 30th anniversary of the establishment of diplomatic relations between Japan and Bangladesh. There were active exchanges of VIP visits, such as Japan's dispatch of special envoys of the prime minister. Furthermore, the Organizing Committee of Commemorative Events was formed and commemorative stamps were issued in Japan and those four countries. "Japan Week" was also held in various countries. In addition, *taiko* (Japanese drum) and *shamisen* (Japanese three-string lute) performances as well as the "Ikuko Hirayama Exhibition" were held in India and Pakistan and various cultural projects introducing these countries were held in Japan.

²⁵ An extreme leftist organization calling for the abolition of Nepal's constitutional monarchy system, establishment of a republic and the liberation of the working class and underprivileged population via a people's war (which was launched in February 1996). The Maoist Movement stopped its armed struggle from July to November 2001 and held dialogue three times with the government. According to the Nepalese government, approximately 7,000 people were killed as of early November 2002, since the fighting began in 1996.



The Art of Mathura, India and The Art of Gandhara, Pakistan commemorating the 50th anniversary of the establishment of diplomatic relations between Japan and both India and Pakistan (October Photo: NHK)

5

Oceania

(a) Overview

Australia and New Zealand are important partners for Japan in the Asia-Pacific region with whom Japan shares basic values such as respect for basic human rights, democracy and free trade. On the economic front, both countries are important trade partners for Japan, and on the security front, strategic interests of Australia and Japan are in accord as allies of the United States (US).

In order to further strengthen such relations, Prime Minister Junichiro Koizumi visited both Australia and New Zealand in May 2002. On this occasion, Prime Minister Koizumi expressed his hopes that Australia and New Zealand would play a central role in building a “community that acts together and advances together” in East Asia, particularly in the area of regional cooperation. In this regard, Prime Minister Koizumi received the support of both countries. Japan aims to advance cooperation in the future in various areas including regional cooperation with the two countries as partners with which Japan shares values and interests.

In addition, Their Imperial Highnesses The Crown Prince and Princess made an official visit to both countries in December and contributed to further strengthening the relations of friendship and goodwill.

The Pacific Islands region has a vast exclusive economic zone that serves as an important supplier of

marine and other resources and is part of Japan’s sea lane for imported resources. Furthermore, it is a region with which Japan has deep relations, as it includes former Japanese mandated regions under the League of Nations and places where fierce battles were fought during the Pacific War. Meanwhile, with friendly relations with Japan in the background, this region represents a base of support for Japan in the United Nations and other international fora. It has been decided that a summit meeting between Japan and the Pacific Islands Forum (PIF) members will be held in Okinawa in May 2003.

(b) Australia

Throughout 2002, the stable administration of Prime Minister John Howard was highly accepted on the political and economic fronts and maintained high approval ratings. With respect to the economy, Australia sustained an economic growth rate of 3% in FY2002, in spite of the effects of the drought that has continued since around March. Moreover, following the terrorist bombing attack that occurred in Bali, Indonesia in October, in which there were many Australian casualties and which caused Australia great shock, Prime Minister Howard exercised strong leadership such as by immediately dispatching his Foreign Minister and Justice Minister to Indonesia and putting into effect cooperation in investigations and

strengthening counter-terrorism measures. In recent years, Australia has actively promoted closer economic relations with the countries of the Asia-Pacific region. It has concluded negotiations with Singapore for a free trade agreement (FTA) and is negotiating an FTA with Thailand. Furthermore, Australia has announced that it will begin FTA negotiations with the US in 2003 and is looking into the possibility of economic agreements with the Republic of Korea (ROK) and China.

Under these circumstances, Prime Minister Koizumi visited Australia in May and agreed with Prime Minister Howard to build a creative partnership and advance cooperation in concrete ways in a wide range of areas. In light of this, political dialogue including new consultations concerning security and the economy were advanced and the Australia-Japan Conference for a Creative Partnership was held in November with eminent persons from both countries. In addition, at this summit meeting, Japan and Australia agreed that they would begin high-level consultations to explore all options for deeper economic linkages, and director-level consultations were held in September and November.

(c) New Zealand

In July 2002, Prime Minister Helen Clark, acting on high approval ratings for her Labour government, called a general election before the end of her term. However, the Labour Party did not obtain a single-party majority, which was its original goal, and a minority coalition government was established in August. New Zealand's economy is

stable with continuing positive growth, and the current account deficit, which was once over 7% as a ratio to gross domestic product (GDP), is gradually improving as the country's trade balance has improved.

New Zealand's relations with the US, which had deteriorated with the introduction of its non-nuclear policy in 1985, have gradually been restored since 1990. Regarding the terrorist attacks in the US in 2001 New Zealand has extended cooperation, such as dispatching its special forces to Afghanistan, and US President George W. Bush praised this cooperation on the occasion of Prime Minister Clark's visit to the US in March.

At the Japan-New Zealand summit meeting that was held in May, it was established that concrete exchanges would be advanced where possible, including in five sectors (education, forestry, science and technology, tourism and human exchange) proposed by New Zealand.

(d) Pacific Islands region

In the Pacific Islands region, some countries have experienced politically destabilizing factors, but overall, they are heading in the direction of stabilization.

In Fiji, the administration of Prime Minister Laisenia Qarase, which was established through a democratic election in September 2001, formed a cabinet in a way that excluded all members of the Fiji Labour Party led by former Prime Minister Mahendra Chaudhry. However, both the Court of Appeal (February 2002) and High Court (April) ruled that this violated Fiji's constitutional stipulation that major opposition party members should join the



Parliamentary Secretary for Foreign Affairs Eisuke Hinode meeting Australian veterans (November)

cabinet. Hearings in regard to this matter are now being held in the Supreme Court.

In the Solomon Islands, the administration of Prime Minister Allan Kemakeza was established in December 2001 and political turmoil has largely been brought under control. However, it is necessary to observe closely this administration in the future as issues such as delaying and outstanding payments of salaries for civil servants remain due to a large budget deficit that has carried over from the time of former Prime Minister Manasseh Sogavare.

In Papua New Guinea (PNG), there was a change in

administration in August as a result of a general election and the administration of Prime Minister Michael Somare was formed (Prime Minister Somare served as the first prime minister on the eve of the PNG's independence and this is the fourth time he has assumed office). Meanwhile, some turmoil was seen, such as an uprising in the electoral district for the province of the Southern Highlands.

Throughout 2002, besides the above-mentioned, general elections were held in Tonga (March), Vanuatu (May), Tuvalu (July) and Kiribati (November and December).

Column

Visiting Fiji

Fiji, where I worked as a senior volunteer,* receives much assistance, principally from Japan, Australia and New Zealand. Perhaps for this reason, Fijians have become used to receiving assistance. At the Ministry of Fisheries and Forests where I worked, assistance of several billion yen is received every few years. When the disbursement of assistance ends, management of the project is left to the local level. Thus, the Fijian government asks foreign countries to dispatch volunteers like me to maintain equipment. I think that the dispatch of volunteers is in itself a good thing, but problems occur when the next assistance is received. In other words, when the newest equipment and technology is introduced, human resources development gained up to that point at the local level is ignored, and people have to start again from the very beginning.

From the belief that assistance for human resources development is more beneficial than that for goods and materials, for Fiji's future I put continued efforts into developing human resources and transferred my experience and technology to the employees of the Fijian government in ways such as fixing computers, improving databases and maintaining networks. What is important in volunteering is perseverance. You have to be patient since it would take time for the assistance for human resources development to get results and the importance of such assistance to be understood.

My activities during two years as a senior volunteer produced sufficient results, but in the end I had some regrets. In Fiji, no matter how competent people are, they cannot be promoted unless they have titles which show their qualifications. The employees with whom I worked in Fiji were high school graduates and regardless of the degree of experience they acquired at the Ministry of Fisheries and Forests, they could not be promoted without qualifications. Thus, in order to get paid better, they would need to attain higher qualifications or change jobs. Rather than aiming for the betterment of the country as a whole, I saw my activities for the betterment of each individual Fijian I worked with, and I left the country wishing for their good fortune.

Mr. Kazuhisa Tanaka, senior volunteer dispatched to Fiji
(Period of dispatch: November 13, 2000 to November 12, 2002)

Note: *A program to assist people which was implemented from 1990 by elder people with outstanding skills and ample experience, and who have a desire to contribute to the development of developing countries in the spirit of volunteerism. As of the end of 2002, a cumulative total of 1,266 people have been dispatched to 46 countries.

(Photo)

In relations between Japan and the Pacific Islands region, VIP visits were actively made in 2002. In January, Special Envoy of the Prime Minister Taimei Yamaguchi visited Palau and attended the opening ceremony of the Japan-Palau Friendship Bridge that was built with Japan's Official Development Assistance (ODA). In August, Senior Vice-Minister for Foreign Affairs Shigeo Uetake visited Fiji and Papua New Guinea. In Fiji, he attended the 14th PIF Post-Forum Dialogue Meeting as the Japanese Government representative and expressed his intention to hold the Third Japan-PIF Summit Meeting in 2003 in Japan. Senior

Vice-Minister Uetake received praise from the various leaders in regard to Japan's active diplomatic stance toward the Pacific Islands countries. He met with leaders of the new administration that had just been established such as Prime Minister Somare in Papua New Guinea and paid his respects at the memorials for the war dead in Rabaul. In October, Prime Minister Qarase of Fiji came to Japan on an official visit as the chairman of the PIF and met with Prime Minister Koizumi. The two leaders confirmed that they, as co-chairs, would cooperate toward making the Third Japan-PIF Summit Meeting a success.



Senior Vice-Minister for Foreign Affairs Shigeo Uetake visiting Lautoka fishing port on the occasion of the PIF Post-Forum Dialogue (August)

6

Regional Cooperation and Interregional Cooperation

(a) Overview

As international relations become increasingly complex due to globalization, there have been more cases in which countries within a region come together to cooperate in a more in-depth way, in addition to responding through global-scale institutions such as the World Trade Organization (WTO) and International Monetary Fund (IMF). Specifically, cooperation within the region is strengthening through frameworks such as the Association of Southeast Asian Nations (ASEAN)+3 (Japan, China and the Republic of Korea (ROK)) and inter-regional cooperation is advancing through frameworks

such as the Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM) and the Forum for East Asia-Latin America Cooperation (FEALAC). Furthermore, the circle of cooperation in East Asia is expanding to such countries as India, Australia and New Zealand in the areas of transnational issues such as terrorism, piracy, energy security, infectious diseases, the environment and drugs, and cooperation based on a broad perspective is being advanced. In addition, cooperation is progressing in the security field in the ASEAN Regional Forum (ARF) and other frameworks (see Chapter 3, A-3).

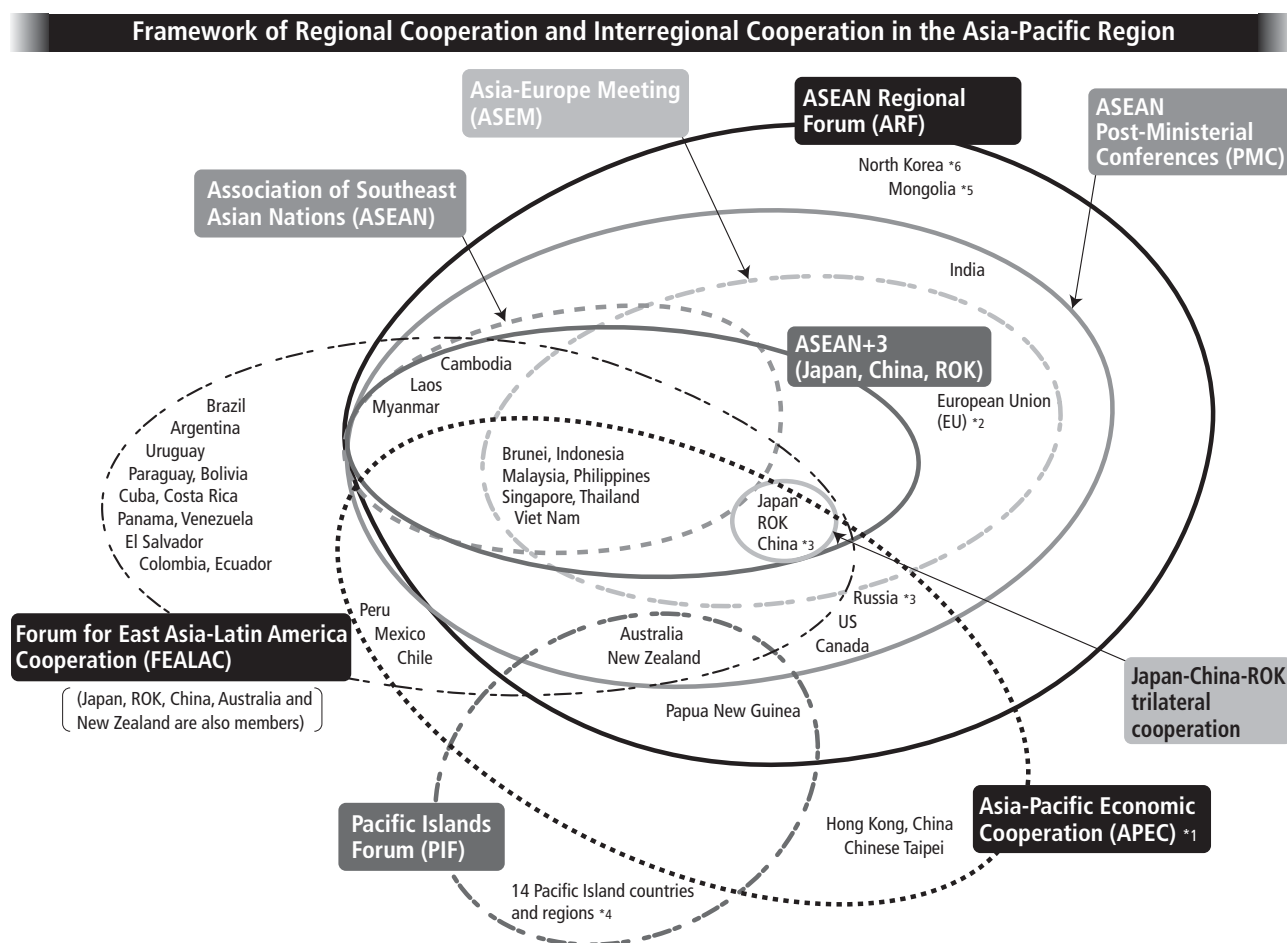
Japan believes that it is important for such cooperation

centering upon the East Asian region to: (1) advance while ensuring stability within the region and promote the modernization of the entire region (market development, etc.); (2) go beyond the mere expression of political will and advance it in a way that brings substance; (3) advance while keeping in mind the direction toward political governance (appropriate rule) in the medium to long term, even if it began from cooperation in the area of the economy; and (4) advance in a way that it will not cause conflict but instead mutually complement global governance (management by the international community through international organizations and others). Based on these principles, Japan is actively promoting

regional cooperation and interregional cooperation in the East Asian region.

(b) ASEAN+3

The ASEAN+3 framework was formed as there was growing momentum to strengthen regional cooperation among the East Asian countries learning from the experience of the Asian currency and financial crisis. Since 1997, the ASEAN+3 Summit Meeting has been held every year along with various ministerial meetings such as the foreign ministers' meetings under the ASEAN+3 framework. Thus, the ASEAN+3 framework is developing



Notes: *1 The ASEAN Secretariat, Pacific Economic Cooperation Council (PECC) and PIF participate in APEC as observers.

*2 As for the EU, the EU Troika (foreign minister of the current presidency holder and the next presidency holder), High Representative for the Common Foreign and Security Policy (CFSP) and Commissioner for External Relations of the European Commission participate in the ASEAN PMC. The presidency holder participates in the ARF. The 15 EU member countries and European Commission participate in ASEM.

*3 China and Russia have been members since the first meeting of the ARF in 1994. They have participated in the PMC since 1996.

*4 Besides Papua New Guinea, they include the 12 countries of Vanuatu, Kiribati, Solomon Islands, Tuvalu, Tonga, Nauru, Samoa, Fiji, Marshall Islands, Micronesia, Palau as well as the two regions of the Cook Islands and Niue.

*5 Mongolia's participation in the ARF was approved at the 5th ARF Ministerial Meeting in July 1998.

*6 North Korea has participated since the 7th ARF Ministerial Meeting in July 2000.

with greater scope and depth.

The Third ASEAN+3 Foreign Ministers' Meeting was held in Brunei in July 2002. Minister for Foreign Affairs Yoriko Kawaguchi welcomed the progress of cooperation and indicated that it was important for the foreign ministers' meetings to play an active role in coordinating consultations among relevant ministers as necessary, in order to link them effectively with the process of summit meetings. Furthermore, there were opinions that ASEAN+3 should handle not only the economic area but also the political and security areas including transnational issues.

At the ASEAN+3 Summit Meeting that was held in November in Cambodia, a clear message was expressed concerning the dismantlement of North Korea's nuclear weapons development program. Furthermore, many leaders expressed their counter-terrorism intentions. Prime Minister Junichiro Koizumi announced Japan's acceptance of more training seminar personnel as an antiterrorism capacity building measure. He also expressed his position that Japan's efforts toward strengthening economic partnerships, including the Initiatives for Japan-ASEAN Comprehensive Economic Partnership, would lead to the energizing of economic activity and the strengthening of competitiveness in East Asia as a whole. Moreover, at this meeting, Prime Minister Koizumi mentioned the importance of a follow-up to the joint statement that was agreed upon at the Initiative for Development in East Asia (IDEA)

Ministerial Meeting held in August in Japan, and many leaders highly appraised IDEA. In addition, Japan indicated its position that it would actively cooperate in the Initiative for ASEAN Integration (IAI), an undertaking by ASEAN itself to seek greater integration by alleviating the disparities within ASEAN.

(c) Japan-China-ROK Cooperation

Japan is advancing Japan-China-ROK trilateral cooperation with the view that securing peace, stability and prosperity in Northeast Asia is essential to attaining peace, stability and prosperity in the entire international community.

Spurred by the first Japan-China-ROK Summit in 1999, Japan-China-ROK trilateral cooperation has promoted cooperation centering upon the economic, financial and environmental areas toward prosperity in the region ("cooperation for prosperity"). Japan, in hosting the first trilateral foreign-minister level meeting in July 2002 and regularizing such meetings, for instance, made efforts to build a relationship of trust among the three countries. The year 2002 marked the Year of Japan-China-Republic of Korea National Exchange and the three countries closely cooperated in cultural exchanges, such as the holding of the Japan-China-ROK Young Leaders' Exchange Program and the Japan-China-ROK Domestic Lecture Tour.

At the Japan-China-ROK Summit held in November



The leaders from member countries attending the ASEAN+3 Summit Meeting (November Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

2002 in Cambodia, the three countries expressed their view that based on the relationship of trust, they would further deepen “cooperation for prosperity” and promote Japan-China-ROK trilateral cooperation in a wide range of areas including “cooperation for stability.” They also exchanged views regarding the situation on the Korean Peninsula. Furthermore, the three countries agreed that they would promote Japan-China-ROK trilateral cooperation in the future, prioritizing the five areas of “economics and trade,” “information and telecommunications,” “environmental protection,” “human resources development” and “cultural cooperation.”

It can be said that the advancement of Japan-China-ROK trilateral cooperation in a wide range of areas such as “cooperation for prosperity” and “cooperation for stability” is the driving force promoting East Asian cooperation. It is expected that Japan, China and the ROK will take the initiative of further advancing specific cooperation with ASEAN countries so that this cooperation will lead to the expansion and deepening of regional cooperation in East Asia as a whole.

(d) APEC

APEC (Asia-Pacific Economic Cooperation) is composed of 21 diverse members from the Asia-Pacific region including Asia, Oceania, North America, Latin America and also Russia. In order to realize sustainable economic development within the region, APEC has undertaken activities with the liberalization of trade and investment, facilitation of trade and investment, and economic and technical cooperation as the three pillars. It has also contributed to creating a sense of community and ensuring unity in the region with “open regional cooperation” and “concerted unilateral action” as the principles.

Deepening cooperation on the economic front in APEC and strengthening relations of trust with APEC members are extremely important in ensuring the long-term development and stability of the Japanese economy.

This is because trade within the APEC region accounts for three-fourths of the total volume of trade for the international community as a whole and approximately 40% of Japanese direct investment is targeted toward the APEC region. In addition, this is important because in recent years, APEC has 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 the terrorism issue.

In 2002, Mexico served as the chair of APEC, the first country among Latin American countries to do so and greatly contributed to strengthening cooperation between the regions of Asia and the Americas as various meetings were held in Mexico. Furthermore, efforts were made to implement steadily the Shanghai Accord²⁶ that was adopted at the APEC Economic Leaders’ Meeting in Shanghai in 2001 and specific work on this was advanced.

In October at the Leaders’ Meeting held in Los Cabos, Mexico, the APEC Trade Facilitation Action Plan, Leaders’ Statement to Implement APEC Transparency Standards, and Statement to Implement APEC Policies on Trade and the Digital Economy were adopted, thus moving toward the implementation of the new APEC vision that was set out in the Shanghai Accord. Furthermore, in regard to liberalization, a political message was issued toward the advancement of the WTO negotiation process and as proposed by Japan and other economies, the leaders agreed to exchange views regarding free trade agreements (FTA) and economic partnership agreements (EPA) and implement tasks concerning structural reform.

Moreover, continuing from 2001, the leaders had discussions on the issue of terrorism and at the Leaders’ Meeting, they adopted the “APEC Leaders’ Statement on Recent Acts of Terrorism in APEC Member Economies”, which strongly condemns terrorist acts that occurred within the APEC region. The leaders also reconfirmed the importance of counter-terrorism measures within the

²⁶ A document that revised the vision for the roadmap to the achievement of the Bogor Goals in order to respond appropriately to changes in the economy brought about by globalization and the New Economy. It was adopted at the Leaders’ Meeting in 2001. Specifically, it indicates that targets in relevant areas should be developed in order to adopt appropriate trade policies for the New Economy and concrete measures for trade facilitation should be implemented by 2006, with the goal of reducing transaction costs within the APEC region by 5% in five years. The Bogor Goals state, “Industrialized economies will achieve the goal of free and open trade and investment no later than the year 2010 and developing economies no later than the year 2020.” It is a goal that was set in the APEC Leaders’ Declaration of Common Resolve (Bogor Declaration), which was adopted at the Leaders’ Meeting that was held at Bogor Palace in Indonesia in 1994.

The Progress of APEC

Nov 1989	First Ministerial Meeting (Canberra) Meeting established as a result of proposals from Australia and Japan.
Jul 1990	Second Ministerial Meeting (Singapore)
Nov 1991	Third Ministerial Meeting (Seoul) Hong Kong, China and Chinese Taipei participate.
Nov 1992	Fourth Ministerial Meeting (Bangkok)
Nov 1993	Fifth Ministerial Meeting (Seattle) and First Economic Leaders' Meeting (Blake Island) The First Leaders' Meeting is held as a result of a proposal from President Clinton of the United States. Mexico and Papua New Guinea participate. Agree to establish a finance ministers' meeting at which macroeconomic and financial issues would be discussed.
Nov 1994	Sixth Ministerial Meeting (Jakarta) and Second Economic Leaders' Meeting (Bogor) Bogor Declaration issued. Chile participates. <div>Establish that the industrialized economies would achieve free and open trade and investment no later than 2010, and 2020 in the case of developing economies.</div>
Nov 1995	Seventh Ministerial Meeting and Third Economic Leaders' Meeting (Osaka) Japan serves as the chair and the Osaka Action Agenda (OAA) is adopted. <div>A concrete roadmap for achieving the Bogor Goals is presented.</div>
Nov 1996	Eighth Ministerial Meeting (Manila) and Fourth Economic Leaders' Meeting (Subic) Adopt the Manila Action Plan. <div>Establish the Individual Action Plan (IAP) and Collective Action Plan (CAP), or mechanisms by which to achieve the Bogor Goals.</div>
Nov 1997	Ninth Ministerial Meeting and Fifth Economic Leaders' Meeting (Vancouver) Dispute over Early Voluntary Sectoral Liberalization (EVSL) ➡ Discussions concerning trade liberalization are stalled.
Nov 1998	Tenth Ministerial Meeting and Sixth Economic Leaders' Meeting (Kuala Lumpur) Dispute continues over EVSL. Russia, Viet Nam and Peru participate.
Nov 1999	Eleventh Ministerial Meeting and Seventh Economic Leaders' Meeting (Oakland) Promotion of economic reform within APEC ➡ strengthening of the market function (to prevent the recurrence of the Asian currency and financial crisis) (Strengthening Economic Legal Infrastructure, assisting small and medium-sized enterprises and new businesses, strengthening coordination with the finance ministers' process)
Oct 2000	Twelfth Ministerial Meeting and Eighth Economic Leaders' Meeting (Bandar Seri Begawan) Responses to the advancement of globalization and the IT revolution
Oct 2001	Thirteenth Ministerial Meeting and Ninth Economic Leaders' Meeting (Shanghai) Establish the Shanghai Accord ➡ present the APEC vision in the new century (Agree on APEC's efforts to tackle terrorism at the leaders' level) APEC Leaders' Statement on Counter-terrorism
Oct 2002	Oct 2002 Fourteenth Ministerial Meeting and Tenth Economic Leaders' Meeting (Los Cabos) Adopt the APEC Leaders Statement on Recent Acts of Terrorism in APEC Member Economies. Adopt the APEC Leaders' Statement on Fighting Terrorism and Promoting Growth. Adopt the APEC Leaders' Statement on North Korea.

APEC region and adopted the “APEC Leaders’ Statement on Fighting Terrorism and Promoting Growth,” which compiles counter-terrorism measures with a time frame in areas such as transport, finance and cyber security. In addition, an APEC Leaders’ Statement was adopted as a

common message from all the APEC members, calling for the abandonment of North Korea’s nuclear weapons development program, which is a concern of the entire international community.



The leaders from member countries at the APEC Economic Leaders' Meeting (October Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

(e) ASEM

ASEM (Asia-Europe Meeting) was established in 1996 as an opportunity for interregional dialogue and cooperation in which 10 Asian countries and 15 European countries and the European Commission take part. It was established in order to strengthen cooperation between Asia and Europe, which had been scarce in comparison to North America-Asia relations and North America-Europe relations, and its activities are being advanced.

In 2002, the Foreign Ministers' Meeting (Madrid) was held in June, the Finance Ministers' Meeting (Copenhagen) was held in July and the Economic Ministers' Meeting (Copenhagen) was held in September. In light of these achievements, ASEM 4 was held in September in Copenhagen. Furthermore, ASEM's activities have developed and its scope is expanding, such as the first Environment Ministers' Meeting (in Beijing in January) and the Ministerial Conference on Cooperation for the Management of Migratory Flows between Europe and Asia (on the island of Lanzarote, Spain, in April).

At ASEM 4, the active exchange of opinions was held in a wide range of areas under the three pillars of ASEM's activities, namely (1) politics such as the international security situation of terrorism, etc. and regional

situations, (2) economy and finance, and (3) social issues and education, etc. As a result of discussions in the political area, the ASEM Copenhagen Declaration on Cooperation against International Terrorism and ASEM Copenhagen Political Declaration for Peace on the Korean Peninsula were adopted. In particular, regarding the situation on the Korean Peninsula, because the meeting was held immediately after Prime Minister Koizumi's visit to North Korea, it was the first opportunity to explain the achievements of this visit to the international community, for which he received high praise from various countries. Furthermore, Japan along with interested countries proposed new undertakings such as counter-terrorism measures, dialogue concerning economic relations and educational exchanges in order to strengthen cooperative relations between Asia and Europe, which received support from various leaders.

Because ASEM does not have a permanent secretariat, two countries from both Asia and Europe serve as coordinators and operate it. Japan became a coordinator from the Asia side after ASEM 4. Because Japan is a part of Asia and shares the basic values with the European countries as an advanced industrialized democracy, it is in a position to exercise leadership in ASEM as a bridge between Asia and Europe. Japan, with other coordinators (Viet Nam, the European Union

Presidency holder and the European Commission), will actively promote activities with the aim of making them a success, the various ministerial meetings that are scheduled for 2003 onward and ASEM 5 that is

scheduled to be held in Hanoi, Viet Nam in 2004. In the future, for Japan's diplomacy toward both Asia and Europe, what can be accomplished in the framework of ASEM will be put to the test.



Prime Minister Junichiro Koizumi at ASEM 4 (September Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)