

CHAPTER 2

REGIONAL DIPLOMACY

A

ASIA AND THE PACIFIC

Overview

Ensuring the stability and prosperity of the Asia-Pacific region surrounding Japan is essential for the security and prosperity of Japan itself. For this reason, Japan supports and strengthens cooperation with the countries of this region in order to ingrain step-by-step democratic systems of governance and advanced economic systems.

Japan's Asia-Pacific diplomacy operates with the following four fundamental considerations in mind.

First, given that the Asia-Pacific region has more than 50% (approximately 3.44447 billion people) of the world's population and the total gross domestic product (GDP) of the region accounts for approximately one quarter of the global total (US\$7.873 trillion),¹ there is a possibility of heightening its overall potential, centering on economic power, while the region is still subject to sources of instability with its political and economic systems remaining vulnerable, as could be seen in the Asian currency and financial crisis in 1997. Second, China's influence in the region is expanding quickly due to its rapid economic growth and vigorous diplomacy, and India has been also gradually making its own presence felt with its steady economic growth and advanced technology as a background. Third, there are elements of instability remaining for peace and stability in the region, including international and intra-regional tensions on the Korean Peninsula, India-Pakistan relations and the Taiwan Straits, and so-called "transnational issues" including the terrorist incidents and acts of piracy in Southeast Asia. Fourth, developments toward the promotion of regional cooperation in a wide range of fields in the form of the Association of Southeast Asian Nations + Japan, China and the Republic of Korea (ROK) (ASEAN+3), trilateral cooperation among Japan, China and the ROK, and Economic Partnership Agreements (EPAs) and Free Trade Agreements (FTAs) are steadily being fostered.

Based on these fundamental considerations, Japan has been working on Asia-Pacific diplomacy with the following three basic principles. First, in order to build stable international relations in this region, Japan will continue to ensure deterrence against destabilizing move-

ments, make efforts to resolve issues focusing on "dialogue," and continue various efforts to realize the "consolidation of peace." Second, Japan will actively take the lead in regional cooperation in a wide range of areas including the economy and help the entire region develop into an advanced region. Third, as necessary, Japan will continue and strengthen dialogue and cooperation between the countries and regions outside the Asia-Pacific region in addition to those within it, and work to make the Asia-Pacific region an "open" region.

Under these basic principles, in 2003 Japan advanced dialogue through a variety of bilateral meetings with the leaders and ministers of each country and region and multilateral conferences such as the Japan-ASEAN Commemorative Summit, the ASEAN+3 Summit, the Japan-China-ROK Trilateral Summit, and the Japan-Pacific Islands Forum (PIF) Summit (PALM 2003). Japan also has been making efforts to resolve security issues, for example, by participating in the Six-Party Talks regarding the situation in North Korea with the United States (US), ROK, China, Russia and North Korea and has been actively promoting cooperation in a variety of fields. These include the Japan-China Economic Partnership Consultation, the Japan-Korea FTA Joint Study Group, and the Framework for a Comprehensive Economic Partnership between Japan and ASEAN. Japan has also strengthened partnerships with countries and regions outside the Asia-Pacific region in a wide range of fields, through multilateral frameworks such as the Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), ASEAN Regional Forum (ARF) and the Forum for East Asia-Latin America Cooperation (FEALAC), and through bilateral meetings with their leaders and ministers.

Japan supports the countries of the Asia-Pacific region and has been working to ensure the stability and prosperity of the region in order to ingrain step-by-step democratic systems of governance and advanced economic systems as well as to establish a stable and friendly international environment in the region and an economic environment that will contribute to the promotion of Japan's economic activity such as trade and investment.

¹ Statistics from the World Bank (2002), *World Development Indicators*, and the Asian Development Bank (2002).

Finally it should be noted that China and the ROK expressed dissatisfaction at the visits of Prime Minister

Junichiro Koizumi to the Yasukuni Shrine in January 2003 and January 2004.

1

Korean Peninsula (Issues surrounding North Korea are discussed in detail in Chapter 1)

(a) Overview

The Korean Peninsula, adjacent to Japan in Northeast Asia, is one of the most important regions to it.

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

Friendly relations between Japan and the ROK developed further in 2003. Prime Minister of Japan, Junichiro Koizumi, attended the inauguration ceremony of President of the ROK, Roh Moo Hyun, in February and President Roh visited Japan as a state guest in June. Japan's basic policy toward the ROK, as declared in the Japan-Republic of Korea Summit Joint Statement announced on the occasion of the June summit meeting, is to "continue to deepen the trust and friendship between the countries and to develop the relationship to a higher level."

As regards North Korea, its admission in October 2002 that it possessed a uranium enrichment program has once again made the North Korean nuclear issue a matter of concern not only for the Northeast Asian region but also for the international community as a whole. Since then, North Korea began to take a number of provocative actions: It announced its withdrawal from the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) in January 2003 and reactivated the previously frozen nuclear reactor and a reprocessing plant for spent nuclear fuel rods. Diplomatic efforts aimed at the peaceful resolution to this issue among concerned countries have been under way, for example, the Six-Party Talks were held in August 2003 and again in February 2004.

The abduction issue also remains unsolved as a serious concern between Japan and North Korea. Japan intends to continue efforts toward a resolution of this issue with the

understanding and cooperation of the international community. Such efforts include realizing the return to Japan of the families of the five abductees who have already returned to Japan as soon as possible and demanding an investigation to reveal the truth concerning the abductees whose whereabouts are still unconfirmed.

(b) Japan-North Korea Relations

Relations between Japan and North Korea continue to be abnormal since World War II. At the same time, concerns such as the abduction issue and security issues including the nuclear and missile issues exist regarding 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 would contribute to the peace and stability in the Northeast Asian region, through resolving concerns between Japan and North Korea based on the Pyongyang Declaration signed by the leaders of both countries at the Japan-North Korea Summit Meeting held on September 17, 2002.

Compared to the year 2002, in which there were a number of developments such as the Japan-North Korea Summit Meeting, the return of five abductees and the 12th Round of the Japan-North Korea Normalization Talks, 2003 saw no major developments in Japan-North Korea relations. However, there was contact between the two countries on the occasion of the Six-Party Talks in August. In response to Japan's strong demand for the return to Japan of the families of the abductees and an investigation to reveal the truth about other abductees, Vice Foreign Minister Kim Yong Il, the chief delegate of North Korea, replied that North Korea wished to resolve the issues one by one and in line with the Pyongyang Declaration.

In January 2004, Japanese government officials visited Pyongyang to meet with a male Japanese national detained by North Korean authorities on drug-related criminal charges and a female Japanese national who was reported to have applied for asylum to North Korea. The Japanese side reiterated its position concerning the

abduction issue, requested inter-governmental talks to resolve the issue and proposed that consultations over this issue be held between Japanese delegates and North Korean government officials on this occasion. In response, North Korean officials maintained that such consultations were unrelated to the purpose of the Japanese officials' visit, and therefore, no specific consultations were held, but they did state that the request of the Japanese side would be duly reported to the appropriate agencies concerned.

Subsequently, a high-level consultation between Japanese and North Korean governmental authorities was held in Pyongyang in the middle of February 2004. In the meeting, Japan strongly requested that the eight family members of the abductees be unconditionally and promptly returned to Japan and that a thorough investigation be carried out to reveal the truth concerning the ten abductees whose whereabouts are still unconfirmed. Japan and North Korea failed to reach agreement on any of the issues but they did agree to continue inter-governmental consultations.

At the second round of the Six-Party Talks held in late February 2004, the Japanese delegation strongly reemphasized the importance of resolution of the abduction issue in its opening keynote speech. Japan-North Korea bilateral consultations were also held on this occasion. No concrete results were achieved with respect to the abduction issue or the nuclear issue, but both parties agreed to continue inter-governmental consultations.

The Japanese Government continues to call on the North Korean side to resolve the abduction issue at the earliest possible date, including the return to Japan of the abductees' family members remaining in North Korea. The Japanese Government has taken every opportunity to request positive and concrete measures from the North Korean side.

In relation to the abduction issue, Japan has called for North Korea to hand over the *Yodo-go* hijack suspects over the years. Testimony by the former wife of a *Yodo-go* suspect and other evidence has made clear that they were also involved in the abduction cases that took place in Europe. As Tamiko Uomoto (on the international wanted list for alleged violations of passport regulations), the wife of one *Yodo-go* suspect Kimihiro Uomoto (formerly named Kimihiro Abe), returned to Japan from North Korea on February 24, 2004, the Japanese authorities arrested her and are working to find out the full truth regarding the abduction incidents.

In 2003, the volume of trade between Japan and North

Korea declined by about 30% compared to the previous year, partly due to the effect of strengthened legal enforcement as to import and export inspections.

(c) The "North Korean Defectors" Issue

North Korean citizens escaping from North Korea to foreign countries are generally called "North Korean defectors." It is speculated that severe food shortages and economic difficulties in North Korea constitute the background to their escape. Particularly in supporting those who have Japanese nationality or are former Korean residents of Japan, the Japanese Government has been taking into account every sort of perspectives including the safety of people concerned and other humanitarian considerations.

How to tackle this issue is important also for the entire Northeast Asian region, and as such, it is beneficial that the countries concerned have exchanges of opinions. Japan has carried out exchanges of opinions on various levels with the countries concerned including China.

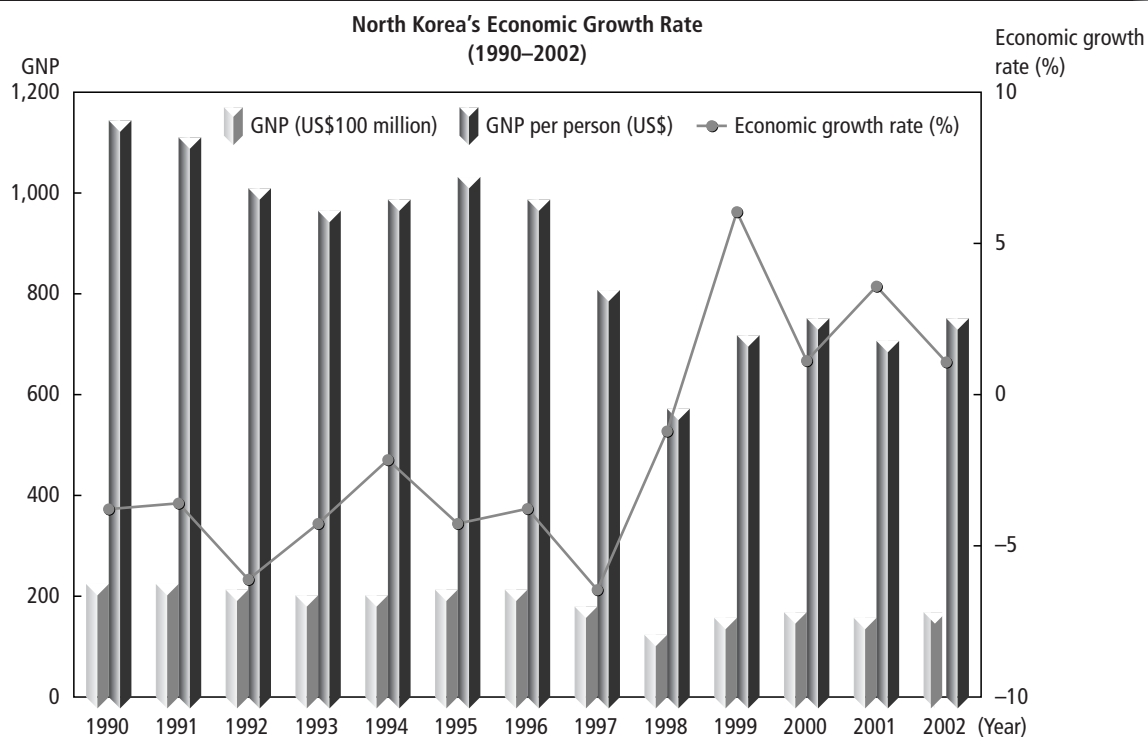
(d) ROK-North Korea Relations

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

Throughout the year 2003, while diplomatic horse-trading continued over the North Korean nuclear issue, South-North dialogue was maintained, and a variety of consultations including three ministerial-level meetings and South-North exchange and cooperation showed progress.

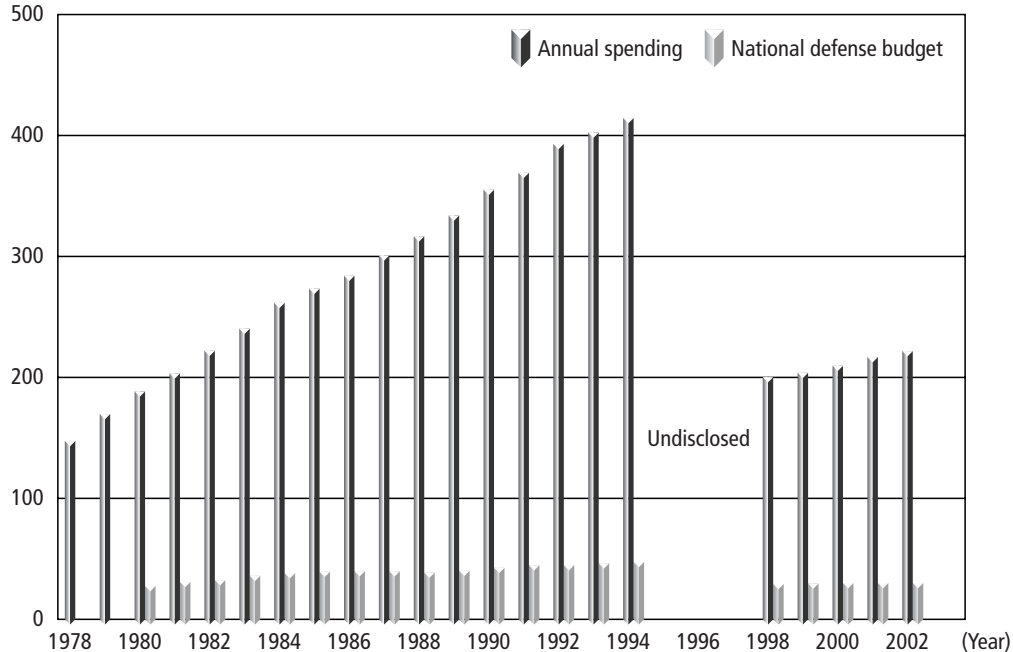
A groundbreaking ceremony was held for the work to connect railroads and roads between the ROK and North Korea in the middle of June 2003. Then, later that month,

Economic Conditions in North Korea



Annual spending
(100 million won)

Changes in North Korea's National Budget and National Defense Budget (1978–2002)



Note: Annual spending for 2002 is an estimate, as the final value was not disclosed. One won equals approximately JPY0.8 as the official rate for North Korea became equal to approximately 150 won per US\$1 around July of last year. Therefore, one billion won is equal to JPY800 million.

another groundbreaking ceremony was held for the Kaesong Industrial Complex to be established in Kaesong City near the Demilitarized Zone.

As for the Mt. Kumgang Tourism Project, overland tourism commenced in September 2003, and at the end of that month, the eighth reunion of families separated between South and North was held at Mt. Kumgang. The ROK and North Korea agreed to the construction of a meeting facility at Mt. Kumgang for reunions of separated families and the construction is planned to be completed by the end of 2005.

In August 2003, four agreements for economic cooperation (the avoidance of double taxation, investment protection, the clearance of accounts and settlement of disputes) came into effect, putting into place a framework for developing economic cooperation between South and North. Trade between the two has been increasing in recent years and in 2003, it reached a total value of more than US\$700 million. In addition, the ROK government provided North Korea with aid consisting of 400,000 tons of rice and 300,000 tons of fertilizer.

(e) North Korean Domestic Politics and Economy

Kim Jong-Il, General Secretary of the Korea Workers' Party, controls all of North Korea mainly through the party and has been implementing a military-first policy known as the "Songun Policy." In 2003, amidst deepening confrontation with the international community over the nuclear issue, he emphasized increasing military strength and solidarity among the people of North Korea and tightened his grip over the country. On several occasions in 2003, the official media of North Korea did not report the movements of General Secretary Kim for a long time but there have been no signs of General Secretary Kim suffering from any serious health problems at this stage.

Since 1998, North Korea has been advocating the construction of a "powerful nation" that is a major power in terms of ideology, politics, the military and the economy, and in recent years it has been working to reconstruct its economy in particular. However, the economic conditions remain in a difficult situation and in particular the energy shortage such as electricity is thought to be in a grave situation. And although the volume of grain production in 2003 exceeded that of the previous year and the food situation has taken a slight turn for the better, there continues to be a food shortage, and assistance from foreign countries is still necessary.

North Korea used to deny the introduction of Chinese-style reform and open door policies. In January 2001, however, General Secretary Kim visited Shanghai and positively evaluated the economic results achieved through Chinese reform and open door policies. North Korea began to take steps to improve its economic management system. In particular, in July 2002, he carried out system reforms such as the partial abolishment of the distribution system, price and wage increases and the reduction of the currency exchange rate. Moreover, in about June 2003, a market called the general market was established, where relatively free commercial transactions were permitted for the first time. Observers are waiting to see how quickly the economic management system improvement measures are implemented and how wide-ranging they are.

(f) Japan-ROK Relations

The visit of then-President of the ROK, Kim Dae Jung, to Japan in 1998 accelerated dramatically exchanges between the peoples of Japan and the ROK. In particular through the 2002 FIFA World Cup co-hosted by Japan and the ROK and nearly 850 events held in connection with the Year of Japan-ROK National Exchange, mutual understanding and trust between the peoples of both countries has become deeper than ever before.

After the presidential election in December 2002, the Roh Moo Hyun administration was established and Japan and the ROK have continued to advance close cooperative relations. Following the visit of Minister for Foreign Affairs Yoriko Kawaguchi to the ROK in January 2003 before the establishment of the new administration, Prime Minister Koizumi visited Seoul on February 25 to attend the presidential inauguration ceremony and held a summit meeting with the new president. Both leaders affirmed their will to develop bilateral relations further and held a frank exchange of views concerning their policies toward North Korea, as the North Korean nuclear issue is becoming a major concern of the international community.

President Roh visited Japan as a state guest from June 6 to 9, 2003. During his stay in Japan, the two leaders strengthened their personal relationship based on mutual trust through the summit meeting and President Roh's dialogue with the Japanese people through his television appearance gave them a greater feeling of affinity to the President himself as well as the ROK. After the summit meeting, the two leaders issued the Japan-Republic of

Korea Summit Joint Statement and shared their resolve to deepen mutual trust and friendship between the peoples of both countries constantly and to develop the relationship of the countries to a higher level through the expansion of exchange. Regarding the North Korea issue, they affirmed that Japan, the US and the ROK should continue to coordinate closely and cooperate with the international community including the countries concerned such as China and Russia in order to resolve the issue peacefully and diplomatically.

Furthermore, Foreign Minister Kawaguchi visited the ROK on August 22 and 23, and held meetings with President Roh and Minister of Foreign Affairs and Trade Yoon Young Kwan and exchanged views on the North Korean nuclear issue, mainly on how to address the coming Six-Party Talks and concrete measures on cooperation between Japan and the ROK.

Concerning human exchanges between Japan and the ROK, the leaders agreed, in the Japan-ROK Summit Meeting in July 2002, to implement the Japan-ROK Joint Projects for the Future in order to commemorate the success of the 2002 FIFA World Cup co-hosted by Japan and the ROK and to adopt its spirit. Under that project, which has been put into practice since January 2003, both governments are supposed to provide support for youth and sports exchange with the target over 10,000 people annually. In bringing the project into effect, a Japan-ROK joint project team to consult on the methods was established, and it assembles about once every six months.

In addition, the Japanese Government took a measure to exempt ROK students visiting Japan on school trips from obtaining visas from March 2004, with the objective of promoting visits of junior high school and high school students of the ROK.

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

At the Japan-ROK Summit Meeting held in June 2003, the leaders agreed to designate the year 2005 the 40th anniversary of the normalization of relations between both countries, Japan-Korea Festa 2005 (also known as the “Japan-Korea Friendship Year 2005 – Together! Toward the Future, Into the World –”) and to carry out a variety of exchange programs in both countries.

Unsettled issues between Japan and the ROK include the issue of territorial rights over Takeshima Island and the issue of the name of the Sea of Japan. It is Japan’s consistent position that both in light of historical facts and international law, Takeshima is clearly an integral part of Japan. This issue must be resolved peacefully, and it is Japan’s policy that the government will aim tenaciously to resolve this dispute through diplomatic channels and explore effective means by taking all factors into consideration.

(Photo)

When the ROK issued postage stamps depicting the subject of Takeshima in January 2004, Japan protested strongly, appealing through the Secretariat of the Universal Postal Union (UPU) that the postage stamps were against the spirit of the Preamble and other decisions of the UPU Constitution to all the member states of the UPU in the form of a diplomatic circular. Furthermore, in regard to the issue of the name of the Sea of Japan, the “Sea of Japan” is the name that has been universally established, both geographically and historically, and Japan will continue to seek the understanding and support of the international community for its position on this issue.

(g) Japan-ROK Economic Relations

In the area of economy, Japan and the ROK have been working on framework-building and various consultations for promoting trade and investment and establishing closer economic relations, based on the Japan-Republic of Korea Summit Joint Statement issued on the occasion of President Roh’s visit to Japan in June 2003.

Concerning a Japan-ROK Free Trade Agreement (FTA), the Japan-Korea FTA Joint Study Group that was established in July 2002 completed its activities by compiling its report in October 2003 after eight meetings in total. At the Japan-ROK Summit Meeting in Bangkok on October 20, 2003, both leaders agreed to launch negotiations for the conclusion of FTA by the end of the year and to make it a goal to complete substantial negotiations in 2005. Then, Japan and the ROK accordingly held the first round of negotiations in Seoul on December 22, 2003 and reached an agreement on the framework for the negotiations. They held the second round of negotiations in Tokyo from February 23 to 25, 2004, discussing the outline of the FTA.

On February 17, 2004, Japan and the ROK signed the Agreement between Japan and the Republic of Korea on Social Security after three rounds of negotiations. This agreement is supposed to clear up the problem of the double payment of social security premiums on pensions of both countries and is expected to further promote economic activities between the two countries.

The two countries also held consultations on the Japan-ROK Agreement regarding Mutual Assistance between Customs Matters in Seoul from December 2 to 3, 2003. This agreement is designed to facilitate cooperation in controlling smuggled goods such as narcotics and guns.

In regard to mutual recognition, Japan and the ROK have closely exchanged information in order to study the

possibilities for cooperation, after having expert meetings in areas including electrical appliances and telecommunications equipment based on the Japan-ROK Economic Agenda 21 released in March 1999. It was decided that this issue would be taken up in negotiations for the conclusion of the Japan-ROK FTA as well.

Furthermore, following that the leaders of the two countries advocated the promotion of the “early realization of flights between Kimpo Airport and Haneda Airport,” based on the concept of a “one-day life area between Japan and the ROK” in the Japan-Republic of Korea Summit Joint Statement of June 2003, a maximum of four flights a day commenced on November 30, 2003 between the two airports.

(h) The Situation in the ROK

Domestic Politics

The Roh Moo Hyun administration came to power in February 2003. It advocated a government with national participation and a reform to that end, but various factors such as its fragile power base made the approval rate in opinion polls remain sluggish. Moreover, the Millennium Democratic Party (MDP), the ruling party at the time of the inauguration of the Roh administration, split at the end of September 2003 and a new party, the Uri Party (in English, the name means “Our Open Party”) was formed in November 2003. As a result, the National Assembly was reconstituted with a “four-party system” composed of the Grand National Party (GNP), the MDP, the Uri Party and the United Liberal Democrats. President Roh left the MDP at the end of September, but did not join the Uri Party and remained unaffiliated with any political party.

Under this circumstance, it was revealed that the opposition party, the GNP, had received a large amount of illegal election campaign contributions mainly from major conglomerates during the 2002 presidential election, and several members of the Assembly of the party were arrested. Furthermore, an announcement by the prosecution made it clear that President Roh’s side had also received illegal campaign contributions. The opposition parties, led by the GNP, therefore enacted a temporary law that might enable a special prosecutor to investigate the case, separate from the investigation by the Public Prosecutors Office, of the charge that President Roh’s close aides had accepted illegal contributions. Following this, investigations by a special prosecutor commenced on January 6, 2004.

Thereafter, when President Roh stated that he hoped the Uri Party would win the general election that coming May, the GNP and MDP strongly criticized the statement, arguing that it was in violation of the duty of neutrality of civil servants. For these reasons, the opposition parties proposed to the National Assembly a motion to impeach the president and it was passed on March 12. The Constitutional Court of Korea is now conducting an impeachment trial, and therefore, President Roh's powers are suspended until its final judgment is handed down. Prime Minister Goh Kun is now acting as President Roh's deputy (as of March 31).

Economy

The growth rate of the ROK's GDP fell to 3.8% in 2001, but in 2002 it recovered to 7.0%. Then in 2003, the rate declined again due to such factors as slumps in domestic demand, concern over the North Korean nuclear issue and an increase in labor disputes. In the second half of the year, exports in a bullish tone supported the economy, and the growth rate of the GDP recovered. The annual growth

rate is now, both domestically and internationally, estimated to be in the range between 2.5% and 3%. The unemployment rate, which peaked in February 1999 at 8.7%, has remained at a low level (3.7% in January 2004) since then. The trade balance has been in the black with surpluses of US\$10.4 billion in 2002 and US\$15.0 billion in 2003. In particular, in 2003, the trade surplus to China exceeded that to the US, making China the biggest trade partner for the ROK. The ROK is heightening its level of export dependency on China.

The Roh administration maintains that it will continue to promote structural reform. It advocates the establishment of the basis for an era in which per capital income of US\$20,000 could be realized through economic policies such as stability of the daily life and welfare improvements for the people in the lower and middle class, labor-management reforms, the building of the ROK as a country central to the Northeast Asian economy (establishment and management of free economic zones (Inchon, Pusan, Gwangyang), expansion of infrastructure, research and development) and decentralization.

2

China, Its Neighboring Countries and Regions, and Mongolia

(1) China

(a) Overview

The year 2003 marked the 25th anniversary of the conclusion of the Treaty of Peace and Friendship between Japan and the People's Republic of China. And in that year, following on from 2002, the 30th anniversary of the normalization of Japan-China relations, a series of events and exchange activities were held and the mutual understanding and trust between the peoples of the two countries greatly deepened through vigorous high-level exchanges in wide-ranging fields. Economic relations between Japan and China have continued to expand and deepen since the accession of China to the World Trade Organization (WTO) at the end of 2001.

The total value of trade in 2003 was in excess of US\$130 billion, an all-time high.

Japan considers its relationship with China to be one of its most important bilateral relationships and it is to promote further cooperation in various areas under the Partnership of Friendship and Cooperation for Peace and Development.² In recent years, interdependence between Japan and China has deepened more and more, and it is extremely important for Japan's peace and prosperity to build stable, friendly and cooperative relations with China. Japan and China, both of which have great influence in the international community, are expected not only to bring profit to both, but also to cooperate with one another and to promote a "future-oriented" and "mutually beneficial" Japan-China relationship for

² 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, which contains ideas to strengthen cooperative relations between the two countries toward the 21st century. In the Joint Press Announcement, which was issued at the same time as the Declaration, 33 concrete items for cooperation were specified including summit-level dialogue, regional issues (the situation on the Korean Peninsula, etc.) and cooperation in environmental preservation.

peace and prosperity in the Asia-Pacific region, and thus the world.

Japan intends to continue, while working to resolve each individual issue existing between the two countries, to contribute to the peace and prosperity of the international community by further strengthening cooperative relations in the international community and by making the foundations of the bilateral relations even more robust.

(b) Japan-China Relations

In 2003, the 25th anniversary of the conclusion of the Treaty of Peace and Friendship between Japan and the People's Republic of China, exchanges were closely carried out between the two countries in a wide range of fields, following on from the previous year, which was the 30th anniversary of the normalization of Japan-China relations. Concerning summit-level exchanges, Prime Minister Koizumi met Chinese President Hu Jintao in St. Petersburg in May, and it was the first Japan-China Summit Meeting since President Hu took office. In October, Prime Minister Koizumi met Premier

of China Wen Jiabao at the Japan-China Summit Meeting on the occasion of the ASEAN+3 Summit Meeting and also President Hu at another summit meeting on the occasion of the APEC Summit.

Foreign Minister Kawaguchi visited China in April and had ministerial talks with Premier Wen, State Councilor Tang Jiaxuan and Minister of Foreign Affairs Li Zhaoxing. In addition, foreign ministerial talks were held on the occasions of the ASEAN+3 Foreign Ministers' Meeting in June, the visit to Japan by Minister of Foreign Affairs Li in August and the General Assembly of the United Nations (UN) in September.

Furthermore, both countries engaged in a vigorous exchange of visits in 2003; Chief Cabinet Secretary Yasuo Fukuda visited China in August, Chairman of the Standing Committee of the National People's Congress of the People's Republic of China Wu Bangguo came to Japan in September, and both of them participated in events to commemorate the 25th anniversary of the conclusion of the Treaty of Peace and Friendship between Japan and the People's Republic of China. As the bilateral relations are becoming even closer, the governments of both countries have been advancing cooperation in a wide range of fields and, at the same time, they have held a variety of inter-governmental consultations³ in order to discuss various issues still pending between both parties.

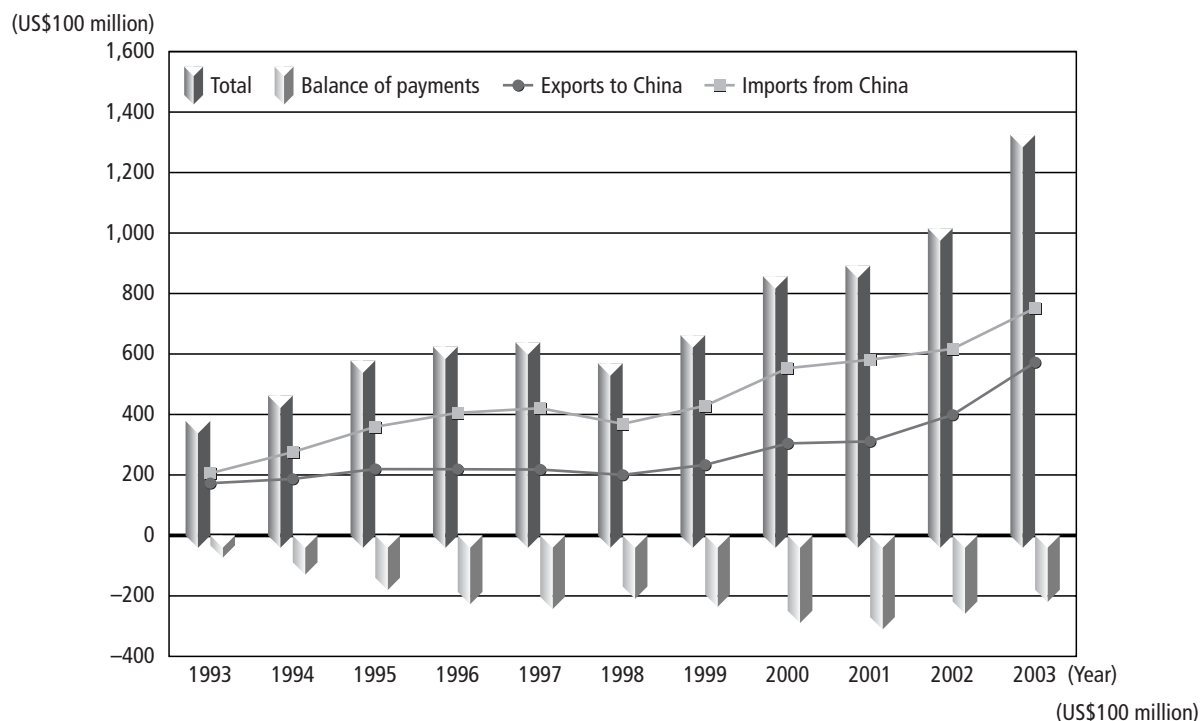
Japan-China Economic Relations

In 2003, there has been further progress in economic relations between Japan and China with China's accession to the WTO. The total value of trade increased by 30.4% from the previous year, reaching an all-time high of US\$132.4 billion (approximately 15.0044 trillion yen). China continued to be 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. At the same time, Japan's exports to China increased by no less than 43.6% (China's exports to Japan increased by 21.9%) and the importance of the Chinese market as an export market to Japan has increased. Moreover, in the first half of

(Photo)

³ The 4th meeting of the Japan-China Joint Committee on Fisheries (February), the Japan-China Joint Committee Meeting on Science and Technology (February), the Japan-China Consultation on Disarmament and Non-proliferation (August), the 2nd Japan-China Economic Partnership Consultation (October), the Japan-China Diplomatic Consultations (December), the Japan-China Consultations on Issues Related to the Law of the Sea (December), the 5th meeting of the Japan-China Joint Committee on Fisheries (December), the Japan-China Security Dialogue (February 2004), and the Japan-China Consular Consultations (February 2004).

Japan-China Economic Relations



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Exports to China	173	187	219	219	218	200	233	304	311	399	572
Imports from China	206	276	359	406	421	369	429	553	581	617	752
Total	378	462	579	624	639	569	662	857	892	1,016	1,324
Balance of payments	-33	-89	-140	-187	-203	-169	-195	-249	-270	-218	-180

Source: Trade statistics, Ministry of Finance. (The figures used were those converted into US\$ by JETRO based on the above information.)

FY2003, Japan's investment to China was 155.8 billion yen on a reported basis, indicating a healthy growth of 35.5% over the same period the previous year.⁴

As Prime Minister Koizumi stated in his speech at the Boao Forum for Asia⁵ in April 2002, China's economic development is being embodied in the form of a "challenge" and "opportunity" for Japan. On the other hand, it is important to prevent economic frictions arising in some areas. From that point of view, a frank exchange of opinions was carried out to identify economic problems

between the two countries at an early stage and prevent disputes from arising at the 2nd Japan-China Economic Partnership Consultation⁶ (vice-ministerial level), which was held in Tokyo on October 31, 2003, following on from the first consultation. At this consultation, the Japanese side raised the pending issues: the anti-dumping investigation by China, the compliance by China with the promises it made at the time of its accession to the WTO, the protection of intellectual property rights and amelioration of the various environments related to investment in China.

⁴ Trade and investment figures are derived from statistics of the Ministry of Finance.

⁵ This is a forum that has as its goal to provide an opportunity for dialogue among participants from 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 forum was held in Boao, Hainan Island, China. (The First Annual Conference was held in April 2002 and the Second Annual Conference in November 2003.)

⁶ An agreement to establish the consultation was reached in the summit meeting between Prime Minister Koizumi and then-Premier Zhu Rongji of China, held on the occasion of the First Annual Conference of the Boao Forum for Asia. Its purpose is to discuss from a general perspective how Japan-China economic relations should be, particularly in terms of trade and investment; to identify problems in economic fields between the two countries at an early stage and to prevent disputes from arising; and to strengthen further mutually complementary bilateral economic relations. The concerned ministries and agencies of both Japan and China attended the consultation.

The New 21st Century Committee for Japan-China Friendship

At the Japan-China Summit Meeting in May, the leaders of the two countries agreed to establish the New 21st Century Committee for Japan-China Friendship,⁷ composed of wise persons from both countries. The committee is expected to study the Japan-China relationship from a wide range of angles and make recommendations and submit reports to the governments of both countries with the purpose of realizing stable development and strengthening the bilateral, friendly and cooperative relations in the 21st century. Prime Minister Koizumi and President Hu Jintao agreed in May 2003 to organize the committee, and, in October, to hold the first meeting with the participation of new members from both countries.

The first meeting was held in Dalian in December 2003 and the committee members from the two countries conducted a vigorous discussion and achieved a shared recognition on the importance of understanding the Japan-China relationship from a long-term, wide-ranging perspective. Furthermore, under the recognition that the relationship as a whole was moving in an extremely preferable direction, particularly in economic terms as well as human exchange terms, they agreed to draw up a list of "opportunities and challenges" facing the two countries, and to further continue the exchange of opinions by holding small group meetings.

The Poison Gas Accident in Qiqihar City, Heilongjiang Province

An accident occurred during construction work in Qiqihar City, Heilongjiang Province in August, caused by abandoned chemical weapons of the former Japanese Army. There were 44 poisoning victims including one fatality. Japan responded to this accident in a sincere manner by dispatching teams immediately: a team for investigating the abandoned chemical weapons; a team for repacking the drums, which caused the accident, both temporarily and permanently; and a medical professional team.

Subsequently, as a result of discussions on this issue between Japan and China, Japan announced a payment of 300 million yen on October 19 as an expense for disposing the abandoned chemical weapons in China and

both governments confirmed in writing that this payment would be the final resolution of all issues arising from this accident.

The Activities of Chinese Ocean Survey Vessels

A Framework of the Mutual Prior Notification of Ocean Research Activities was established in 2001 for scientific ocean research taking place in Japan's exclusive economic zone in the East China Sea. In 2003, prior notification was carried out, in fact, based on this framework, which showed both domestically and internationally that this framework was basically functioning effectively. On the other hand, there were some cases where Chinese ocean survey vessels took actions that did not conform to the UN Convention on the Law of the Sea in Japanese exclusive economic zones outside the East China Sea. On each occasion, Japan has rigidly protested to China, requesting immediate cessation of the activities in question as well as the prevention of their recurrence. Concerning ocean scientific research including this problem, both Japan and China have confirmed the importance of compliance with the rules of research and enhancement of transparency, including at the bilateral ministerial meeting in June 2003.

Negotiations to Conclude an International Agreement Relating to Consular Relations

With the increasing frequency of mutual visits between Japan and China, the importance of cooperation in the consular field is rising, in particular the protection of Japanese nationals in China, as was recognized in the incident in October 2003 involving Japanese students studying at Northwest University in Xian. With the incident that occurred in May 2002 at the Japanese Consulate General in Shenyang, the first round of consultations concerning a framework of Japan-China consular cooperation was held in Beijing in late August 2002 and the second round in Tokyo in January 2003. At the Japan-China Foreign Ministers' Meeting in April 2003, both sides agreed to begin negotiations to conclude an international agreement relating to consular relations between the two countries that would oblige mutual consular notification with a view to protecting Japanese nationals in China and cooperating for public security. Subsequently, the

⁷ The 21st Century Committee for Japan-China Friendship was organized based on the 1984 agreement between then-Prime Minister Yasuhiro Nakasone and then-General Secretary Hu Yaobang, and 15 general meetings of the committee have been held to date. As the former committee members served out their term in 2001, it was decided that the New 21st Century Committee for Japan-China Friendship would be reorganized with new members.

parties launched the first round of negotiations in the same month and they are still under negotiation at the moment.

Economic Cooperation with China

It is important for Japan that China build an opener and more stable society and fulfills further its responsibilities as a member of the international community. From this perspective, Japan has been working on constructing a multilayered relationship with China, and to this end, on helping it indirectly in the areas that China cannot manage for itself. The Official Development Assistance (ODA)

that Japan has provided to China since 1979 has also fulfilled an important role in that context.

Meanwhile, there have been changes in the assistance needs of China and domestic severe criticism against the current ODA to China, both of which are caused by its economic development. With those in mind, the Japanese Government has carried out a large-scale review of the ODA to China based on the Economic Cooperation Program for China formulated in October 2001. Firstly, in terms of the national interests of Japan, the Government has narrowed its priority areas for assistance from the

Record of ODA to China

(Unit: 100 million yen)

FY ^a	Loan aid ^b	Grant aid ^b	Technical cooperation ^b	Total
1980	660.00 ^c	6.80	5.64 ^d	672.44
1981	1,000.00 ^c	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	98.30 ^d	2,240.18
1999	1,926.37	59.10	73.30 ^d	2,058.77
2000	2,143.99 ^e	47.80	81.96	2,273.75
2001	1,613.66	63.33	77.77	1,754.76
2002	1,212.14	67.87	62.37	1,342.38
Total	29,504.89	1,364.69	1,384.86	32,254.44

Note: Due to numbers being rounded off, there are cases in which the totals do not add up.

^a "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 31 of the following fiscal year).

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

^c 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 on the Chinese side, 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).

^d 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.

^e Includes special yen loans of 17.202 billion yen.

construction of economic infrastructure in coastal regions to policies for global issues including environmental preservation, assistance for China's open and reform policy, policies to alleviate poverty in inland regions and the nurturing of talented people that may contribute to increasing mutual understanding. Concerning the scale of assistance provided, Japan no longer assumes the former scale given and now decides the appropriate scale by selecting and accumulating projects that befit not only the national interest of China but also that of Japan. In recent years, Japan has drastically reduced its ODA to China. More than half of it is comprised of yen loans and in FY2002, they diminished by approximately 25% compared to the previous year (and by 43.5% compared to two years before). And all projects were targeted at inland areas and 70% of the funds were allocated to the fields related to the environment.

As measures against the spread of the Severe Acute Respiratory Syndrome (SARS) infection in China in spring 2003, Japan rendered assistance to China, a total value of about 1.76 billion yen. This assistance included emergency grant aid and the dispatch of the Japan Disaster Relief Expert Team. In response to such assistance, President Hu Jintao and concerned people on the Chinese side expressed deep gratitude and the assistance was widely reported within China, which contributed immensely to an improvement in the bilateral relationship.

(c) The Situation in China

Domestic Politics

The new Chinese leadership, which came to power during the period from late 2002 to early 2003, has been working on economic construction as its highest priority and has been successful in both domestic politics and diplomacy.

On the occasion of the 16th National Congress of the Communist Party of China (Party Congress) in November 2002, the new Communist Party leadership including General Secretary Hu Jintao was confirmed, and at the first session of the 10th National People's Congress (NPC) in March 2003, the new national leaders including President Hu Jintao and Premier of the State Council Wen Jiabao were elected. (Refer to the Comparative Table of the Former Leaders and New Leaders of China.) In addition, a government work report was presented at the NPC session. The report

indicated policies such as setting the target of China's economic growth rate for 2003 at around 7%, placing importance on expanding domestic demand through an expansion of consumption, and promoting large-scale development of the western region of China; and it emphasized the importance of policies for the weak such as combating unemployment and improving social security. Furthermore, the NPC session carried out structural reforms of the State Council, under which a new Ministry of Commerce was established, and the State Development Planning Commission was reorganized into the State Development and Reform Commission.

The outbreak of SARS began immediately after the election of the new state leaders, and it caused negative effects on the economy and the society. Under the strong leadership of President Hu and Premier Wen, however, the entire Government of China united to fight SARS and succeeded in controlling it for the most part by the end of June 2003.

On July 1, 2003, the 82nd anniversary of the forming of the Chinese Communist Party (CCP), General Secretary Hu expressed his intention to continue the policies of the former leadership; he gave

Comparative Table of the Former Leaders and New Leaders of China

(Numbers in parentheses indicate ages as of the end of 2003)

	Former leaders	New leaders
President	Jiang Zemin (77)	Hu Jintao (61)
Vice President	Hu Jintao (61)	Zeng Qinghong (64)
Standing Committee of the National People's Congress Chairman	Li Peng (75)	Wu Bangguo (62)
Chinese People's Political Consultative Conference Chairman	Li Ruihuan (69)	Jia Qinglin (63)
State Council Premier	Zhu Rongji (75)	Wen Jiabao (61)
State Council Vice Premier	Li Lanqing (71)	Huang Ju (65)
	Qian Qichen (75)	Wu Yi (65) ^a
	Wu Bangguo (62)	Zeng Peiyan (65)
	Wen Jiabao (61)	Hui Liangyu (59)
State Councillors	Chi Haotian (74)	Zhou Yongkang (61)
	Luo Gan (68)	Cao Gangchuan (68)
	Wu Yi (65) ^a	Tang Jiaxuan (65)
	Ismail Amat (68)	Hua Jianmin (63)
	Wang Zhongyu (70)	Chen Zhili (61) ^a

^a Female.

an “important speech” at the Study on the Important Thought of “Three Represents”⁸ and urged the thorough implementation of “Three Represents” presented by former General Secretary Jiang Zemin of China. In addition, he emphasized that he would place importance on real benefits to the people of China under the new slogan of “the CPC should dedicate itself to benefit the public and govern in the interests of the people.”

In October 2003, the first major plenary since the inauguration of the new leadership, the 3rd Plenary Session of the 16th Central Committee was held. At the plenary, the “decision on the socialist market economic system” and the “proposal on amending the Constitution” were decided upon, and discussions were made concerning the various issues currently faced by China (reform of the economic system, reform of state-owned enterprises, issues on agriculture and agricultural villages, the role of the market, large-scale development of the western region of China, employment issues, etc.).

In the same month, China succeeded in launching its first manned spacecraft, the “Shenzhou 5,” attracting a lot of interest both domestically and internationally.

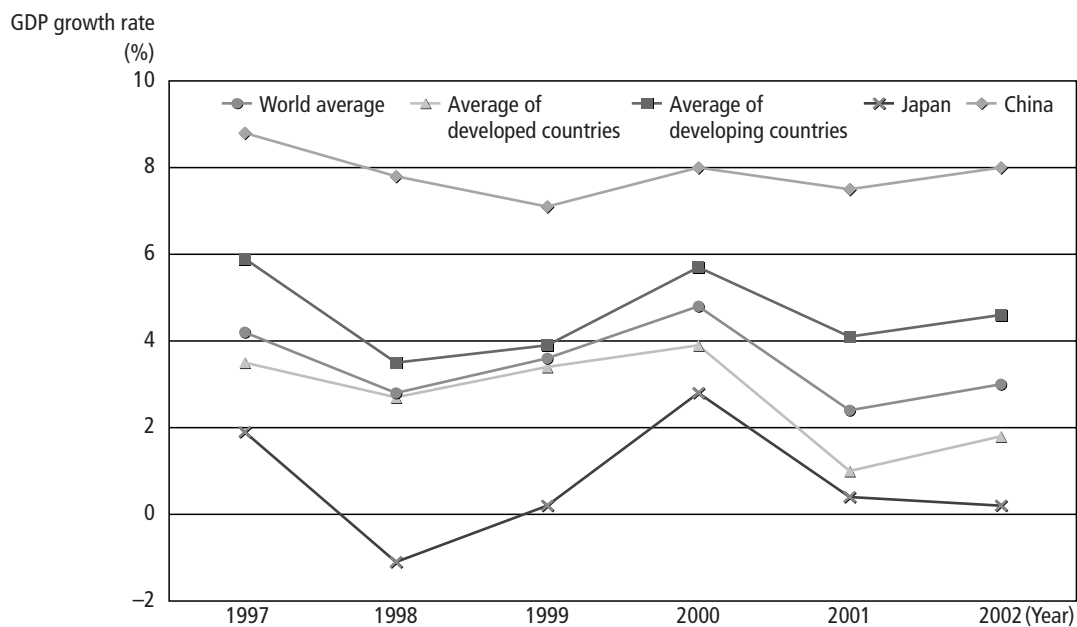
The new leadership, and in particular President Hu and

Premier Wen, while basically adhering to the policy directed by former President Jiang, is conducting steady policy management by introducing some new elements of their own: the improvement of the transparency of politics through public announcements on study meetings and workshops of the party or the government; measures for the socially weak such as by focusing on tackling the agricultural village issue, combating the unemployment problem and fighting against the issue of the western and northeastern regions; frequent visits to rural areas for observation and on-the-spot inspections; and practice-oriented approaches such as abolishing extravagance. At the second session of the 10th NPC in March 2004, a constitutional amendment was adopted so that the “Three Represents” were incorporated into the constitution as fundamental state policy, and so were protection of private property and respect for human rights.

Economy

The Chinese economy has achieved a high growth rate, with the GDP average growth rate over 9% for more than the last 25 years. The rapid growth has already led China to become the country with the sixth largest GDP in the

Economic Growth of China



Source: International Monetary Fund (IMF), *World Economic Outlook* (September 2003 edition).

⁸ This was announced by then-General Secretary Jiang Zemin in February 2000, and stated 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.”

world (following the US, Japan, Germany, the United Kingdom (UK) and France). This is attributed mainly to the active introduction of foreign capital and to the promotion of exports to the world market. A growth rate over the full year of 9.1% was recorded in 2003 despite some negative impact caused by SARS.

The new Chinese leadership has operated its policies giving priority to China's economic growth under the slogan decided at the 16th Party Congress of the Chinese Communist Party in November 2002, namely China was to quadruple its GDP by 2020. At the second session of the 10th NPC in March 2004, the leadership emphasized China's balanced development, as the prioritized policy of that year, by maintaining the economic growth rate at around 7%, as well as by placing importance on tackling the issue of agriculture and agricultural villages, the problem of employment and the reduction of regional disparities, all of which remain serious.

Foreign Relations

China is in need of a stable international environment in order to secure its economic development, which is the highest priority for the government, and therefore, it has been carrying out omni-directional diplomacy. For example, it is developing relations with major countries such as the US and Russia, strengthening cooperation with neighboring countries including Japan-China-ROK trilateral cooperation, and participating actively in international frameworks. The new leadership is continuing these policies, and its active diplomacy has been attracting a lot of attention, recently in particular, through the Six-Party Talks concerning North Korea or its deep involvement in ASEAN.

Regarding US-China relations, the leaders of the two countries affirmed building "constructive and cooperative relations" at summit meetings (at Evian in June; on the occasion of APEC in October) in the international arena and vigorous telephone talks were also carried out between the leaders and between the foreign ministers concerning the North Korean nuclear issue, the issue of Iraq and others. In addition, Premier Wen visited the US in December to discuss issues, for instance, on Taiwan, the situation in North Korea, trade and commerce, and currency.

As to the North Korean nuclear development issue, China is of the position to have the denuclearization of the Korean Peninsula and a peaceful resolution of the issue through dialogues in view. To this end, China has been

coordinating with concerned countries and fulfilling an active role in working on the issue. It hosted, for example, the US-North Korea-China Three-Party Talks in April 2003 and the Six-Party Talks in August 2003 and February 2004.

Concerning China's relationship with the Southeast Asian countries, in October 2003 China joined the Treaty of Amity and Cooperation in Southeast Asia (TAC) and signed the Joint Declaration of the Heads of State/Government of the Association of Southeast Asian Nations (ASEAN) and the People's Republic of China on Strategic Partnership for Peace and Prosperity, and China and ASEAN agreed to strengthen cooperation in five priority areas: politics, economy, social affairs, security, and international and regional affairs. In June 2003, then-Prime Minister Atal Bihari Vajpayee of India visited China (the first visit to China by an Indian prime minister in ten years) and the leaders agreed to develop the relationship of the two countries.

China is also strengthening its efforts to participate in international frameworks. For example, President Hu became the first Chinese leader to participate in a forum for dialogue among the G8 countries and developing and emerging countries that was held before the Evian Summit in June 2003. In addition, at the Shanghai Cooperation Organization Summit held in June 2003, the leaders agreed to establish a secretariat for the organization in Beijing.

Hong Kong

In January 2003, Chief Executive Tung Chee Hwa of Hong Kong presented a reform plan and concrete policies in regard to revitalizing the Hong Kong economy, strengthening cooperation with mainland China, overcoming the fiscal deficit and conducting legislation related to Article 23 of the Hong Kong Basic Law. The bill related to Article 23 of the Hong Kong Basic Law (legislation unique to Hong Kong for banning anti-national acts and organizations) was shelved due to a demonstration on July 1, 2003 attended by 500,000 people (according to the organizers), which was caused by the concern that it would threaten freedoms and fundamental rights of the citizens of Hong Kong. Chief Executive Tung withdrew the bill on September 5, 2003, and announced a review of the related legislation.

Although Hong Kong's economy, its service industry in particular, suffered a big blow due to the SARS outbreak in the first half of 2003, the strong overseas

demand, the recovery in the tourism sector, the robust consumption, the recovery of the real estate and securities markets and the revitalization of economic activities since June 2003 resulted in a good real economic growth rate for the year, 3.3% (in comparison to the previous year), and the major issues in Hong Kong, namely deflation, unemployment and the fiscal deficit, were slightly alleviated. In addition, mainland China and Hong Kong signed the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)⁹ in June 2003 to promote a closer economic and trade relationship between the two parties.

(2) Taiwan

In Taiwan, the Chen Shui Bian administration of the Democratic Progressive Party (DPP) was inaugurated in May 2000, replacing the Kuomintang (KMT), which had been in power for more than 50 years. At the Legislative Yuan election in December 2001, the DPP defeated the KMT and became the dominant party, but the ruling and opposition parties continued to be in rivalry. In 2003, a year before the next presidential election, the opposition parties forged an alliance to put KMT chairman Lien Chan forward as the presidential candidate and People First Party chairman James Soong as the vice-presidential candidate, and carried on a fierce election campaign against the government party. In the presidential election held in March 2004, the Central Election Commission announced that President Chen had won the election by a slim majority of 0.22%, but Chairman Lien and his supporters took legal action to have the election result voided. (As of March 31, 2003)

The annual growth rate of the Taiwanese economy was 3.24% in 2003 despite the negative impact of SARS during the second quarter and the economy is gradually recovering. Moreover, the unemployment rate improved to 5.0% compared to that of 2002, 5.17%, the all-time worst record.

Tensions increased in relation across the Taiwan Straits in 2003, especially because following the fact that President Chen stated in August 2002 that "China and Taiwan are separate countries (one country on each side)," he launched a series of policies including the holding of a

referendum and establishing a new constitution, and the momentum of "Campaign for Rectifying the Name of Taiwan" movement aiming to make "Taiwan" the official name of the country rose. Therefore, cross-strait dialogues did not resume in 2003 either. On the other hand, economic exchanges between mainland China and Taiwan continued to increase, such as the realization of flights from Taiwan to mainland China in January 2003. Mainland China has now been Taiwan's largest export market.

Japan has been maintaining its working relationship with Taiwan on a non-governmental basis in accordance with the Japan-China Joint Communiqué of 1972. For Japan, Taiwan is an important region with close economic relations and Taiwan ranks fourth as a trading partner for Japan in 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. At the end of 2003, as the movements such as the referendum increased pointlessly tensions in the China-Taiwan relationship, Japan appealed for Taiwan to handle the issues carefully and declared repeatedly to the Chinese side that a peaceful resolution to the Taiwan issue was important.

(3) Mongolia

In Mongolia, the current administration (Mongolian People's Revolutionary Party) marked its third year in office in 2003. The law for the privatization of land came into force in May 2003 against the background of its stable political situation. On the other hand, the opposition parties explored a possible reorganization to prepare for the general election planned in the summer of 2004.

Concerning the economy, sectors of manufacturing as well as transportation and the communications business showed solid growth in 2003, subsequent to 2002. The sector of agriculture and stock raising recorded the highest growth in recent years without any snow damage in 2003.

As for diplomatic activities, President Hu Jintao of China visited Mongolia in June 2003, and Prime Minister Nambaryn Enkhbayar of Mongolia visited Russia from

⁹ The CEPA includes trade in goods (implementation of zero customs duty), trade in services (relaxation of market entry regulations in 18 fields including finance, etc.) and the facilitation of trade and investment (simplification of customs procedures, etc.). It shows active support of the Chinese government for the Hong Kong economy. Mainland China and Macao also signed a CEPA in October 2003.

the end of June to July. Mongolia supports the US position about the Iraq issue and dispatched around 180 national military personnel to Iraq in September.

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 has been actively supporting Mongolia. It will continue to further develop the comprehensive partnership between the two countries. In 2003, in addition to Prime Minister Enkhbayar's visit to Japan to participate in

the 10th Mongolia Consultative Group Meeting held in Tokyo in November, President Natsagiin Bagabandi made an official visit to Japan in December, and on that occasion, the leaders of both countries issued a joint statement advocating the multifaceted development of a comprehensive partnership between the two countries. Moreover, Senior Vice-Minister for Foreign Affairs Tetsuro Yano of Japan attended the 5th International Conference of New or Restored Democracies that was held in Mongolia in September.

3

Southeast Asia

(a) Overview

In the Southeast Asian region, ASEAN10 was created in 1999 when Cambodia joined and since then, a regional cooperation body that includes almost the entire region has been developed. Southeast Asia, however, still faces weaknesses of the political system and economic disparities among the countries in the region. In particular, the rapid globalization has increased the economic disparities in the region. It is an important task for ASEAN to reduce its intraregional disparities and ensure the unity of the organization.

The environment surrounding ASEAN is changing rapidly, characterized by the further advancement of

globalization, developments toward regional economic integration, vigorous diplomacy toward ASEAN by countries outside the region such as Japan, China, the ROK and India, China's rapid economic growth and the ensuing modernization of its military based on the increasing economic strength, and frequent terrorist attacks. The situation in Myanmar is also attracting the attention of the international community.

Given this situation, Japan and ASEAN issued the Tokyo Declaration and the Japan-ASEAN Plan of Action, documents indicating guidelines for future cooperation between Japan and ASEAN, at the Japan-ASEAN Commemorative Summit held in Tokyo in December



Leaders of various countries who participated in the Japan-ASEAN Commemorative Summit (October Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

2003, based on the belief that it is important for Japan to raise its cooperation with ASEAN to an even higher level to help ASEAN become a politically and economically stable power that contributes to political and economic stability in not only Southeast Asia but also the entire East Asian region.

In the area of economy, Japan has been steadily working toward realization of the Japan-ASEAN Comprehensive Economic Partnership Initiative. For

example, Japan has already concluded an Economic Partnership Agreement with Singapore. In addition, Japan and ASEAN signed the Framework for Comprehensive Economic Partnership between Japan and ASEAN in October and decided to commence negotiations for an EPA between Japan and Thailand, the Philippines and Malaysia in December.

On the security side, Japan and ASEAN agreed to strengthen security cooperation in the Tokyo Declaration.



Japan-ASEAN Commemorative Summit: Objectives and Results



- Summit summary**
- Held December 11–12, 2003 in Tokyo (State Guest House)
 - Attended by Prime Minister Koizumi and all ten ASEAN leaders

Significance of the summit

- The Japan-ASEAN Commemorative Summit was the crowning event of ASEAN-Japan Exchange Year 2003. The summit was a historical occasion on which all ASEAN leaders met outside the ASEAN region for the first time.
- Japan announced its unwavering position of respect for ASEAN and promoted a sincere and open partnership with ASEAN to “act together and advance together” in the new era.

Concrete results

- Japan-ASEAN Tokyo Declaration
Japan and ASEAN agreed on a statement that reaffirms the basic direction of future Japan-ASEAN cooperation and indicates a broad guideline of the Japan-ASEAN relationship.
- Japan-ASEAN Plan of Action
Based on the “Tokyo Declaration,” the Japan-ASEAN Plan of Action lists over 120 concrete measures to be implemented in the near future.
- Comprehensive Economic Partnership
Japan announced it would initiate official negotiations with Thailand, the Philippines and Malaysia.
- Treaty of Amity and Cooperation in Southeast Asia (TAC)
Japan officially announced its intention to conclude the treaty and demonstrated its commitment to relations of amity and cooperation with ASEAN.

Main themes

- Importance of Japan-ASEAN relations
- Cooperation in policy and security
- Cooperation in the economic field
- Cooperation in the development field
Initiative for ASEAN Integration (IAI)
Mekong Region Development
Brunei, Indonesia, Malaysia, the
Philippines - East ASEAN Growth
Area (BIMP-EAGA)
- Cooperation in the social and cultural field

Japan-ASEAN relations

History of Japan-ASEAN relations

- 1967: Establishment of ASEAN
- 1977: First Japan-ASEAN Summit (Fukuda Doctrine: “Heart to Heart Understanding”)
- 1997: Asian currency and financial crisis (Japan announces financial support of US\$80 billion)
Third Japan-ASEAN Summit (summit is held every year since then)
- 2002: Prime Minister Koizumi’s visit to ASEAN countries (Prime Minister Koizumi’s speech in Singapore: sincere and open partnership with ASEAN to “act together and advance together” and the five initiatives)

Current Japan-ASEAN relationship

- Japan is ASEAN’s largest trading partner along with the US (2001: US 21.0%, Japan 20.2% (US\$113.3 billion))
- ASEAN is Japan’s second largest trading partner following the US (2002: US 23.4%, ASEAN 14.2% (JPY13.4 trillion))
- Japan is ASEAN’s largest source of investment in the region (1995–2001: Japan 21.6% (US\$49.5 billion and since 1951, Japan has invested JPY11.2373 trillion), EU 16.8%, US 14.5%)
- Japan is ASEAN’s largest donor of bilateral ODA (2001: Japan 60%, US 8.2%)
- 28.3% of Japan’s ODA is provided to ASEAN (2001: USD2.1 billion)
- Japan is ASEAN’s largest source of tourists from outside the region (2002: Japan 15% (3.7 million people), China 11%, US 8%)



Japan-ASEAN Plan of Action

1. Structure and significance of the Plan of Action (preamble and two-part structure)

- (1) This Plan of Action incorporates over 100 concrete measures to be implemented in the near future, based on the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium, which is to serve as a guideline for future cooperation between Japan and ASEAN countries.
- (2) This Plan of Action will serve as the basis for collaboration not only to strengthen further the relations between Japan and ASEAN but to contribute to the stability and prosperity of East Asia and those of the entire international community, based on the strength of the relations built over the past 30 or more years and through the steady progress made on the respective plan for cooperation on a broad range of fields under the Initiative agreed upon by the leaders.

2. Main points of the Plan of Action

- (1) Reinforcing Comprehensive Economic Partnership (CEP) and Financial and Monetary Cooperation
 - Accelerate materialization of Economic Partnership Agreement between two countries
 - Carry out the work set out in the CEP framework^a
 - Support the development of regional bond markets and issuance of local currency denominated bonds
 - Cooperate on the transportation field, the facilitation of cargo shipping as well as the improvement of transportation infrastructure and distribution of materials
 - Accelerate information flow
- (2) Consolidating the foundation for economic development and prosperity
 - Support Initiative for ASEAN Integration (IAI), Mekong Region Development and Brunei, Indonesia, Malaysia, the Philippines - East ASEAN Growth Area (BIMP-EAGA)
 - Offer industrial human resources development (ICT, automobile, electrical appliances, etc.) and training in skills and management know-how
 - Promote energy security and food security
- (3) Strengthening political and security cooperation and partnership
 - Hold high-level meetings and establish a team of experts in 2004
 - Conduct exchanges and joint research on defense and security
 - Launch a joint meeting on counter-terrorism and develop human resources for capacity building against terrorism
 - Combat human trafficking, illicit drugs and piracy
 - Promote cooperation among coast guards
- (4) Promoting human resources development, exchanges and social and cultural cooperation
 - Expand basic education
 - Establish the Malaysia-Japan International University of Technology
 - Support ASEAN students studying in Japan and encourage Japanese students to study in ASEAN countries
 - Promote Japanese language studies
 - Provide information about studying abroad and hold the Examination for Japanese University Admission for International Students in ASEAN
 - Japan will host 10,000 youths including students from ASEAN countries over the next five years
 - Improve environment to receive students from ASEAN
 - People-to-people exchanges (exchanges on the local community level)
 - Intellectual exchanges through exchange of researchers
 - Protect cultural heritage, both tangible and intangible
 - Cooperate in the circulation of information and public relations including the exchange of journalists
- (5) Deepening East Asia cooperation
 - Implement 17 short-term measures by 2006 recommended by the East Asia Study Group^b
 - Study the possibility of realizing medium and long-term measures including the establishment of the East Asia Free Trade Area
- (6) Cooperation in addressing global issues
 - Promoting "human security"
 - Promote countermeasures against infectious diseases
 - Cooperate in conserving the environment
 - Advancing the Multilateral Trading System (Doha Development Agenda)
 - Cooperate in strengthening the UN, preventing disaster, promoting South-South cooperation, protecting human rights and alleviating poverty

^a The Framework for Comprehensive Economic Partnership between Japan and ASEAN was signed by the leaders of Japan and all ASEAN countries on October 8, 2003 in Bali (Indonesia).

^b The East Asia Study Group comprised of foreign ministers at the vice-ministerial level from each of the ASEAN+3 countries (Japan, China, ROK) submitted a report with 26 concrete measures for moving forward with ASEAN+3 cooperation from the time of the ASEAN+3 Summit in Phnom Penh (Cambodia) on November 4, 2002. These measures constitute 17 short-term measures and nine medium and long-term measures. The "Establishment of East Asia Free Trade Area" is one of the medium and long-term measures.

Japan-ASEAN Tokyo Declaration

1. Significance of the Japan-ASEAN Tokyo Declaration

- (1) The declaration is a historical statement that will serve as a guideline for the basic direction of future Japan-ASEAN relations.
- (2) Through this declaration, Japan announces its unwavering position of respect for ASEAN. On the part of ASEAN, it expresses appreciation for Japan's contribution to the economic development and prosperity of ASEAN countries.
- (3) While appreciating the value and importance of Asian traditions, the declaration reaffirms the two sides' shared basic principles and values such as the rule of law, respect for justice, promotion of openness, and protection and promotion of human rights and fundamental freedoms.
- (4) The declaration affirms strengthening not only economic partnership but partnerships in a broad range of areas including politics and security as well as human resources development, and deepening and enhanced cooperation for securing peace, stability and prosperity in the region.
- (5) The declaration affirms that Japan-ASEAN relations have been moving toward a partnership that "acts together and advances together" to serve as the foundation for future Japan-ASEAN relations and reaffirms that East Asian cooperation will be deepened in order to establish an "East Asian community" that is outward-looking and full of creativity and energy given a fair, democratic and harmonious environment.

2. Common strategies for action

- (1) Reinforcing comprehensive economic partnership and monetary and financial cooperation
- (2) Consolidating the foundation for economic development and prosperity
- (3) Strengthening political and security cooperation and partnership
- (4) Facilitating and strengthening the exchange of persons and human resources development
- (5) Enhancing cooperation in public relations for culture
- (6) Deepening East Asia cooperation for an "East Asian community"
- (7) Cooperation in addressing global issues

In addition, Japan and ASEAN are actively working on multilateral frameworks through the ARF and ASEAN+3, as well as political and security dialogue and cooperation through bilateral efforts such as political-military talks between political and defense authorities.

(b) Overall situation in ASEAN

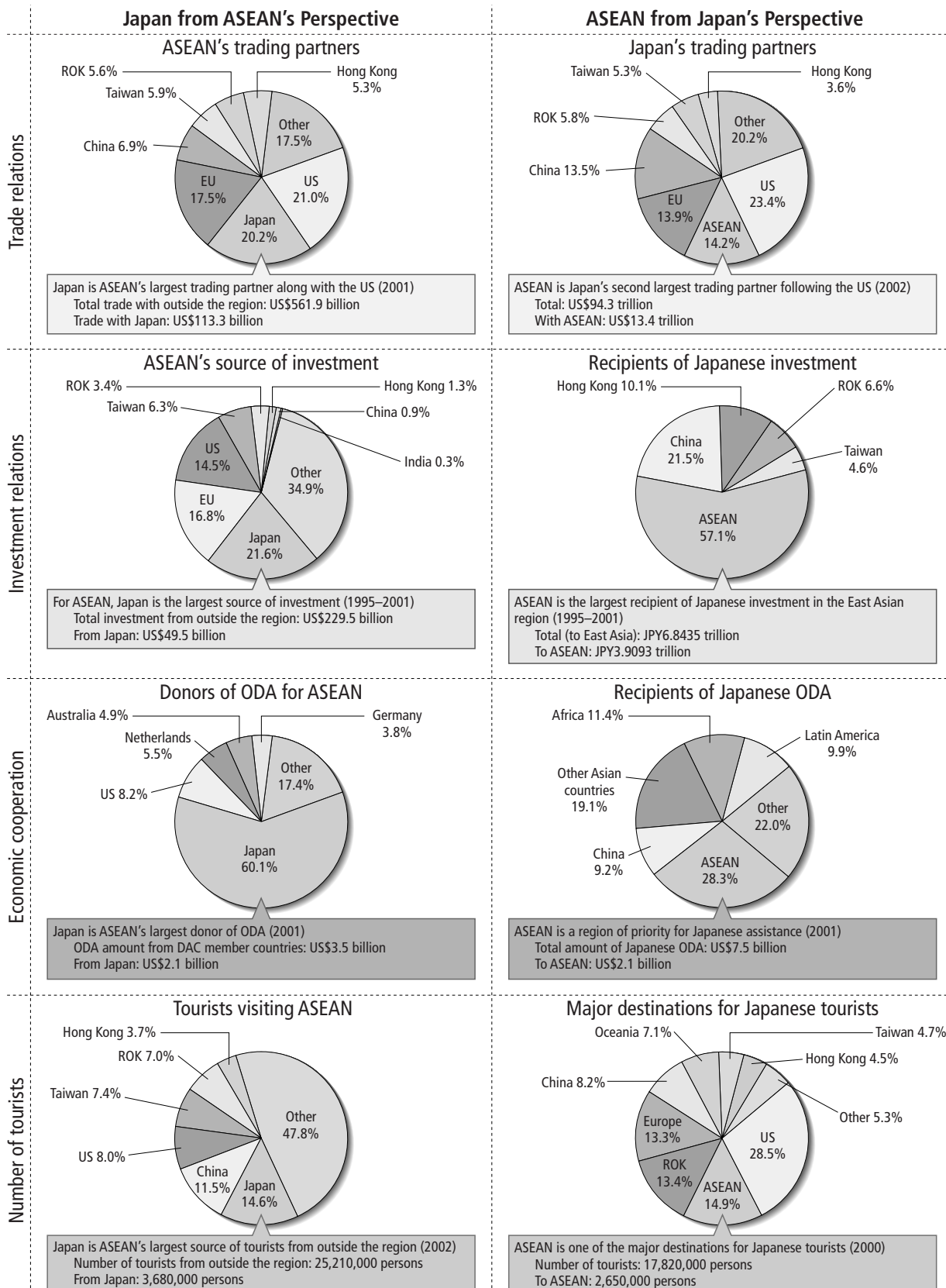
As securing unity has become an important issue for ASEAN, in the 9th ASEAN Summit held in Bali in October 2003, the leaders of the ASEAN countries agreed to strengthen ASEAN integration further with the signing of ASEAN Concord II (Bali Concord II), which aims to strengthen ASEAN unity further through the formation of the ASEAN Security Community (ASC), a body that aims to resolve issues in the region through the strengthening of maritime cooperation and the High Council of the Treaty of Amity and Cooperation in Southeast Asia (TAC); the ASEAN Economic Community (AEC), which aims to realize economic integration as outlined in ASEAN Vision 2020; and the ASEAN Socio-cultural Community (ASCC), which aims to strengthen the promotion of social development, human resources development and policies to combat infectious diseases. Countries outside the ASEAN region are also making more vigorous efforts to strengthen ties with ASEAN. For example, China and

India acceded to the TAC in October 2003 and demonstrated that their policies were to place importance on ASEAN. And in October 2003, ASEAN and countries outside the ASEAN region strengthened their economic relations as China and ASEAN signed the Protocol to Amend the Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the People's Republic of China, India and ASEAN signed the Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the Republic of India, and the ROK announced its intention to launch an FTA Joint Study Group with ASEAN comprised of individuals from government, business and academia.

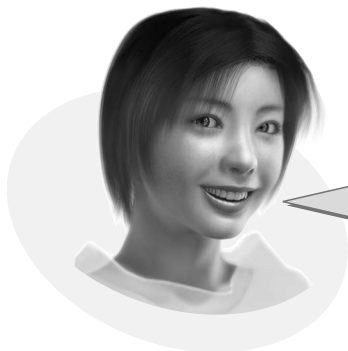
(c) Japan-ASEAN Relations

Through many years of exchange, Japan and ASEAN have become extremely important partners that "act together and advance together" and regard each other as necessary partners. In the area of economy, Japan together with the US are ASEAN's biggest trade partner and ASEAN is Japan's second biggest trade partner after the US. ASEAN is the largest destination for Japanese investment in the East Asian region and for ASEAN, Japan is

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



Summary of ASEAN-Japan Exchange Year 2003



Hello, I am Sanae Sakura.

2003 was the year of exchange between Japan and ASEAN. For a summary of the occasion, please refer below.

As a goodwill ambassador, I was able to spend a fulfilling year visiting each country of ASEAN and appealed the charms that both Japan and ASEAN countries have to offer. Throughout the ASEAN countries, I had a great time scuba diving, my favorite activity, and enjoyed the ethnic cuisine as well. We all are members of Asia. I hope you also discovered new aspects of the ASEAN countries during the ASEAN-Japan Exchange Year 2003.

What is ASEAN-Japan Exchange Year 2003?

- In January 2002, Prime Minister Koizumi proposed to designate 2003 as a year of exchange between Japan and ASEAN for the purpose of creating a sincere and open partnership between Japan and ASEAN in the 21st century to "act together and advance together," and the leaders of each ASEAN country supported this proposal.
- Throughout the year of exchange between Japan and ASEAN, various exchanges and activities were conducted mainly by citizens and private cultural organizations, thus deepening the friendship between the people of Japan and ASEAN.

Various commemorative programmes/events for the year of exchange

- Events such as pop music concerts, exhibitions of traditional dance and orchestral concerts, were co-organized by Japan and the ten ASEAN countries and were held in Japan and ASEAN countries. In particular, exchanges among the young generation expanded. The number of such programs climbed to 740.
- The 11 countries decided that each country would be responsible for each month of the year of exchange in turn, and it was decided that January was for Japan, February was the Philippines, March was Myanmar, April was Thailand, May was Brunei, June was Malaysia, July was Indonesia, August was Laos, September was Viet Nam, October was Singapore, and November was Cambodia. December was coordinated jointly by Japan and Thailand, and the climax was the Japan-ASEAN Commemorative Summit held the same month.
- Through such activities, ASEAN was widely introduced to Japan while many people from ASEAN discovered new aspects of Japan, and affinity between the countries grew.

Development of concentrated public relations activities

- A commercial for the promotion of the year of exchange, on which the goodwill ambassador Sanae Sakura created by computer graphics appeared, was shown at movie theaters in Japan and on television in ASEAN countries. In addition, commemorative stamps featuring symbolic buildings and scenery of the ten ASEAN countries were issued in Japan.
- Through such efforts, the year of exchange was recognized by people in and outside of Japan.

the largest investing country as well. In addition, for ASEAN, Japan is the biggest provider of bilateral ODA with about 30% of Japanese ODA going to ASEAN member countries. There are also vigorous human exchanges between Japan and ASEAN. For ASEAN, the greatest number of travelers from outside the ASEAN region come from Japan, and for Japan, ASEAN is a major travel destination second only to the US.

The Japan-ASEAN Commemorative Summit was held in Tokyo from December 11 to 12, 2003, in order to remember the friendly and cooperative relations between Japan and ASEAN spanning more than 30 years and to reconfirm these special ties, as well as to establish the

direction of future Japan-ASEAN relations in various fields at a summit level. This summit was the first ASEAN Summit where all ASEAN leaders came together in a country outside the ASEAN region to hold a summit with the leader of that country, thus making it a historic event. At the summit, Japan once again made it clear that its policy of attaching importance to ASEAN will remain unchanged, and Japan and ASEAN agreed that they should expand cooperation on their partnership not only in economic and development fields but also in political and security areas, and that Japan and ASEAN would cooperate to promote the building of an East Asian community.

In addition, Japan made clear that it would continue to



The "Rainbow of Dance" event held to commemorate the ASEAN-Japan Exchange Year on the occasion of the Japan-ASEAN Commemorative Summit (December)

give priority to ASEAN in the provision of ODA, and announced that Japan was ready to provide assistance of more than US\$1.5 billion for human resources development over the next three years, and that human exchange related to human resources development between Japan and ASEAN was projected to be about 40,000 people over the same period. Japan also announced support for efforts to strengthen integration and reduce economic disparities within the ASEAN region such as the Mekong region development (Japan announced that the amount of assistance was expected to be about US\$1.5 billion over the next three years) and the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA).

Furthermore, Japan and ASEAN issued the Tokyo Declaration, which stipulates the direction Japan-ASEAN relations should aim for in the new era, confirming that the fundamental principles of those relations are the "rule of law," "protection and promotion of human rights and fundamental freedoms," "a just and democratic environment" and "importance of Asian traditions and values," and stipulating that Japan and ASEAN will cooperate to promote further the comprehensive economic partnership and create an East Asian community. At the same time, Japan and ASEAN issued the Japan-ASEAN Plan of Action as a supplementary document to the Tokyo Declaration. The Plan lists over 120 specific Japan-ASEAN cooperation measures and demonstrated the will to expand and deepen Japan-

ASEAN cooperation not only by these principles but also by concrete measures.

The leaders also signed a declaration announcing Japan's intention to conclude a Southeast Asian TAC, and Japan clearly expressed its commitment to friendly and cooperative relations with ASEAN based on the principle of "acting together and advancing together."

Japan took advantage of the opportunity provided by the Commemorative Summit to hold summit-level and ministerial-level meetings with all ten ASEAN countries and in the summit meetings with Thailand, the Philippines and Malaysia, the parties decided to commence negotiations for bilateral EPAs.

(d) The Situation in the Southeast Asian Countries

Indonesia

In 2003, Indonesia under the administration of President Megawati Sukarnoputri continued to make various efforts to promote democratization and a wide range of reforms. On the other hand, the threat of terrorism remained serious in this part of the region. Following the terrorist bombing incident in Bali in October 2002, there was a bombing incident in the capital Jakarta in August 2003. The Indonesian government is making serious efforts to fight against terrorism but the cooperation of the international community continues to be necessary. Regarding the issue of Aceh,



President Megawati Sukarnoputri, paying a state visit to Japan, with Prime Minister Junichiro Koizumi (June Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

where a separatist and independence movement is taking place, Japan has been providing support for its peaceful resolution.¹⁰ Representatives of the Indonesian government and the separatist and independence movement attempted dialogue to resolve the problem in Tokyo in May 2003, but the talks broke off and ever since, Aceh has been under a state of military emergency martial law. Concerning Indonesia's relations with Japan, President Megawati paid a state visit to Japan in June 2003 and she visited Japan again to attend the Japan-ASEAN Commemorative Summit in December 2003, and exchanged opinions with Prime Minister Koizumi concerning the support for its reform and the regional stability issues including the situation in Aceh.

Cambodia

Cambodia held a National Assembly election on July 27, 2003. The Cambodian People's Party, the FUNCINPEC Party and the Sam Rainsy Party captured assembly seats. The Cambodian People's Party, to which Prime Minister Hun Sen belongs, captured 73 out of the total of 123 seats, but this was short of the two-thirds majority (82 seats) needed to form a government based on a vote of confidence. Thus, building a new coalition cabinet has become

an outstanding issue. Concerning Cambodia's relations with Japan, as the two countries celebrate their 50th anniversary of the establishment of diplomatic relations, Foreign Minister Kawaguchi attended the ASEAN10 Foreign Ministers' Meeting in Phnom Penh in June and Prime Minister Hun Sen visited Japan to attend the Japan-ASEAN Commemorative Summit in December.

Concerning the issue of the Khmer Rouge (KR) trials, the UN General Assembly unanimously adopted an agreement in May between the UN and the Cambodian government concerning the establishment of an Extraordinary Chamber, and the UN and the Cambodian government signed it in June. The agreement still needs to be ratified by the Cambodian Parliament and brought into force before the trials can begin.

Singapore

SARS broke out in Singapore in March. The government quickly and thoroughly implemented measures to fight against SARS but over 200 people were infected and over 30 people were killed, and it had a big social and economic impact. Concerning Singapore's relations with Japan, Prime Minister Goh Chok Tong visited Japan twice in 2003, in March and again in December on the occasion of the Japan-ASEAN Commemorative Summit.

¹⁰ In December 2002, Japan hosted the Preparatory Conference on Peace and Reconstruction in Aceh in Tokyo, together with the US, EU and World Bank (24 countries and international institutions participated). Japan also provided ceasefire monitoring expenses (US\$1.2 million) and implemented Grant Assistance for Grassroots Projects through NGOs based in Indonesia.

Concerning the Japan-Singapore Economic Partnership Agreement (JSEPA), which by December 2003 had been in force for one year, Foreign Minister Kawaguchi and Minister of Economy, Trade and Industry Shoichi Nakagawa attended the ministerial review meeting held in Tokyo, confirmed the results achieved since the coming into force of the agreement, and agreed to further develop cooperation.

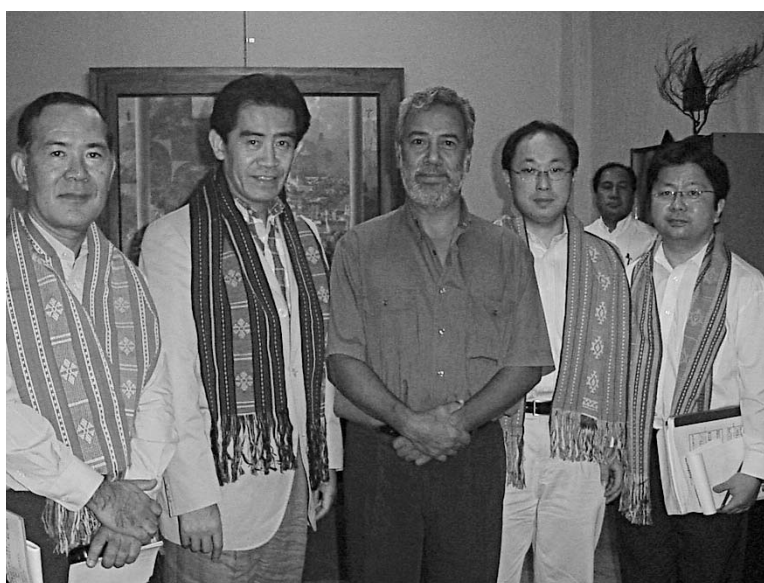
Thailand

In Thailand, the Thaksin administration, supported by its stable political basis, has been promoting active economic policies and has recorded high economic growth. Thailand hosted the APEC Economic Leaders' Meeting in October 2003. In addition, Thailand has pursued active foreign policies, such as consultations for FTAs with major countries such as China and India. Concerning Thailand's relations with Japan, Their Imperial Highnesses Prince and Princess Akishino and Their Imperial Highnesses Princess Mako and Princess Kako visited Thailand in August and there were vigorous visits by VIP's at the summit and ministerial level, for example, Prime Minister Thaksin Shinawatra of Thailand attended the Japan-ASEAN Commemorative Summit in Tokyo. At the summit meeting (Tokyo) in December 2003, the leaders agreed to officially begin negotiations for the conclusion of a Japan-Thailand EPA and foreign ministers of both countries signed the Japan-Thailand Partnership

Program Phase 2 (JTTP2), a framework for technical assistance for third countries.

Timor-Leste

As the United Nations Mission of Support in East Timor (UNMISET), a UN Peacekeeping Operation (PKO), continues assistance for the nation-building of Timor-Leste, the security situation has become relatively stable and nation-building and national reconciliation have progressed. Japan understands that the "consolidation of peace" in Timor-Leste is important for the stability of the Asia-Pacific region and has been making efforts in working to surely implement humanitarian, reconstruction and development assistance up to US\$60 million, as was announced in 2002. The Self-Defense Forces (SDF) dispatched to UNMISET are participating in PKO logistic support such as repairing bridges and roads. The SDF provides the Government of Timor Leste with the equipment it has used and carries out training for operations and techniques by SDF personnel so that the people of the country can continue infrastructure building on their own even after the SDF leaves. Senior Minister of Foreign Affairs and Cooperation Jose Ramos-Horta and President Xanana Gusmão visited Japan in April 2003 and February 2004, respectively, while Vice Speaker of the House of Representatives Kozo Watanabe and Senior Vice-Minister for Foreign Affairs Ichiro Aisawa visited Timor-Leste in August 2003 and February 2004, respectively, trying to strengthen bilateral relations.



Senior Vice-Minister for Foreign Affairs Ichiro Aisawa in talks with President Xanana Gusmão of Timor-Leste (February 2004)

Reconstruction Process for East Timor and Flow of Japanese Assistance

	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004
Background	<p>Direct ballot on whether to accept autonomy is held (8/30)</p> <p>Violence and vandalism surge after announcement of ballot results (80% for independence) on 9/4; security situation worsens</p> <p>Multinational force is established (9/15)</p> <p>UN Transitional Administration in East Timor (UNTAET) is established</p> <p>1st Donors' Meeting for East Timor is held (December, Tokyo)</p>	East Timor Transitional Administration (ETTA) is formed	<p>Constituent Assembly elections are held (8/30)</p> <p>East Timor Public Administration (ETPA) launched (9/20).</p>	<p>Proclamation of constitution (3/22)</p> <p>Presidential elections (4/14)</p> <p>Democratic Republic of Timor-Leste becomes independent (5/20)</p> <p>United Nations Mission of Support in East Timor (UNMISSET) is established as successor mission to UNTAET</p> <p>Timor-Leste joins UN</p>		
Humanitarian assistance	<p>US\$2.0 million (to UNHCR/WFP)</p> <p>US\$28.0 million (to UNHCR, etc.)</p>		<p>US\$5.39 million for refugee repatriation assistance</p> <p>US\$530,000 for national reconciliation assistance</p>		US\$470,000 for national reconciliation assistance	
Japanese assistance	<p>US\$130 million is pledged over three years (of which US\$100 million for reconstruction and development assistance)</p>			<p>New pledge of up to US\$60.0 million over three years</p>		
Reconstruction assistance	<p>US\$3.0 million (to Trust Fund for Human Security)</p> <p>US\$5.0 million (to World Trust Fund)</p>	<p>US\$30.0 million (to UNDP, UNICEF)</p> <p>US\$23.0 million (to World Trust Fund)</p> <p>Human resources development</p> <ul style="list-style-type: none"> • Restoration of elementary schools • Assistance for East Timorese students • Establishment of Faculty of Engineering at East Timor National University <p>Agriculture</p> <ul style="list-style-type: none"> • Rehabilitation of irrigation system in Manatuto <p>Infrastructure</p> <ul style="list-style-type: none"> • Rehabilitation of Dili water supply • Improvement of regional water supply • Emergency road repair between Dili and Casa • Rehabilitation of Dili port and road signs as well as fender beams • Rehabilitation of Dili port west container yard • Rehabilitation of Komoro power station • Rehabilitation of regional power stations • Grant Assistance for Grassroots Projects 	<p>US\$20.0 million (to UNDP)</p> <p>Assistance for Constituent Assembly elections</p>		<p>Infrastructure</p> <ul style="list-style-type: none"> • Rebuilding of elementary and junior high schools • Rehabilitation of Dili electricity network • Road repair between Dili and Casa • Health • Improvement of maternal and child health <p>Other</p> <ul style="list-style-type: none"> • Non-profit grants • Grant Assistance for Grassroots Human Security Projects • Grants Japanese NGO assistance grants 	
PKO related	<p>US\$9.0 million (to UNTAET Trust Fund)</p> <p>US\$100 million (to trust fund for the multinational force)</p>			<p>Japanese SDF Engineer Group dispatched to UNMISSET military sector</p>	Partial transfer of SDF materials and equipment	

The Philippines

The Philippines has continued to tackle various issues such as the Mindanao situation, where the military operation to sweep out Islamic extremist organizations as well as peace negotiations with anti-government forces are being carried out, and economic reforms. Preparations for resuming peace negotiations with communist forces have also commenced, which had been suspended since June 2001. A rebellion arose by junior officers of the Armed Forces of the Philippines in the capital of Manila in July 2003, which President Gloria Macapagal-Arroyo eventually suppressed. President Arroyo announced her candidacy in October 2003 for the presidential election, which is to be held in 2004. Concerning the Philippines' relations with Japan, President Arroyo visited Japan in June and December 2003 and had close exchange at the summit level. After the summit meeting in December, the leaders of Japan and the Philippines issued a joint announcement stating that they had agreed to commence negotiations for a Japan-Philippines EPA in early 2004.

Brunei

In Brunei, regarding the economy, in early 2003, the government announced a two-pronged economic strategy that is centered on the development of the oil and gas downstream industry, aimed at economic diversification, and made clear its expectation of inflows of investment from foreign countries including Japan to the new industrial sectors. In January 2003, Senior Vice-Foreign Minister Yano visited Brunei and held talks with the Minister of Foreign Affairs and others. From Brunei, The Sultan and Yang Di-Pertuan, His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah and others visited Japan to attend the Japan-ASEAN Commemorative Summit in December 2003 and a summit meeting and foreign ministers' meeting were held.

Viet Nam

Viet Nam continued to enjoy domestic stability in 2003 with the help of economic growth of about 7% (forecast). Recently, Viet Nam has played a more important role on the international stage and it is to host the 5th ASEM Summit in 2004. Concerning Viet Nam's relations with Japan, on the 30th anniversary of the establishment of diplomatic relations the two countries further developed their bilateral relations in all fields, such as VIP visits and cultural exchange events. In particular, in field of economy, with a view to continuing to provide support for

the economic reforms of Viet Nam promoted under the Doi Moi Policy and to promoting the business activities of Japanese companies, the two countries signed the Japan-Viet Nam Investment Agreement in November 2003, and the final report of the Japan-Viet Nam Joint Initiative, which summarized the priority issues and policies to improve the investment environment in Viet Nam, was submitted to the prime ministers of the two countries in December 2003.

Malaysia

In Malaysia, Prime Minister Mahathir Mohamad, who had led the country for 22 years, retired at the end of October and Deputy Prime Minister Abdullah Hj Ahmad Badawi occupied the post of prime minister. Concerning Malaysia's relations with Japan, vigorous VIP visits such as the visit of Prime Minister Mahathir and Deputy Prime Minister Abdullah to Japan in June and July, respectively, and the visit of Foreign Minister Kawaguchi to Malaysia in November were paid between the countries. At the Japan-Malaysia Summit Meeting held on the occasion of the Japan-ASEAN Commemorative Summit in December, Prime Minister Abdullah announced that Malaysia would continue its Look East Policy and continue to place importance on relations with Japan, and the two leaders agreed to initiate negotiations for a Japan-Malaysia EPA to begin in early 2004 and issued a joint announcement.

Myanmar

In Myanmar, Daw Aung San Suu Kyi and other members of the National League for Democracy (NLD), during a whistle-stop tour in Myanmar in May 2003, were taken into custody following fighting that broke out with local residents (according to the announcement by the government). After that, Daw Aung San Suu Kyi entered hospital for an operation in September 2003, and was taken home after she left the hospital. In August, there was a cabinet shuffle and the Secretary 1 of the State Peace and Development Council (SPDC) Lieutenant General Khin Nyunt took the prime minister's office and he immediately announced the "roadmap" for the democratization of Myanmar. In this connection, at the Forum on International Support for National Reconciliation in Myanmar, hosted by Thailand in December (representatives of twelve countries including Japan and Myanmar, and the UN Secretary General's Special Envoy Razali Ismail participated), Minister of Foreign Affairs U Win

Chronology of the Situation in Myanmar

1988	Nationwide pro-democracy movement erupts. Daw Aung San Suu Kyi becomes leader of pro-democracy movement.
1988/9	National armed forces repress demonstration, seize power and establish the State Law and Order Restoration Council (SLORC). Daw Aung San Suu Kyi forms the National League for Democracy (NLD).
1989/3	Government formally abandons "Burmese Way to Socialism" and shifts to market economy.
1989/6	Country name changes from "Union of Burma" to "Union of Myanmar."
1989/7	Daw Aung San Suu Kyi is placed under house arrest.
1990/5	General elections are held. Landslide victory for NLD, gaining approximately 80% of the seats.
1993/1	National Convention is held.
1995/7	House arrest of Daw Aung San Suu Kyi is lifted.
1995/11	NLD boycotts National Convention. SLORC removes NLD's name from National Convention.
1996/3	National Convention adjourns.
1997/7	Myanmar joins ASEAN.
1997/11	SLORC is disbanded. State Peace and Development Council (SPDC) is established.
2000/9	Restriction of movements on Daw Aung San Suu Kyi at her home begins.
2002/5	Restriction of movements on Daw Aung San Suu Kyi is lifted.
2003/5/30	Daw Aung San Suu Kyi and members of NLD are placed in custody while campaigning in the region.
6/5	Foreign Minister Kawaguchi releases statement to the effect that "Japan regards the current situations with concern and hopes they are rectified, including freedom of political activities by Daw Aung San Suu Kyi and others."
6/6–10	Special Envoy of the UN Secretary-General Razali Ismail visits Myanmar and meets with Daw Aung San Suu Kyi.
6/17	Foreign Minister Kawaguchi conducts Japan-Myanmar Foreign Ministers' Meeting on occasion of ASEAN PMC in Cambodia.
6/21	Council of European Union decides to implement strengthened sanctions ahead of the scheduled date of the end of October that year.
6/23	Senior Vice-Foreign Minister Yano visits Myanmar and calls on Secretary-1 General Khin Nyunt and others for a swift resolution to the current situation.
6/25	Special Envoy of the UN Secretary-General Razali Ismail visits Japan. He meets with Foreign Minister Kawaguchi and Senior Vice-Foreign Minister Yano and others.
7/4	Deputy Foreign Minister U Khin Maung Win visits Japan as Chairman of the SPDC Senior General Than Shwe's Special Envoy.
7/28	US enacts Burmese Freedom and Democracy Act of 2003 to impose sanctions on Burma. In addition, US president signs Executive Order that bans remittance and imports, freezes assets, etc.
8/25	Cabinet reshuffle including appointment of SPDC Secretary-1 General Khin Nyunt as prime minister is announced.
8/30	Prime Minister General Khin Nyunt announces in his inauguration speech a seven-step "Roadmap," including reconvening the National Convention, with the goal of democratizing Myanmar.
9/6	Government of Myanmar announces members of National Convention Convening Commission.
9/18	Daw Aung San Suu Kyi is hospitalized for gynecology-related surgery.
9/21–24	Indonesia dispatches former Foreign Minister Alatas to Myanmar as President Megawati's special envoy.
9/25	Thai Foreign Minister Surakiart visits Myanmar.
9/26	Daw Aung San Suu Kyi is released from hospital and transferred to her home.
9/30–10/2	Special Envoy of the UN Secretary-General Razali Ismail visits Myanmar (11th time) and meets with Chairman of the SPDC Senior General Than Shwe, Daw Aung San Suu Kyi, and leaders of minority ethnic groups.
10/7	Prime Minister Koizumi has brief talk with Prime Minister General Khin Nyunt on occasion of ASEAN+3 Summit Meeting.
12/10	Foreign Minister Kawaguchi meets with Foreign Minister U Win Aung, who is visiting Japan to attend Japan-ASEAN Commemorative Summit (12/11–12, Tokyo).
12/12	Prime Minister Koizumi meets with Prime Minister General Khin Nyunt, who is visiting Japan.
12/15	"Forum on International Support for National Reconciliation in Myanmar" is held by the Government of Thailand. Japan Myanmar and other countries participate.

Aung explained that Myanmar was making efforts for the reconvening of the National Convention¹¹ and that it believed the participation of the parties concerned was important.

Japan, concerned about the situation since Daw Aung San Suu Kyi was taken into custody, requested the Government of Myanmar to allow the NLD, including Daw Aung San Suu Kyi, to resume free political activities and to concretely advance national reconciliation and the democratization process, and has tenaciously called on Myanmar to do so in close cooperation with the international community through such opportunities as the foreign ministers' meeting held in Phnom Penh (June), the summit meeting and foreign ministers' meeting held on the occasion of the Japan-ASEAN Commemorative Summit (December) and the Forum on International Support for National Reconciliation in Myanmar.

Laos

In Laos, in the third session of the Fifth Legislature of the National Assembly in April 2003, the constitutional amendment bill was debated and the amended constitution

was promulgated in July. Since Laos joined ASEAN in 1997, the Government of Laos has implemented policies aimed at intraregional integration, and Laos is due to take over the ASEAN presidency in 2004. Concerning Laos' relationship with Japan, Phase 2 of Macroeconomic Policy Support for Socio-Economic Development in the Lao PDR commenced in April and seminars to promote investment to Laos were held in Japan. Relations between the two countries have strengthened further through frequent VIP visits, such as the visit by Deputy Prime Minister and Minister of Foreign Affairs of Laos Somsavat Lengsavat to Japan in August and the visit by Foreign Minister Kawaguchi to Laos in November, the first visit to Laos by a Japanese minister for foreign affairs in 13 years. In particular, on the occasion of the Japan-ASEAN Commemorative Summit in December 2003, Prime Minister Koizumi and Prime Minister Bounnhang Vorachith of Laos held a summit meeting and the foreign ministers of the two countries signed the Agreement on Technical Cooperation between the Government of Japan and the Government of the Lao People's Democratic Republic.

4

South Asia

(a) Overview

While longstanding conflicts continued to cast their shadows in South Asia in 2003, South Asia continued to fulfill a role as an important region in the fight against terrorism. At the same time, a trend toward stability was observed against a background of continuous high economic growth in recent years. In particular, the tense relationship between Pakistan and India, which had included military confrontation since 2001, has shown a positive and concrete movement toward improvement. It is notable that an India-Pakistan Summit Meeting was held in January 2004 for the first time in two and a half years and that the leaders reached an agreement to resume serious dialogue. On the other hand, there

remain unstable factors with regard to security, such as the fact that both countries continue to develop missiles and, as such, there is a strong necessity for the international community, including Japan, to work for peace and stability in South Asia.

In Sri Lanka, the conflicting parties mostly adhered to the ceasefire agreement and their efforts toward peace continued in 2003. The international community, including Japan, has actively supported the peace process, but it has become deadlocked due to the announcement by the Liberation Tigers of Tamil Eelam (LTTE) in April, that it would temporarily suspend peace talks as well as the chaos in the domestic policy of the country since November.

¹¹ The National Convention consisting of eight groups of representatives including Diet members and representatives of ethnic minority groups was launched in January 1993 to deliberate on the fundamental principles of the constitution. However, the NLD announced a boycott of the convention in November 1995, claiming that the convention's procedures were not democratic. In response, the government expelled the NLD representatives from the convention. After that, the convention continued its deliberations without the NLD, but has been suspended since March 1996.

(b) India-Pakistan Relations

With regard to the India-Pakistan relations, tensions ran high several times with large-scale military mobilization following the attack on the Indian parliament in December 2001 and the attack on an Indian army camp in Kashmir in the May 2002. Owing to the efforts by the international community, however, a crisis was avoided. The relations remained stalemated even in early 2003, with, for example, an incident involving the killing of Hindus in Kashmir occurring in March and exchanges of hostile statements by the leaders of both countries continuing. In April, however, Prime Minister Atal Bihari Vajpayee of India made a conciliatory speech to extend a hand of friendship to Pakistan, Prime Minister Mir Zafarullah Khan Jamali of Pakistan welcomed this and relations between the two countries began to improve. Subsequently, Pakistan and India announced a series of concrete measures: in July, they exchanged ambassadors and resumed the direct bus link between New Delhi in India and Lahore in Pakistan a year and a half after its suspension; both countries agreed to a ceasefire along the Line of Control in Kashmir in November; an agreement was reached to restore civil aviation links and overflights as well as reopen rail links between the two countries in December; and in January 2004, on the occasion of the South Asian Association for Regional Cooperation (SAARC) Summit Meeting hosted by Pakistan, Prime Minister Vajpayee and President Pervez Musharraf of Pakistan had a summit meeting for the first time in about two and a half years and agreed to resume serious

dialogue from February. Thus, the two countries held foreign secretary level talks in February and agreed to hold further foreign secretary level talks about various issues including Kashmir in May or June as well as a foreign ministers' meeting in August.

Japan welcomes this positive and concrete movement toward an improvement in India-Pakistan relations. It will continue to encourage the countries to improve their bilateral relations in cooperation with the international community.

(c) The Situation in India and Japanese Diplomacy

Since economic liberalization in 1991, India's GDP has grown at a rate of more than 6% a year on average. Against this background, India continued to strengthen its relations with the US, Europe and Asia in 2003, primarily in economic fields, and heightened its presence in the international community. In particular, as for its relations with China, Prime Minister Vajpayee visited China in June, and the leaders issued the Declaration on Principles for Relations and Comprehensive Cooperation between the Republic of India and the People's Republic of China and agreed to promote dialogue concerning the expansion of economic exchange and in the political field. With regard to its relations with ASEAN, India has worked eagerly on expanding mainly economic relations. At the 2nd India-ASEAN Summit held in Bali in October, the leaders signed the Framework Agreement on Comprehensive Economic Cooperation between the

(Photo)

Association of Southeast Asian Nations and the Republic of India, and India acceded to the Treaty of Amity and Cooperation in Southeast Asia (TAC).

Concerning relations with Japan, there were vigorous VIP exchanges. For example, Foreign Minister Kawaguchi visited India in January, Principal Secretary to the Prime Minister Brajesh Mishra of India visited Japan in April and Minister of State for Defense Shigeru Ishiba visited India in May. In addition, a public symposium entitled “India: An emerging global power—Strategy for Japan-India cooperation in the coming age—” was held in Tokyo in December with the participation of experts from Japan, India, the US and China.

(d) The Situation in Pakistan and Japanese Diplomacy

In Pakistan, in December 2003, President Musharraf announced his intention to relinquish the position of Chief of the Army Staff by the end of December 2004. Subsequently, the parliament held a confidence vote in favor of President Musharraf’s leadership, he was trusted by a majority and thus the long-pending issues related to internal affairs were settled. It is expected at the moment that the stability of domestic politics as well as further democratization will be advanced.

Pakistan has also continued to fight against terrorism. It has taken more than 500 Al-Qaeda militants into custody so far and strengthened measures such as Al-

Qaeda mop-up operations in the tribal areas located along the border with Afghanistan.

In the area of economy, Pakistan has actively worked on streamlining its budgets as well as promoting economic and social reforms. During FY2002-2003, it recorded economic growth of over 5%, well in excess of the government target.

Concerning relations with Japan, the two countries held consultations at the vice-foreign ministerial level in March, a foreign ministers’ meeting in June on the occasion of the Asia Cooperation Dialogue (ACD) Foreign Ministers’ Meeting, a security dialogue in December and a high-level economic consultation in February 2004.

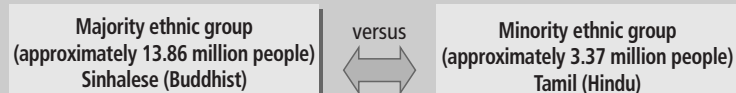
(e) The Situation in Sri Lanka and the Efforts by the International Community Including Japan

In Sri Lanka, the government and the LTTE held peace talks six times in total between September 2002 and March 2003. In April 2003, however, the LTTE announced its temporary withdrawal from peace talks, arguing that the government handled the peace process improperly. Later, when the Government of Sri Lanka presented in July 2003 a proposal to the LTTE for the establishment of an interim administration for the northern and eastern part of the country, which had been the outstanding issue preventing the resumption of peace talks, the LTTE presented a counterproposal to the

(Photo)

Ethnic Conflict in Sri Lanka

1. Basic structure (scheme of the conflict)



2. Background

1948 Independence

Implementation of preferential treatment policy for Sinhalese by Sinhalese-led government

Examples

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

Tamils revolt and demand increase in autonomy

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 mass riot of July 1983

Mass riots: Triggered by the killing of 13 Sinhalese soldiers in Jaffna in the northern region; 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 LTTE (Thimpu) → Breakdown

1987 Indo-Sri Lanka peace accord → Indian Peacekeeping Force is dispatched (1987–89)

→ Groups other than LTTE are disarmed

← Only LTTE continues armed struggle

1989–90 Peace talks with LTTE (Colombo) → Breakdown

1995 Peace talks with LTTE (Jaffna) → Breakdown

Unresolved conflict (over 65,000 victims)

→ Obstacle to political stability and economic development

3. Current situation

- Feb 2000 Mediation by Norway begins
 - Feb 2002 Ceasefire agreement established
 - Sep First peace talks (Thailand)
 - Nov Support Meeting for the Sri Lanka Peace Process (Oslo)
 - Mar 2003 Sixth peace talks (Hakone)
 - Apr LTTE announces it will momentarily suspend peace talks
 - Jun Tokyo Conference on Reconstruction and Development of Sri Lanka (Tokyo)
 - Jul Sri Lankan government submits proposal for interim administration of the north and east to LTTE
 - Sep First meeting to follow up "Tokyo Conference" (Colombo)
 - Oct LTTE submits counterproposal to Government's proposal for interim administration
 - Nov President Kumaratunga dismisses three leading ministers including the defense minister
- Afterward, no development seen in peace process

government in October 2003, and it seemed as if the peace talks would resume once again. Yet, President Chandrika Kumaratunga of Sri Lanka suddenly announced in November 2003 the dismissal of three main cabinet ministers including the Minister of Defence and a two-week suspension of Parliament, and the standoff between President Kumaratunga and Prime Minister Ranil Wickramasinghe came to the surface once again. As a consequence, the resumption of peace talks has still not been realized.

With a view to contributing to the “consolidation of peace,” Japan has actively supported the Sri Lankan peace process through visits to Sri Lanka by Japanese Government representative Yasushi Akashi, Foreign Minister Kawaguchi and Senior Vice-Foreign Minister Yano. It hosted the sixth round of the peace talks in Hakone in March 2003. Japan also hosted the Tokyo Conference on Reconstruction and Development of Sri Lanka, with the participation of approximately 70 countries and organizations in June 2003. At this conference, the entire international community showed a strong and unanimous commitment to promoting the peace process and announced financial assistance of more than US\$4.5 billion over four years. Japan intends to continue to contribute to the “consolidation of peace” in Sri Lanka through such measures as providing reconstruction and development assistance based on the principles of the Tokyo Declaration.

(f) Nepal, Bangladesh and Bhutan and Japanese Diplomacy

In Nepal, the Maoists, an extreme leftist organization, have been carrying out attacks on properties including government facilities in the name of a people’s war since 1996. The Maoists suspended its activity in January 2003 and conducted three rounds of peace talks with the Government of Nepal. However, in August, the Maoists announced an abandonment of the ceasefire and temporary withdrawal from the peace talks, and recommended armed combat.

Japan has been encouraging the Maoists to agree to the resumption of the peace talks. At the same time, it has been providing social and economic development assistance to Nepal, with a view to alleviating the poverty, which is considered to be one of the major reasons for the Maoists’ activities.

Concerning relations between Japan and Bangladesh, Minister of Foreign Affairs M. Morshed Khan of Bangladesh visited Japan in April 2003 and a foreign ministers’ meeting was held on the occasion of the Asia Cooperation Dialogue (ACD) in June.

In Bhutan, militant organizations, which seek independence from India, entered the southern part of the country and established camps as their base in order to escape a crackdown from Indian security forces. The Government of Bhutan worked for the resolution of the issue through negotiations, only to fail, and finally resorted to military action in the southern part of the country in December to eradicate the extremist organizations. The military action has now been substantially completed.

5

Oceania

(a) Overview

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

Australia and New Zealand are not only important trade partners for Japan, which provide it with mineral resources and agricultural products, but are also partners having basic values in common with Japan such as democracy, human rights and a market economy.

Therefore, they are especially expected to fulfill an important role in ensuring stability and prosperity in East Asia, based on those values. Japan has steadily developed wide-ranging cooperation with these two countries.

Many Pacific Island countries have friendly relations with Japan based on their historical backgrounds, where some of them were former Japanese mandated regions under the League of Nations, and frequent human exchanges flourished. Reflecting such close relations, these countries have taken a well-developed attitude toward Japan’s positions in the UN and other international

3rd Japan-Pacific Islands Forum (PIF) Summit Meeting, also known as the Pacific Islands Leaders Meeting (PALM 2003)

May 16–17, 2003 Place: Okinawa (Bankoku Shinryokan)

Participating countries and regions: 13 countries and two regions (all the 16 PIF members except Nauru attended)
(Fiji, Papua New Guinea, Palau, Marshall Islands, Federated States of Micronesia, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, Kiribati, Australia, New Zealand, Cook Islands and Niue)

Okinawa Initiative

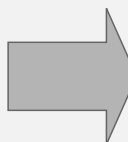
- Regional Development Strategy for a More Prosperous and Safer Pacific
Concrete and action-oriented regional development strategy to achieve “sustainable development” in the Pacific region
- **Joint Action Plan**

5 principles

1. Achievements at the World Summit on Sustainable Development (WSSD), 2002
2. Millennium Development Goals (MDGs) at the United Nations
3. “Human Security” and “Consolidation of Peace” initiatives proposed by Japan
4. Pacific policy framework endorsed by the leaders and ministers of the PIF
5. Enhanced cooperation with other development partner governments and organizations including those from civil society

5 priority policy targets

1. Enhanced security in the Pacific region
2. Safer and more sustainable environment
3. Improved education and human resources development
4. Better health
5. More robust and sustained trade and economic growth

**Joint Action Plan**

Concrete action plan based on PIF ownership and Japan's partnership

Joint Statement on Cooperation among Australia, Japan and New Zealand on Development Assistance in the Pacific Region

Policy dialogue with Australia and New Zealand, key donors within the region, and further cooperation and coordination in the five areas related to the “Okinawa Initiative”

1. Environmental conservation and improvement
2. Improvement in infrastructure and quality of basic education in the Pacific countries, and enhancement of distance education capabilities of the University of South Pacific
3. Combating infectious diseases including HIV/AIDS and SARS
4. Promotion of private sector activities in trade and investment
5. Post-conflict reconstruction projects in the Solomon Islands and Bougainville in Papua New Guinea



Prime Minister Junichiro Koizumi delivers an address at the Opening Ceremony of the 3rd Japan-Pacific Islands Forum (PIF) Summit Meeting (May Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

fora. The Pacific Island region has a vast exclusive economic zone and supplies marine resources and sea lanes to Japan. On the other hand, as the Pacific Island countries face various challenges inherent in a small land area and widely studded islands, Japan has continuously implemented concrete cooperation as a neighbor in the Pacific, in accordance with its policy of thinking together and acting together in responding to these challenges.

Particularly, in 2003, Japan pursued proactive diplomacy including the holding of the 3rd Japan-Pacific Islands Forum (PIF) Summit (PALM 2003) in May, and the visits to Japan of President Kessai H. Note of the Republic of the Marshall Islands in June and Prime Minister John Howard of Australia in July. In addition, in August, Senior Vice-Foreign Minister Yano attended the PIF Post-Forum Dialogue in New Zealand and visited subsequently Australia, Vanuatu and the Solomon Islands. Their Imperial Highnesses Prince and Princess Akishino visited Fiji, Tonga and Samoa in September and October, which was the first official visit to South Pacific Island countries by members of the Imperial Family. In December, Prime Minister Saufatu Sopoanga of Tuvalu visited Japan and met Prime Minister Junichiro Koizumi and other top officials.

(b) Australia

Japan and Australia share principles of freedom, democracy and a market economy, and have established a favorable bilateral relationship based on a mutually complementary trade relationship. Moreover, the two countries stand on a common position in allying with the US in the security field. In light of these relations, Japan and Australia, have been strengthening their relationship in a multifaceted way as “creative” partners in the Asia-Pacific region.

Prime Minister Howard of Australia visited Japan in July and held talks with Prime Minister Koizumi, and the two leaders signed the Australia-Japan Trade and Economic Framework. With a view to developing even closer relations based on this framework, the two countries plan to implement a high standard of facilitation measures befitting developed countries to have consultations to exchange information on the impact of FTAs with third countries, and to conduct joint study to examine the costs and benefits of the liberalization of trade and investment. The two countries confirmed their close cooperation, issuing the Australia-Japan Joint Statement on Cooperation to Combat International Terrorism, which is

to be the cornerstone for the promotion of concrete cooperation in combating terrorism. In addition, they agreed to conduct various exchange programs toward 2006, the 30th anniversary of the signing of the Basic Treaty of Friendship and Co-operation between Japan and Australia.

The Conservative coalition government led by Prime Minister Howard has been maintaining high approval ratings among the Australian public. The factors that assisted the high approval rate were active and successful participation in the military operation against Iraq and the subsequent reconstruction assistance operation and the continuing positive economic growth (the forecast GDP growth rate compared to the previous fiscal year for the end of June 2004 was 3.75%) despite the effects of a drought. Against this background, Prime Minister Howard made public his intention to continue to lead the government in June. As for opposition, Australian Labor Party leader Mr. Simon Crean announced his intention to resign from his party at the end of November because of low approval ratings. In his place, 42-year-old Mr. Mark Latham was elected as leader of the party and he has been working to restore the party. The timing and trends of the general election planned for 2004 will be the focus of attention.

(c) New Zealand

While the Labour Party government led by Prime Minister Helen Clark maintained high approval ratings in 2003, those of the National Party, the leading opposition party, remained low and as a result, it appointed a new leader in October. As for the economy, New Zealand maintained positive economic growth (the GDP growth rate compared to the previous fiscal year for the end of September 2003 was 3.9%) but the New Zealand dollar continued to appreciate and the current account deficit worsened.

New Zealand has been participating in sea blockade operations as a part of “Operation Enduring Freedom” in Afghanistan, and has dispatched about 100 military personnel to Bamiyan to take part in the Provincial Reconstruction Team (PRT) there. Concerning the military operation against Iraq, New Zealand stuck to supporting the principle of multilateralism, international law and the role of the UN Security Council, and not to supporting unilateral action against Iraq. It has, however, actively contributed to post-war reconstruction and has dispatched military personnel, mainly consisting of an engineer unit, to the southeast region of Iraq since September 2003.

With regard to relations between Japan and New Zealand, Speaker of the House of Representatives Jonathan Hunt visited Japan, and the two countries carried out vigorous ministerial-level exchanges, which contributed to the furtherance of friendly relations between both countries.

(d) The Pacific Island Countries

In 2003, general elections were held in the Federated States of Micronesia (FSM) (March), the Republic of Kiribati (May), the Republic of Nauru (May) and the Republic of Marshall Islands (RMI) (November). Newly-elected presidents were Mr. Joseph J. Urusemal in FSM and Mr. Anote Tong in Kiribati. In Nauru, there were repeated changes of administration from the beginning of the year but finally in August Mr. René Harris was once again elected president. In the RMI, President Note was reelected in January 2004.

In Fiji, the formation of the cabinet for the administration of Prime Minister Laisenia Qarase, which was established through a democratic election in 2001, led to a judicial judgment on the ground that the administration violated the constitutional stipulation that major opposition party members should be included in the cabinet. In July 2003, the Supreme Court ordered Prime Minister Qarase to form a cabinet including members of the opposition Labour Party. Prime Minister Qarase proposed a cabinet including Labour Party members but agreement could not be reached concerning the number of Labour members. As a result, it was decided that the Supreme Court was to give another judgment on this matter in June 2004.

In the Solomon Islands, as the deterioration of law and order as well as public security became more serious, Prime Minister Allan Kemakeza felt out Prime Minister Howard of Australia on assistance to address the situation in April 2003. At the PIF Foreign Ministers' Meeting at the end of June, Australia played a central role in reaching an agreement on an assistance policy to restore the law and order as well as public security in the Solomon Islands. In response to an official request for assistance from the Government of the Solomon Islands, Australia and other PIF member countries dispatched police and armed peacekeepers from the end of July as the Regional Assistance Mission to the Solomon Islands (RAMSI). With the improvement in public security there, the scale of the military personnel is planned to be drastically reduced by the middle of 2004. However, continuous cooperation

aimed at the independence and amelioration of governmental functions, including improving the capacity of the police as well as state finance, will continue.

Kiribati established diplomatic relations with Taiwan in November 2003 and severed relations with China. Currently, five of the Pacific Island countries, Kiribati, the Marshall Islands, Palau, the Solomon Islands, and Tuvalu, have diplomatic relations with Taiwan.

Concerning relations between the Pacific Island countries and Japan, the 3rd Japan-PIF Summit Meeting (PALM 2003) was held on May 16-17, 2003 in Okinawa with the participation of the leaders of the 16 PIF member countries and regions (Nauru, however, was absent), co-chaired by Prime Minister Koizumi and Prime Minister Qarase of Fiji. The leaders discussed issues on security, environment, education and development of human resources, health and sanitation, and trade and economic growth. They adopted the Regional Development Strategy and Joint Action Plan for a More Prosperous and Safer Pacific as the Okinawa Initiative in order to materialize the "sustainable development" of the Pacific Islands region. This initiative emphasized that Japan provides much concrete cooperation while respecting the ownership of the Pacific Islands. Furthermore, Japan, Australia and New Zealand, providing 60% of all assistance to the Pacific Island countries, issued a joint statement aimed at cooperation among themselves in assistance for the Pacific Island countries.

President Note of the Republic of Marshall Islands made an official visit to Japan in June and held talks with Prime Minister Koizumi and other top officials. In August, Senior Vice-Foreign Minister Yano attended the 15th PIF Post-Forum Dialogue in New Zealand as the head of the Japanese delegates and held consultations about the follow-up to the "Okinawa Initiative" and assistance for the restoration of law and order in the Solomon Islands. Then he went to Australia and exchanged views with Minister for Foreign Affairs Alexander Downer concerning the follow-up to the visit in July by Prime Minister Howard to Japan and the situation in the Solomon Islands. In addition, he visited the Solomon Islands and held talks with government ministers and senior officials of RAMSI and inspected the situation on the ground to ascertain the progress of the restoration of law and order. Finally, in Vanuatu, he held talks with government ministers and inspected Japanese ODA project sites.

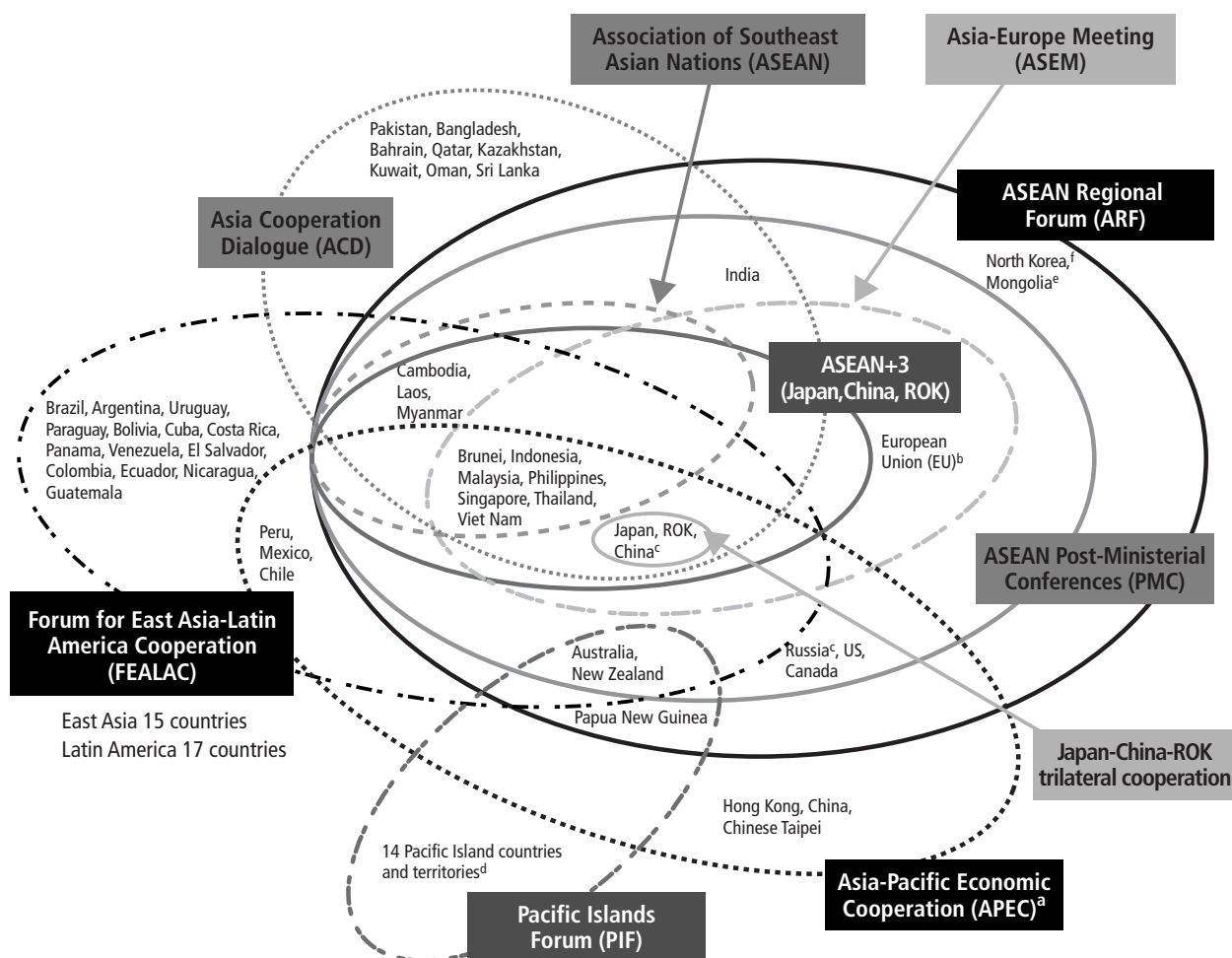
6 Regional Cooperation

(a) Overview

As relations among states become increasingly multilayered and complex, many situations are emerging that international organizations such as the UN or the World Trade Organization (WTO) cannot cope with on their own, or do not have enough resources to monitor. It is becoming more and more important to cope with these issues through a strengthened intraregional cooperation such as Japan-China-ROK trilateral cooperation and

ASEAN+3, and the promotion of interregional cooperation including APEC, ASEM and ACD. In addition, the reach of cooperation is expanding to such countries as India, Australia and New Zealand in transnational issues including terrorism, human trafficking, piracy, drugs, infectious diseases and energy. It is necessary to advance functional and effective cooperation from a broad perspective.

Framework of Regional Cooperation and Interregional Cooperation in the Asia-Pacific Region



^a As for APEC, the ASEAN Secretariat, Pacific Economic Cooperation Council (PECC) and PIF participate in APEC as observers.

^b 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.

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

^d Pacific Island countries and regions that are members of the PIF include, besides Papua New Guinea, 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.

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

^f North Korea has participated in the ARF since the 7th ARF Ministerial Meeting in July 2000.

Japan believes that it is important for such cooperation in the East Asian region to be fostered in consideration of the following points: (1) regional cooperation should both ensure stability in the region and promote the modernization of the entire region (democratization, market development, etc.); (2) cooperation should not end with the mere expression of political will and should be advanced with substantial results; (3) cooperation should be started in the economic sphere and the aim of it in the medium and long term should include political governance (democratic rule) as well; and (4) cooperation should be promoted in a way that will not cause conflict with global governance (management of the international community through international organizations and others) but instead they should complement each other. Based on these principles, Japan is actively promoting regional cooperation in the East Asian region.

(b) Asia-Pacific Economic Cooperation (APEC)

APEC, which is composed of 21 diverse members from the Asia-Pacific region, has been undertaking the liberalization of trade and investment, facilitation of trade and investment, and economic and technical cooperation in order to realize sustainable development within the region and has also been contributing to creating a sense of community and ensuring unity in the Asia-Pacific region with “open regional cooperation” and “concerted self-disciplined action” as its fundamental principles.

Deepening cooperation on the economic front in the APEC region, which accounts for about 70% of Japan's trade volume and receives about 40% of direct investment from Japan, and strengthening relations of trust with APEC members are extremely important in ensuring the long-term development and stability of the Japanese economy. In recent years, the annual APEC Economic Leaders' and Ministerial Meetings have served as a meaningful opportunity for the frank exchange of views between leaders and ministers regarding not only economic affairs but also the major matters of concern of the international community, including the terrorism issue.

In 2003, Thailand served as the chair of APEC and the various related meetings were held in Thailand. In particular, the APEC Health Ministers' Meeting on SARS in June was the first meeting of ministers responsible for health held within the APEC framework. The question of what measures could be taken to prevent the spread of SARS attracted attention in this meeting, in which countries and regions seriously affected by SARS, such as

Hong Kong, China, Chinese Taipei and Canada, took part. Under these circumstances, the meeting called for steady implementation of the APEC Action Plan on SARS, which gathered measures to be taken by APEC against SARS and issued the APEC Health Ministers' Statement, which included Guiding Principles for Health Screening and Management for International Travelers.

In the Economic Leaders' Meeting held in Bangkok in October 2003, APEC delivered a positive message on the future development and revitalization of the WTO negotiation. Concerning the APEC Structural Reform Initiative proposed by Japan, Prime Minister Koizumi proposed that efforts toward structural reform with a focus on domestic economic policy and not just conventional border measures were very important for realizing economic growth, and that the leaders make a strong commitment to further promote structural reform in each member economy and the region. This proposal was supported by all the leaders.

Concerning the measures to fight against terrorism that have been implemented since 2001, APEC agreed to strengthen regulation of Man-Portable Air Defense Systems (MANPADS), made a firm commitment at the leaders' level to take the necessary measures regarding security issues, such as the eradication of terrorism and prevention of the proliferation of weapons of mass destruction (WMD), and agreed to discuss these issues at future APEC Leaders' Meetings. The meeting also adopted the APEC Leaders' Statement on Health Security, regarding cooperation with a view to cope with issues such as SARS and bioterrorism. In addition, the chair presented the Chair's Summary concerning the North Korean nuclear issue and in response to statements from many leaders stating that APEC was required to tackle new issues, the meeting agreed to discuss the direction and efficiency of the activities of APEC in future.

(c) ASEAN+3

In the ASEAN+3 Foreign Ministers' Meeting held in Cambodia in June, Foreign Minister Kawaguchi explained Japan's position concerning the denuclearization of the Korean Peninsula and the dismantlement of North Korea's nuclear weapons development program, the implementation of multilateral dialogue and the issue of the abduction of Japanese nationals by North Korea. As a result, in the ASEAN+3 Chairman's Press Statement, it was clearly stated that outstanding security and humanitarian issues should be resolved through enhanced dialogue.

Progress of APEC

Nov 1989	1st Ministerial Meeting (Canberra) –Meeting is established as a result of proposals from Australia and Japan.
Jul 1990	2nd Ministerial Meeting (Singapore)
Nov 1991	3rd Ministerial Meeting (Seoul) –Hong Kong, China and Chinese Taipei participate.
Nov 1992	4th Ministerial Meeting (Bangkok)
Nov 1993	5th Ministerial Meeting (Seattle) and 1st Economic Leaders' Meeting (Blake Island) –The <u>1st Leaders' Meeting</u> is held as a result of a proposal from President Clinton of the US. Mexico and Papua New Guinea participate. Agreement to establish a finance ministers' meeting at which macroeconomic and financial issues would be discussed.
Nov 1994	6th Ministerial Meeting (Jakarta) and 2nd Economic Leaders' Meeting (Bogor) –Adopt the <u>Bogor Declaration</u> . Chile participates. <div>Establish that the industrialized economies would achieve liberalized and open trade and investment no later than 2010, and 2020 in the case of developing economies.</div>
Nov 1995	7th Ministerial Meeting and 3rd Economic Leaders' Meeting (Osaka) –Japan serves as the chair and the <u>Osaka Action Agenda (OAA)</u> is adopted. <div>A concrete "roadmap" for achieving the Bogor Goals is presented.</div>
Nov 1996	8th Ministerial Meeting (Manila) and 4th Economic Leaders' Meeting (Subic) –Adopt the <u>Manila Action Plan</u> . <div>Establish the Individual Action Plan (IAP) and Collective Action Plan (CAP), or mechanisms by which to achieve the Bogor Goals.</div>
Nov 1997	9th Ministerial Meeting and 5th Economic Leaders' Meeting (Vancouver) –Dispute over Early Voluntary Sectoral Liberalization (EVSL) → Discussions concerning trade liberalization are stalled.
Nov 1998	10th Ministerial Meeting and 6th Economic Leaders' Meeting (Kuala Lumpur) –Dispute continues over EVSL. Russia, Viet Nam and Peru participate.
Nov 1999	11th Ministerial Meeting and 7th Economic Leaders' Meeting (Auckland) –Promotion of economic reform within APEC → Strengthening of the market function (to prevent the recurrence of the Asian currency and financial crisis)
Oct 2000	12th Ministerial Meeting and 8th Economic Leaders' Meeting (Bandar Seri Begawan) –Responses to the advancement of globalization and the IT revolution
Oct 2001	13th Ministerial Meeting and 9th Economic Leaders' Meeting (Shanghai) –Establish the <u>Shanghai Accord</u> <div>Present the APEC vision in the new century</div> –APEC Leaders' Statement on Counter-terrorism
Oct 2002	14th Ministerial Meeting and 10th Economic Leaders' Meeting (Los Cabos) –Adopt the <u>APEC Leaders' Statement on Recent Acts of Terrorism in APEC Member Economies</u> . –Adopt the <u>APEC Leaders' Statement on Fighting Terrorism and Promoting Growth</u> . –Adopt the <u>APEC Leaders' Statement on North Korea</u> .
Oct 2003	15th Ministerial Meeting and 11th Economic Leaders' Meeting (Bangkok) –Reiterate leaders' strong political commitment to continue structural reform in each economy as proposed by Japan. Adopt the <u>APEC Structural Reform Action Plan</u> at the ministerial level. → Extend the scope of APEC activities from those "at the border" to "behind the border." –Deliver forward-looking message to advance <u>WTO Doha Development Agenda Negotiations</u> . –Affirm efforts for the eradication of terrorists and nonproliferation of weapons of mass destruction. Agree to strengthen domestic controls on Man-Portable Air Defense Systems (MANPADS) as a concrete measure. –Adopt the <u>APEC Leaders' Statement on Health Security</u>

Concerning development issues, Foreign Minister Kawaguchi advocated the Initiative for Reinforcing ASEAN Integration, clearly stating Japan's policy of tackling human resources development, systems building and Mekong region development in order to reduce economic disparities within ASEAN, and this initiative was highly appreciated by all the countries. ASEAN also expressed support in response to the approach of Japan to the Initiative for Development in East Asia (IDEA).

In the ASEAN+3 Summit Meeting held in Bali in October 2003, the leaders of all of the countries supported the viewpoint that ASEAN+3 should advance as concrete projects.

In the area of economy, Prime Minister Koizumi in this summit meeting indicated the importance of nurturing Asian security markets, cooperation in the field of information and communications, and cooperation in such fields as energy and food security, and the leaders of all of the countries expressed support for this. Prime Minister Koizumi also mentioned that the Japan-ASEAN Comprehensive Economic Partnership Initiative has been promoted bilaterally and across the entire region, and stated his expectation that the efforts of Japan and the various economic partnership efforts in this region would lead to the revitalization of economic activity and enhancement of competitiveness in East Asia as a whole. China stated that it was necessary to consider research concerning the possibility of an East Asian free trade region and the ROK stated that it wanted to proceed with the ROK-ASEAN Comprehensive

Economic Partnership Initiative.

Concerning implementation of the recommendations of the East Asia Study Group (EASG), Prime Minister Koizumi proposed the holding of a joint working group composed of government officials and experts, based on the report of the experts' meeting concerning the promotion of human exchange and human resources development that had been presented at the summit meeting through the initiative of Japan. He also announced that Japan was ready to implement "East Asia Studies" referred to in the EASG recommendations. Both of his proposals obtained the support of many of the countries.

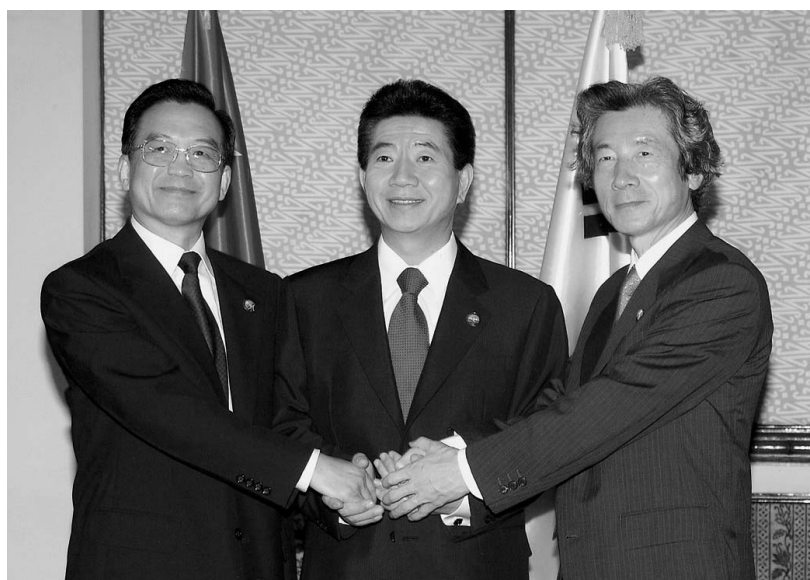
Concerning development, Prime Minister Koizumi mentioned that Japan's policy was to actively cooperate with proactive efforts by ASEAN in relation to the Initiative for ASEAN Integration (IAI) and the importance of support for the Mekong region development and BIMP-EAGA (East ASEAN growth area).

Prime Minister Koizumi also indicated the importance of cooperation among the ASEAN+3 member countries on transnational issues such as piracy agreements and other leaders indicated the importance of security issues.

Concerning the future modality of East Asia cooperation, there was a series of statements from many of the leaders concerning the possibility of holding an East Asia Summit.

(d) Japan-China-ROK Trilateral Cooperation

Japan is advancing Japan-China-ROK trilateral cooperation



Prime Minister Wen Jiabao of China, President Roh Moo Hyun of the ROK and Prime Minister Junichiro Koizumi attending the Japan-China-ROK Trilateral Leaders' Meeting (October 2003). Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

from a wide range of perspectives with the view that the prosperity and stability of Northeast Asia, due to the size of its economy and population, has a big effect on the prosperity and stability of not only East Asia but also the entire international community.

Spurred by the first Japan-China-ROK Trilateral Summit in 1999, Japan-China-ROK trilateral cooperation has been promoted under the main slogan “cooperation for prosperity,” for example, the economic, financial and environmental fields. At the Japan-China-ROK Trilateral Leaders’ Meeting held in Bali in October 2003, the leaders of Japan, China and the ROK issued the Joint Declaration on the Promotion of Tripartite Cooperation among Japan, the People’s Republic of China and the Republic of Korea, the first joint declaration by the three countries in history.

In this declaration, the leaders of the three countries confirmed the character of Japan-China-ROK trilateral cooperation as “open to the outside” and “future orientated” regional coordination that contributes to the peace and stability of East Asia by mobilizing the close cooperation between the three countries of Japan, China and ROK in a variety of fields that developed in recent years and by clarifying the fundamental principles of that cooperation. In addition, the three countries, under an initiative by the leaders, expressed their intention to contribute to the mutual development of Japan, China and ROK, but also the stability and prosperity of East Asia as a whole through the steady development of concrete cooperation projects not only in the economic field but also in a wide range of fields such as politics, culture and society.

(e) Asia Cooperation Dialogue (ACD)

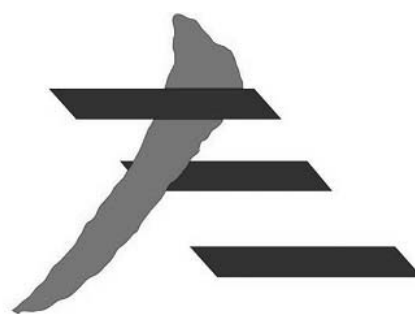
The first meeting of Asia Cooperation Dialogue (ACD), whose objective lies in the development of Asia, was held in June 2002, under an initiative of Thailand and foreign ministers from 17 Asian countries including ASEAN+3 participated in the meeting. At the second meeting in June 2003, the number of member countries rose to 22. The two main pillars of this framework are the “promotion of dialogue” through ministerial-level meetings and other high-level meetings, and the “promotion of cooperation projects” through initiatives by member countries. Currently 17 cooperation projects have been proposed and some of these are already being implemented.

(f) Asia-Europe Meeting (ASEM)

The Asia-Europe Meeting (ASEM) was established in 1996 as a framework for interregional dialogue and cooperation in which ten Asian countries and 15 European countries¹² and the European Commission take part, in order to strengthen cooperation between Asia and Europe, which has been less intensive in comparison to North America-Asia relations and North America-Europe relations. Since the establishment of ASEM, it has carried out a wide range of activities under the three pillars of (1) politics, (2) the economy and (3) social issues and education, etc.

In 2003, at the ministerial level, the 5th ASEM Finance Ministers’ Meeting (Bali, Indonesia), the 5th ASEM Foreign Ministers’ Meeting (Bali) and the 5th ASEM Economic Ministers’ Meeting (Dalian, China) were held in July; the 2nd ASEM Environment Ministers’ Meeting (Lecce, Italy) was held in October; and the ASEM Conference on Cultures and Civilizations (Beijing) was held for the first time in December.

Japan is actively contributing to the development of the ASEM process. At the 5th Foreign Ministers’ Meeting, the participants discussed the recent regional and international situation, for example the situation on the Korean Peninsula and the Myanmar situation. Also, the meeting adopted the Political Declaration on Prevention of Proliferation of Weapons of Mass Destruction and Their Means of Delivery proposed by Japan, and all the countries highly appreciated Japan’s efforts in this regard. In



ASIA-EUROPE MEETING

The ASEM logo was adopted at the 5th ASEM Foreign Ministers’ Meeting (July 2003, Bali). It symbolizes ASEM, which facilitates the coming together and cooperation of Asia and Europe with their unique cultures, through the intertwined forms of an Asian brush stroke and a simplified Roman alphabet E, with the combination of red and blue.

¹² The ten Asian countries are Japan, China and the ROK, along with the following ASEAN countries: Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam. The 15 European countries are the 15 member states of the European Union (EU).

addition to such contribution, Japan hosted two symposiums based on the proposal by Prime Minister Koizumi at ASEM 4 (September 2002, Copenhagen), which were the ASEM Symposium on Multilateral and Regional Economic Relations (March, Tokyo) and the ASEM Symposium on Educational Exchange (November, Tsukuba), where many Japanese and international experts and people concerned participated and had productive exchanges of opinions.

Since ASEM does not have a permanent secretariat, two countries from both Asia and Europe serve as coordinators¹³ and operate the body. Japan is serving as one of

the coordinators for the Asian side during the period from the conclusion of ASEM 4 until the conclusion of ASEM 5, to be held in Hanoi in October 2004. As Japan is an Asian country but at the same time shares fundamental values with the European countries, Japan is expected to demonstrate its leadership in ASEM to play the role of a bridge-builder between Asia and Europe. Japan is actively promoting activities to ensure the success of all the ministerial-level meetings and ASEM 5 and would like to make ASEM a more attractive framework for dialogue and sufficiently utilize the ASEM framework in both its Asian diplomacy and its European diplomacy.



Parliamentary Secretary for Foreign Affairs Yoshitaka Shindo attending the ASEM Foreign Ministers' Meeting (July)

¹³ The coordinators for the Asian side are Japan and Viet Nam. The coordinators for the European side are the EU presidency holder and the European Commission.