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EUROPE

(a) Overview

In 2003 in Europe, differing positions over Iraq namely between countries such as France and Germany on the one hand and the United Kingdom (UK), Spain and Central and South Eastern European countries scheduled to join the European Union (EU) on the other, had a variety of effects on relations among the European countries. However, the European countries share basic values such as peace, freedom, democracy, the rule of law and respect for human rights, and the EU further continued in 2003 to deepen its integration and made progress toward enlargement including negotiations over the Draft Treaty establishing a Constitution for Europe. Also with regard to the Iraq issue, the European countries share the view on the necessity of international coordination in the reconstruction of Iraq.

Ten countries mostly from Central and South Eastern Europe and the Baltic region will accede to the EU in May 2004, which will make the EU, now 15 members, a union of 25 countries with 460 million people and a combined gross domestic product (GDP) approximately twice that of Japan. As the EU advances its integration and enlargement, it will further increase its influence over the international community in addressing various global issues. Therefore, it is important for Japan to strengthen its strategic partnership and advance cooperative relations with the EU to advance effectively Japan's diplomacy in the international community.

In order to consolidate further Japan-Europe relations and to broaden the range of Japan's diplomacy, it is also necessary for Japan to strengthen and promote its bilateral relations with individual European countries. Besides maintaining stronger relations with such major European countries as the UK and France, which are permanent members of the United Nations (UN) Security Council as well as G8 members, and Germany and Italy, which are also G8 members, it is also important for Japan to build sound relations in both political and economic aspects and to deepen human and cultural exchanges with Central and South Eastern European countries, which have been increasing their economic importance, as well as countries such as Spain and

Norway, which have been strengthening their roles in the international community.

Based on this assessment, Japan actively held dialogue and cooperation with the EU and European countries throughout 2003. Japan will continue to work to promote their understanding of its foreign policy and reinforce the Japan-Europe relationship.

(b) The Situation in the EU

While significant progress was recognized toward the enlargement and deepening of the EU in 2003, there emerged severe challenges that threatened the process of integration, including differences in the positions of EU member states over Iraq that came to the surface.

The Enlargement of the EU

With a view to the future EU enlargement, the Treaty of Nice went into effect on February 1. The treaty aims to make EU decision-making procedures more efficient and implement organizational reform, which are necessary due to the upcoming increase in the number of member states.

At the European Council in Copenhagen in December 2002, the completion of negotiations on the accession of ten countries—Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia—was announced. Based on this, these ten countries and the EU member states signed the Accession Treaty in Athens on April 16, 2003, and each country completed the ratification procedures during 2003, such as holding a referendum on accession. The ten countries will become official EU member states on May 1, 2004.

Movements concerning the EU Common Foreign and Security Policy

The EU has developed integration in the area of foreign and security policy in accordance with the Common Foreign and Security Policy (CFSP) since the Amsterdam Treaty but faced a difficult situation in 2003 as differences in the positions of its member states concerning the Iraq issue surfaced. Then-EU presidency holder Greece hosted an Extraordinary European

Council (EU summit meeting) on the Iraq issue in February and the EU, in issuing its conclusion, avoided a decisive split.

This split in the positions of the EU countries prompted a debate about strengthening the CFSP, and particularly, it was widely understood among the member states that the EU should form a common security and defense policy of its own. Greece, therefore, made a request to High Representative for the CFSP Javier Solana to formulate a comprehensive EU security policy. As a consequence, High Representative for the CFSP Solana launched the first ever EU comprehensive concept with regard to its security policy entitled “A Secure Europe in a Better World” in June and it was adopted in the Brussels European Council in December.

Four countries including Germany and France proposed the establishment of a military command headquarters for the EU, independent of NATO.¹ The UK and some other EU countries were halfhearted about pursuing this proposal, and as a result of coordination among all parties concerned, agreement was reached at the European Council in December 2003 to establish an EU-Operation Headquarters within the NATO Supreme Headquarters of Allied Powers in Europe (SHAPE), tasked with carrying out independent EU operations.

The European Constitutional Treaty and the Intergovernmental Conference (IGC)

While the EU was planned to be enlarged from the current 15 member states to 25 on May 1, 2004, there have been concerns that the policy decision-making process would not be carried out smoothly under the current institutions in place at the EU, and its institutions will fail to function. Under such circumstances, this background, the “Convention” (Chairman: Giscard d’Estaing (former French president)) composed of representatives of the different departments of each EU



Prime Minister Tony Blair of the United Kingdom welcomes Prime Minister Junichiro Koizumi at 10 Downing Street (April Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

institution and EU member states was established in February 2002 to conduct a wide-ranging discussion on issues including the reform of EU institutions and to draft the European Constitutional Treaty, which was intended to be the fundamental treaty for the future EU. A draft for the treaty was then submitted to the European Council in June 2003.

Based on the draft submitted by the “Convention,” the Intergovernmental Conference (IGC) of EU member states was held from October 2003 to formulate the

¹ Since the 1998 St. Malo Declaration (a declaration made by UK Prime Minister Tony Blair and French President Jacques Chirac at a British-French summit held in St. Malo (France) stating that the EU should maintain the capacity and institutions to take military action independently while preserving the NATO collective defense commitment), increasing the EU’s military capacity has been an issue.

In a summit meeting on European defense attended by Germany, France, Belgium and Luxembourg in April 2003, the four nations proposed the establishment of a military command headquarters independent of NATO in Tervuren (just outside Brussels), citing the necessity to strengthen an EU strategy formulation and implementation capacity that does not depend on the assets or capacity of NATO. On the contrary, the US and UK took the position that the proposal would lead to the unnecessary duplication of NATO command headquarters and would not accept it. As a consequence, at the Brussels European Council in December 2003, tentative agreement was reached on: (1) the establishment of a liaison office within the NATO Supreme Headquarters of Allied Powers in Europe (SHAPE) to be tasked with carrying out independent EU operations; (2) the deployment of NATO liaison officers in the EU general staff headquarters; and (3) the establishment of a cell with civil/military components in the EU general staff headquarters.

Current Situation of EU Enlargement and the European Monetary Union (EMU)

	Proportion of world GDP (%)	Proportion of world population (%)
EU15	26.5	6.1
Eurozone	(20.5)	(4.9)
US	32.3	4.7
Japan	12.3	2.1

Source: World Bank (2002).



- EU member states (15 countries)**
France, Germany, Italy, Netherlands, Belgium, Luxembourg, UK, Ireland, Denmark, Greece, Spain, Portugal, Austria, Sweden, Finland
- States scheduled to accede in 2004 (ten countries)**
Estonia, Poland, Czech Republic, Slovenia, Hungary, Cyprus, Latvia, Lithuania, Slovakia, Malta
- States aiming to accede in 2007 (two countries)**
Bulgaria, Romania
- Candidate EU members (negotiations not yet started)**
Turkey

Note: Croatia applied for membership in February 2003.

European Constitutional Treaty, and discussion with a view to reaching an agreement by the end of 2003 was carried out under the leadership of then-EU presidency holder Italy. As a result of repeated discussions, the participating countries came close to agreement on the European Constitutional Treaty but dissension among members states was not settled concerning the qualified majority voting method in the EU decision-making process, which was the biggest obstacle, and agreement was not reached in the IGC in December. It was then decided to continue consultations on this issue under the leadership of EU presidency holder Ireland from January 2004.

The Economic Situation

In the first half of 2003, the EU economy became increasingly stagnant due to the deterioration of the world economy and the appreciation of the euro. However, it showed a moderate upturn in the second half of 2003 as the world economy gradually recovered

and exports grew. Still, the economic recovery of the eurozone, which consists of 12 countries including Germany and France, remained modest compared to the firm UK economy and the fast-growing economies of Central and South Eastern European countries that are to accede to the EU in May 2004. (According to the European Commission, the forecasted 2003 GDP growth rate is 0.8% for the EU and 0.4% for the eurozone.)

As a result of economic stagnation, tax cuts and increases in social security spending, fiscal deficits are growing in some EU member states. Under the Stability and Growth Pact (SGP), Euro members are required to comply with the budgetary discipline, for example, fiscal deficits may not exceed 3% of GDP. The EC Treaty stipulates "excessive deficit procedures" in the case of violations. Meanwhile, in response to the forecast that the fiscal deficits of France and Germany would exceed the 3% reference value for three consecutive years beginning in 2002, the Economic and



Minister for Foreign Affairs Yoriko Kawaguchi holding talks with President Jacques Chirac of France (January)

Financial Affairs Council (Ecofin Council) recommended the two countries reduce the excessive deficits in November. The Ecofin Council extended the deadline of achieving the 3% reference value for one year to 2005 and withheld the “excessive deficit procedures” for the two countries. Some observers believe that the position of this conclusion has no clear legal basis on the EC Treaty. The future discussion on the SGP will continue to attract attention.

On the currency front, the euro recorded the highest level against the United States (US) dollar (as of March 14, 2004, €1 equals approximately US\$1.28) due to the dollar’s depreciation in the second half of 2003, resulting from concerns about enormous US current budget deficits and uncertainty of the situation in Iraq. In respect to the enlargement of the eurozone, the UK decided to withhold a referendum on adopting the euro in June. Sweden voted by a majority against adopting the euro in a referendum in September, and support for the euro has declined in Denmark. With regard to monetary policy, after the European Central Bank (ECB) reduced official interest rates by 0.25% in March and by 0.5% in June, the ECB kept the rate at 2.0% to maintain the current price stability.

Japan-EU Relations

Japan and the EU advanced close dialogue in 2003. The 12th Japan-EU Summit was held in Athens in May and

Prime Minister Junichiro Koizumi attended. Prime Minister Koizumi held discussions with Prime Minister Costas Simitis of Greece, President of the European Commission Romano Prodi and others about the regional situations of North Korea, Iraq, Middle East peace process and Afghanistan, and about promoting the development of a Japan-EU strategic partnership. Concerning economic policy, the leaders agreed to position the promotion of mutual investment as a major cooperative field within Japan-EU cooperation, issued the Japan-EU Initiatives on Investment, and agreed to hold a variety of seminars and conferences to promote investment in Japan. Concerning people-to-people exchanges, they confirmed that both sides would begin to prepare jointly for successful implementation of the “2005 Japan-EU Year of People-to-People Exchanges.”

In respect to EU enlargement in May 2004, Japan commenced consultations with the EU side on items of concern that may put Japanese companies operating in the Central and South Eastern Europe at a disadvantage. The Japan-EU Regulatory Reform Dialogue was held in March and November and the Agreement on Cooperation concerning Anti-Competitive Activities came into effect in August. In addition, Japan is exchanging views with the EU side concerning trade-related fields such as intellectual property. Foreign Minister Kawaguchi visited Brussels in September and exchanged opinions about the international situation

(Photo)

with Commissioner for External Relations Christopher Patten of the European Commission, and held talks with High Representative for the CFSP Solana on his visit to Japan in February as well as on the telephone with him on other occasions. Japan-EU relations were reinforced through these talks.

(c) Situation in Major Western European Countries and Japanese Diplomacy toward Them

In the UK, the administration of Tony Blair faced severe public opinion at home in the middle of its second term over its support to the US concerning Iraq and a government dossier on weapons of mass destruction (WMD) in Iraq. There is also strong public dissatisfaction over the lack of visible improvements in public services directly related to people's lives, and reforms to health care, railways, education, as well as the fight against crime and other policies are issues to be addressed. Concerning the issue of whether to adopt the euro, Chancellor of the Exchequer Gordon Brown reported to Parliament in June that a national referendum on the issue would be withheld.

In France, the government of Prime Minister Jean-Pierre Raffarin, having consolidated its basis with the victory of center-right parties in the National Assembly election in June 2002, pursued its reform policies on security, decentralization and the pension system. The

reform of the pension system centered on reducing and eliminating disparities between preferable treatment to civil servants and labor unions under the old system, and the private sector, aiming to improve the fiscal position of the pension fund. In the end, the government pushed through the reform despite the demonstrations and strikes organized by opposing industries.

In Germany, the Social Democratic Party (SPD) led by Chancellor Gerhard Schroeder narrowly won a second term in office in the September 2002 federal election. Despite low approval ratings, including massive defeats in the state elections of Hesse and Lower Saxony in February 2003, the SPD began to implement a series of reform initiatives ("Agenda 2010": reforms covering the fields of labor, pension, health care, the economy, finance and education) announced in the party's election manifesto.

In Spain, massive train bombings occurred in the capital Madrid in March 2004, which claimed 190 lives and injured over 1,700 people. The Spanish general election, held after the bombings, brought to power the leading opposition Socialist Workers' Party (PSOE), which had opposed the military operation in Iraq and had proposed as its election platform the withdrawal of Spanish troops dispatched to Iraq by the People's Party (PP) administration of Jose Maria Aznar unless the UN undertook a central role in Iraq.

In other countries, Chancellor Wolfgang Schuessel

of Austria, Prime Minister Jan Peter Balkenende of the Netherlands, Prime Minister David Oddsson of Iceland and Prime Minister Guy Verhofstadt of Belgium all maintained their positions through general elections. In Latvia, President Vaira Vike-Freiberga was reelected.

On the other hand, President Rolandas Paksas was newly elected in Lithuania, and Finland and Estonia experienced changes of government following their general elections. In Switzerland, as a result of general elections, the conservative Swiss People's Party improved its position in the National Council (lower house) from the number two party to the number one party and the composition of the four-party coalition cabinet that had been maintained since 1959 broke down. In Sweden, Minister of Foreign Affairs Anna Lindh was stabbed to death during the campaigning period for a national referendum on adopting the euro (a majority voted against joining the eurozone in the referendum).

As these Western European countries are important players in the international community, both in political and economic terms, Japan regards them as major diplomatic partners, and has been strengthening relations with these countries. Based on this recognition, Japan and Western European countries have maintained and

promoted friendly relations as a whole, together with frequent high-level VIP visits. Major visits include two visits to Europe by Prime Minister Koizumi (to five countries—the UK, Spain, France, Germany, Greece—in April, and to three countries—Germany, Poland, the Czech Republic—in August), a visit by Foreign Minister Kawaguchi to the UK, Germany, and France in April, and visits to Japan by Prime Minister Oddsson of Iceland in January, Prime Minister Verhofstadt of Belgium in February, Prime Minister Kjell Magne Bondevik of Norway in May, and Prime Minister Blair of the UK in July. Through these visits and various other opportunities of international conferences, the active exchange of views concerning various issues facing the international community including Iraq and North Korea took place. Furthermore, Prime Minister Koizumi deepened his personal friendships with other leaders. He stayed overnight in Hakone with Prime Minister Blair during his July visit to Japan, and he enjoyed the Bayreuth Festival with Chancellor Schroeder at the latter's invitation on the occasion of his visit to Germany in August.

There were visits to Japan by His Royal Highness Prince Laurent of Belgium in February, His Royal Highness Prince Willem-Alexander of the Netherlands



Their Imperial Highnesses The Crown Prince and Crown Princess meeting with His Royal Highness Prince Laurent of Belgium (February Photo: Imperial Household Agency)

in March, and His Royal Highness Henri, Grand Duke of Luxembourg in September. His Imperial Highness Prince Tomohito of Mikasa and Her Imperial Highness Princess Akiko visited Norway in April, Her Imperial Highness Princess Takamado visited Ireland and the UK in June and July, Her Imperial Highness Princess Tomohito of Mikasa visited the UK in July, and Their Imperial Highnesses Prince and Princess Hitachi visited Italy in July.

(d) The Situation in Major Countries of Central and South Eastern Europe and Japanese Diplomacy

Following the conclusion of negotiations for accession to the EU by ten countries principally from Central and South Eastern Europe (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) at the European Council in Copenhagen in December 2002, preparations for accession proceeded in 2003. These ten countries and the current EU member states held the Accession Treaty signing ceremony in Athens on April 16. Around this date, the newly acceding countries (except Cyprus) held national referendums and confirmed the will of the people to accede to the EU. All of the newly acceding countries had completed their domestic ratification procedures for the EU Accession Treaty by the end of January 2004. Compared to these ten countries, negotiations for accession by Romania and Bulgaria have been lagging behind, but negotiations have been continuing,

aiming at their accession to the EU by January 2007.

With regard to NATO, the organization extended membership invitations to seven countries (Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia) in November 2003 and preparations are under way for their accession to take place during 2004. NATO has also confirmed that membership is open to other countries as well, particularly the three participants in the Membership Action Plan (MAP)—Albania, Croatia and Macedonia—to whom NATO provides assistance for reforms toward accession invitations in the next period.

In addition, the Central and South Eastern European countries, which have been taking initiatives on creating their own Free Trade Agreements (FTAs) and policy coordination, even intra-regionally with one another. It is noteworthy that the agreement in September between Ukraine, which aims to accede to the EU, and Belarus, Kazakhstan and Russia to create a single economic zone was reached.

Japan has provided assistance to the Central and South Eastern European countries for their democratization and transition to market economies since the end of the Cold War, and has been making efforts to build preferable relations with these countries in expectation of EU enlargement and a deepening of European integration. In addition, Japanese direct investment in the new EU member states has increased in recent years as they increase their economic presence through EU enlargement.



Prime Minister Junichiro Koizumi introducing robot goodwill ambassador "ASIMO" to Prime Minister Vladimir Spidla of the Czech Republic (August Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

Under these circumstances, there were a great number of high-level mutual visits between Japan and these countries in 2003. Prime Minister Koizumi visited Poland and the Czech Republic in August, signing in both countries the Joint Statement towards Strategic Partnership that stipulated the modality of long-term bilateral relations. On the occasion of this first visit by a Japanese prime minister to the Czech Republic, in recognition of the fact that the word “robot” is a Czech word, Prime Minister Koizumi introduced the cutting-edge, human-form, autonomous bipedal robot “ASIMO,” which was created in Japan, as a robot goodwill ambassador. ASIMO subsequently attracted much attention. Foreign Minister Kawaguchi visited Ukraine in September, the first visit since Minister for Foreign Affairs Yukihiro Koizumi seven years earlier, and carried out consultations, in particular cooperation over denuclearization and other issues, and the visit presented an opportunity to deepen a wide range of exchange.

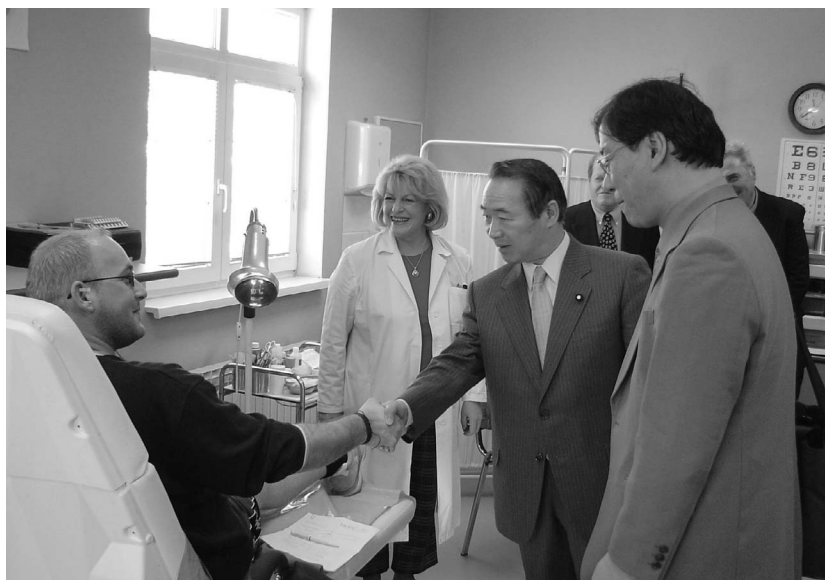
(e) The Situation in the Balkans

The Balkans have been moving overall in the direction of stability and democracy. As the reform efforts of the Western Balkan countries and the assistance provided by the international community after the conclusion of the conflicts in the former Yugoslavia finally began to produce results, the movement toward conciliation and reform gathered pace and opportunities for the former parties to the conflict to meet together increased. At the EU-Western Balkans Summit held in Thessaloniki in

June, the prospect of EU accession by the Western Balkan countries (Albania, Bosnia and Herzegovina, Croatia, Macedonia, Serbia and Montenegro) was supported by the EU. At the Serbia-Croatia Summit in September, the leaders of both countries apologized for past atrocities, and the parties to the Kosovo conflict commenced direct dialogue in October for the first time since the conflict ended.

However, while these Balkan countries have been making efforts toward democratization and stabilization overall, it cannot be said that the scars of long years of conflict in the region have been overcome, and the region still struggles with common issues such as ethnic discord, organized crime and economic challenges. In March in particular, Prime Minister Zoran Djindjic of the Republic of Serbia was assassinated, and the pro-reform parties were defeated in the Serbian parliamentary elections in December while nationalist parties made great gains. Yet, as the voter turnout in two Serbian presidential elections was under the 50% threshold required to make the elections valid, the results were voided and the country currently has no president. In addition, Serbia still grapples with issues such as the unresolved final status of Kosovo. It is essential therefore that the international community continues to offer its assistance.

Japan has provided active assistance for the restoration of stability and market economies to the Balkan region through personnel contributions such as the dispatch of election observers and economic cooperation



Parliamentary Secretary for Foreign Affairs Isao Matsumiya visiting a rehabilitation center in Bosnia and Herzegovina for victims of landmines among others (January 2004)

because: (1) the Balkans conflicts have the potential to involve not just Europe but the international community as a whole; (2) addressing the Balkans conflicts is linked to participation in the formation of new norms and processes for the international community; and (3) strengthening relations with the Balkan countries will be beneficial from a long-term perspective in terms of the future relationship between Japan and Europe as each Balkan country will be a member of Europe in the future. As a part of this assistance, for example, on the occasion of the visit by President Boris Trajkovski of Macedonia to Japan in October 2003, the first visit to Japan by a president of Macedonia, the two countries signed an official document for an agreement under which Japan will provide yen loans for the Zletovica Basin Water Utilization Improvement Project in Macedonia.

As for Bosnia and Herzegovina, as a high-level visit following on from visits by Minister for Foreign Affairs Keizo Obuchi in 1998 and Senior State Secretary for Foreign Affairs Nobutaka Machimura in 1999, Parliamentary Secretary for Foreign Affairs Isao Matsumiya visited the country in January 2004, holding talks with important government officials and representatives of international organizations and carrying out on-site inspections of projects for which Japan had provided economic cooperation.

(f) NATO and Other Regional Institutions

The North Atlantic Treaty Organisation (NATO)

The seven Central and South Eastern European countries whose accession to NATO was decided at the Prague Summit Meeting in November 2002 deposited their “instruments of accession” at the US Department of State in Washington and became official NATO members on March 29, 2004. As a result of the announcement of the Prague Capabilities Commitment (PCC), which aims to enhance military capabilities, at the same Prague Summit Meeting, NATO reforms are under way through the NATO Response Force (NRF)

and the Chemical, Biological, Radiological, and Nuclear (CBRN) Defense Battalion established in October and December, respectively. In addition, NATO took over formal command of the International Security Assistance Force (ISAF) in Afghanistan from Germany and the Netherlands in August. This attracted attention as it marked the first time in NATO’s history that it had taken charge of a mission outside the North Atlantic area under a non-Article 5 obligation (an obligation other than NATO’s Article 5 collective self-defense obligation²).

NATO commenced logistical support activities for the Polish-led forces in Iraq in September and has been making an indirect contribution there. However, at the NATO Foreign Ministers’ Meeting in December, Secretary of State Colin Powell called for NATO to play a more significant role also in Iraq. Concerning NATO’s relations with Japan, NATO Deputy Secretary General Minuto Rizzo visited Japan in February to strengthen relations through dialogue and on this occasion, for example, Japan-NATO high-level consultations were held.

Other Regional Institutions

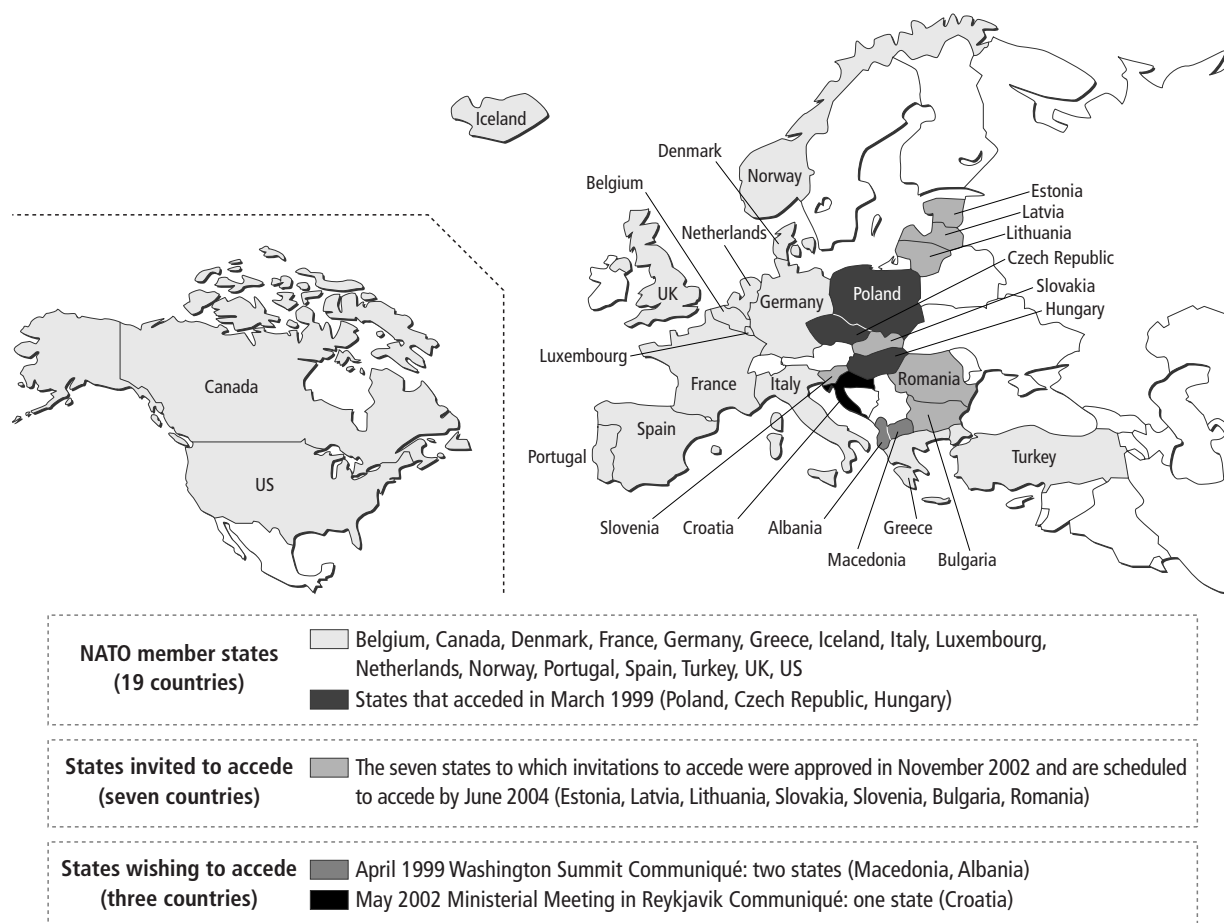
In addition to regional institutions such as the EU and NATO, Europe also has in the field of security the Organization for Security and Co-operation in Europe (OSCE), and in the field of human rights and justice, the Council of Europe (CE), and their activities have been developing.

In relations with the OSCE, Japan, a “Partner for Cooperation,” participated in a various discussions, and also made personnel contributions in the form of dispatches of officials on various missions such as in Bosnia and Herzegovina and Kosovo and dispatches of election observers to South Eastern European and Central Asian countries, as well as financial contributions by shouldering election expenses. The importance to deepen continuously cooperation and dialogue between the OSCE and Asia, beginning with Japan, and the necessity for the international community to coordinate its

² The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.

Any such armed attack and all measures taken as a result thereof shall immediately be reported to the Security Council. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.

NATO Enlargement

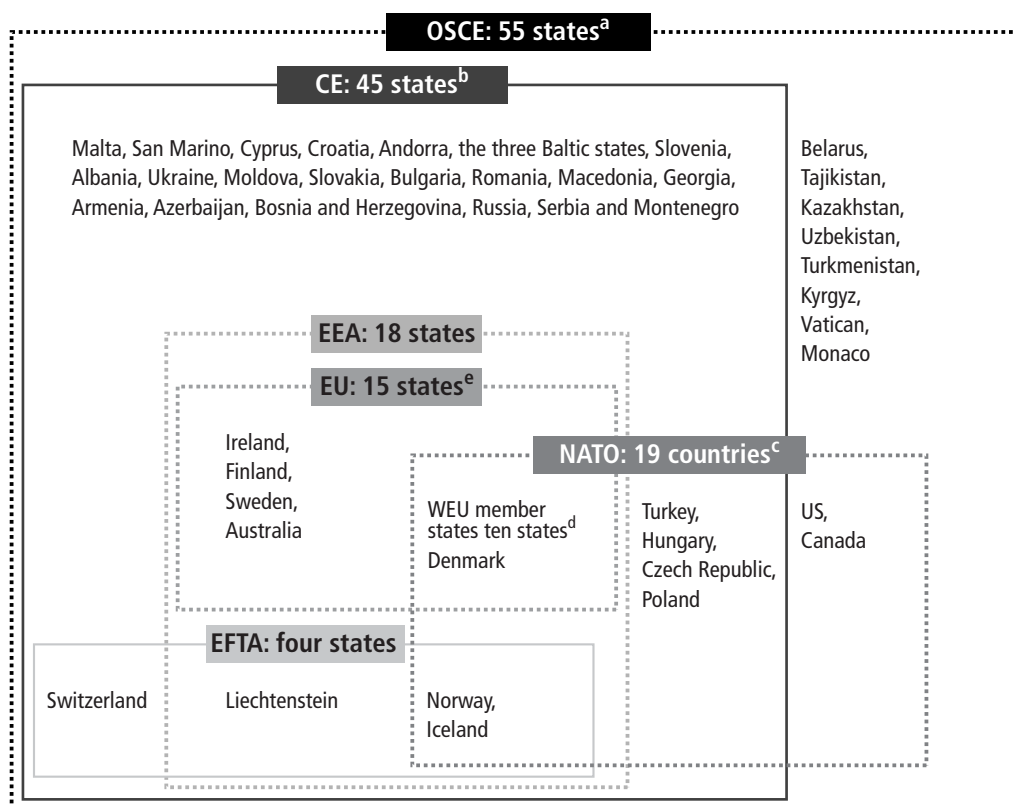


measures to combat international terrorism were once again confirmed at the Council of Foreign Ministers held in Maastricht, the Netherlands in December.

In relations with the Council of Europe (CE), Japan, as an Observer of the Committee of Ministers, has been actively participating in meetings in a variety of fields such as human rights, legal work and culture. Council of Europe Parliamentary Assembly President Peter

Schieder visited Japan in February 2003 and President of the European Court of Human Rights Luzius Wildhaber visited Japan in April 2003. In the CE, a large number of conventions in various fields have been formulated and Japan signed the Convention on Cybercrime in November 2001. Japan also acceded to the Convention on the Transfer of Sentenced Persons in 2003.

Major International Institutions in Europe



OSCE	Organization for Security and Co-operation in Europe
CE	Council of Europe
EEA	European Economic Area
EU	European Union

NATO	North Atlantic Treaty Organisation
EFTA	European Free Trade Association
WEU	Western European Union

^a "Partners for Cooperation": Japan, ROK, Thailand, Afghanistan, Mediterranean countries (Israel, Egypt, Tunisia, Algeria, Morocco, Jordan).

^b Observers: Japan, US, Canada, Mexico, Vatican.

^c Accession invitations for Estonia, Latvia, Lithuania, Slovakia, Slovenia, Bulgaria and Romania were approved in November 2002 (accession scheduled by the NATO Summit in June 2004).

^d WEU member states: UK, Italy, Netherlands, Greece, Spain, Germany, France, Belgium, Portugal, Luxembourg.

Associate member states: Iceland, Turkey, Norway, Czech Republic, Hungary, Poland.

Observers: Ireland, Denmark, Finland, Sweden, Austria.

^e The conclusion of accession negotiations with Estonia, Poland, Czech Republic, Slovenia, Hungary, Cyprus, Latvia, Lithuania, Slovakia and Malta was declared in December 2002 (accession scheduled for May 2004).

E

THE RUSSIAN FEDERATION, CENTRAL ASIA AND THE CAUCASUS

Overview

In Russia, 2003 was the final year of President Vladimir Putin's first term in office. In December, State Duma (lower house) elections were held and "United Russia," the party supporting the president, won an overwhelming victory. In the presidential election held in March 2004, President Putin was reelected with the overwhelming support of his nation, and the support of the people for the previous policies of the president was confirmed.

In 2003, Japan continued to strive for the conclusion of a peace treaty with Russia through the resolution of the issue of where the Four Northern Islands belong, thereby realizing full normalization of relations with Russia. In particular, under the basic policy of moving peace treaty negotiations forward while advancing Japan-Russia cooperation in a wide range of fields and building trustful relations through the steady realization of the Japan-Russia Action Plan adopted on the occasion of the visit to Russia by Prime Minister Junichiro Koizumi in January, Japan-Russia cooperation in a wide

range of fields, such as cooperation in the energy sector, cooperation in the international arena including the Korean Peninsula issue, and cooperation for denuclearization, was advanced.

Japan continued to implement its assistance for Russia and for the residents of the Four Northern Islands, under a new framework after taking measures to increase transparency and further ensure fairness, even after the abolition of the Cooperation Committee in April 2003.

The countries of Central Asia and the Caucasus¹ have been independent for 12 years and each is making efforts to build its nation. With the understanding that the stability of these countries has a direct impact on the stability of not only the peripheral countries on the Eurasian continent but also East Asia, Japan is working for a further enhancement of relations based on results achieved so far and taking into account changes in the strategic environment in the region.



Prime Minister Junichiro Koizumi attending talks with President Vladimir Putin of Russia (October Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

¹ The five countries in Central Asia are Kazakhstan, Kyrgyz, Tajikistan, Turkmenistan and Uzbekistan; the three countries in the Caucasus are Armenia, Azerbaijan and Georgia.

1

Russia

(a) Japan-Russia Relations

Deepening of Political Dialogue

Close political dialogue was carried out between Japan and Russia in 2003. At the summit level, Prime Minister Koizumi visited Russia in January and held a summit meeting with President Putin, and the two leaders adopted the Japan-Russia Action Plan outlining previous cooperation

and the future direction for cooperation between Japan and Russia in a wide range of fields. In addition, the two leaders exchanged views about wide-ranging Japan-Russia cooperation at the 300th anniversary of St. Petersburg in May, at the Japan-Russia Summit Meeting on the occasion of the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting in Bangkok in October and in telephone talks in September. Prime

Six Pillars of the Japan-Russia Action Plan

Minister Mikhail Mikhaylovich Kasyanov of Russia visited Japan in December, the first Russian prime minister to do so in five years, and held talks with Prime Minister Koizumi, Minister for Foreign Affairs Yoriko Kawaguchi and others. In addition, the leaders issued the Joint Statement, which gave an overview of the steady implementation of the Action Plan over the previous year, primarily in the economic field.

Foreign ministerial-level meetings were also frequently carried out throughout 2003. As can be seen from the succession of visits by top Russian officials to the Russian Far East, there is a tendency toward increased interest in the region within Russia. For Japan's part, following Prime Minister Koizumi's visit to the Russian Far East in January, Foreign Minister Kawaguchi became the first Japanese foreign minister to visit Vladivostok in the Russian Far East in June and held with Deputy Prime Minister Viktor Borisovich Khristenko the Co-chair Persons' Meeting of the Japan-Russia Inter-governmental Commission on Trade and Economic Issues. In addition, close exchanges of opinions were carried out concerning broad international situations, including the situation on the Korean Peninsula and the situation in Iraq, using the opportunities of the G8 Foreign Ministers' Meeting in Paris in May, the UN General Assembly in New York in September and five telephone conversations between the two foreign ministers.

Peace Treaty Negotiations

On the occasion of Prime Minister Koizumi's visit to Russia in January 2003, both leaders confirmed their

political will to conclude a peace treaty as soon as possible through resolution of the issue of where the Four Islands belong, thus fully normalizing relations, and agreed to accelerate negotiations to that end, including negotiations at the summit level.

Also, the Japan-Russia Action Plan clarifies the foundation for advancing peace treaty negotiations in the future, enumerating the documents that serve as the substantial basis for resolving the issue of where the Four Islands belong: the 1956 Japan-Soviet Joint Declaration,² the 1993 Tokyo Declaration³ and the 2001 Irkutsk Statement.⁴

As a result, on the occasion of the Japan-Russia Summit Meeting in May, the leaders confirmed that they would cooperate toward the resolution of the territorial issue and the conclusion of a peace treaty as they develop Japan-Russia relations through their steady implementation of the Action Plan and increase the sense of trust between the two countries. At this summit meeting, President Putin stated that Russia had a strong desire to solve this issue and did not think this issue should be put off. In the Japan-Russia Summit Meeting in October, the leaders confirmed that they would give further impetus to consultations by experts. In addition, on the occasion of the visit of Prime Minister Kasyanov to Japan in December, the Joint Statement was issued and both sides confirmed that it was important to actively continue peace treaty negotiations based on the various agreements achieved between the two countries, as they develop bilateral relations in all fields.

² After the Soviet Union refused to sign the San Francisco Peace Treaty, Japan and the Soviet Union negotiated a separate peace treaty from June 1955 through October 1956, but there was no sign of an agreement being reached over the Northern Territories issue except in regard to Shikotan and Habomai Islands. As a result, the Japan-Soviet Joint Declaration was signed on October 19 to end war between Japan and the Soviet Union and to restore bilateral diplomatic relations. (The declaration was ratified in the assemblies of both countries.) Article 9 of the declaration stipulates that Habomai and Shikotan will be handed over to Japan after the conclusion of a peace treaty, and that Japan and the Soviet Union will continue peace treaty negotiations.

³ Main points of the 1993 Tokyo Declaration:

(1) The territory issue is defined as referring to the attribution of the Four Islands comprising the Northern Territories, specifically identified as Etorofu, Kunashiri, Shikotan and Habomai Islands.

(2) The declaration clearly states that the attribution of the Four Islands will be resolved, a peace treaty concluded and bilateral relations fully normalized, in that order.

(3) Clear negotiation guidelines are set down, namely that the Northern Territories issue will be resolved: (a) on the basis of historical and legal facts; (b) based on the documents produced with the two countries' agreement; as well as (c) on the principles of law and justice.

(4) It was confirmed that the Russian Federation is the State retaining continuing identity with the Soviet Union and that all treaties and other international agreements between Japan and the Soviet Union will continue to be applied between Japan and the Russian Federation.

(5) The declaration recognizes the necessity of overcoming the "legacy of totalitarianism" and the "difficult legacies of the past in the relations between the two countries"

⁴ In the 2001 Irkutsk Statement, Japan and the Russian Federation confirmed that the 1956 Japan-Soviet Joint Declaration is the fundamental legal document establishing the starting point for the negotiation process over the issue of the conclusion of a peace treaty after the restoration of diplomatic relations between the two countries, and then agreed to promote negotiations to conclude a peace treaty through the resolution of the issue of where the Four Islands belong based on the 1993 Tokyo Declaration, thus fully normalizing relations between Japan and Russia.

Joint Statement on the Official Visit to Japan by Chairman of the Government of the Russian Federation Kasyanov (Outline)

(Released December 16, 2003)

- Overviewed the steady implementation of the Japan-Russia Action Plan. Chairman Mikhail Mikhaylovich Kasyanov's visit to Japan vitalizes the realization of the Japan-Russia Action Plan.
- Pointed out the significance of establishing a Japan-Russia Eminent Persons' Council.
- Decided to continue actively negotiations on a peace treaty, based on various agreements already achieved between the two countries, in developing their bilateral relations in all areas.
- Expansion of trade and investment between the two countries this year. Increasing interest shown by Japanese business circles toward the Russian market. Continue to realize measures to strengthen trade and economic relations.
- Decided to establish a Japan-Russia Trade and Investment Promotion Organization at an early time after April 2004.
- Confirmed the common understanding on the importance of progress in cooperation concerning development and transportation of energy resources in East Siberia and the Far Eastern regions, and in particular the construction of an oil pipeline to the Pacific coast of the Russian Federation. Positively evaluated progress of consultations by experts of oil pipeline construction, and expressed their intention to vigorously continue these discussions.
- Welcomed the smooth implementation of the Sakhalin oil gas project (Sakhalin-1 and Sakhalin-2) and the vitalization of trade relations between Japan and Russia.
- Japan called on Russia for its early ratification of the Kyoto Protocol for the second time.
- Decided to continue efforts for the further development in exchanges in the area of science and technology.
- Welcomed advancement in research concerning the disposal of surplus weapons-grade plutonium. Close cooperation for the steady realization of the International Thermonuclear Experimental Reactor (ITER) Plan.
- Emphasized the importance of cooperation for denuclearization. Achieve transparency and deepen mutual understanding as well as cooperation through the implementation of projects related to the dismantling of decommissioned nuclear-powered submarines of Russian Pacific Fleet.
- Decided to continue with joint efforts to conclude a new Japan-Russia Air Transportation Agreement as soon as possible.
- Enhancement of Japan-Russia relations and deepening trust between the two countries are promoted through the smooth implementation of a framework agreement concerning operations of Japanese fishing vessels in waters around the Four Northern Islands.
- Highly evaluated the role of cooperation between relevant authorities of Japan and Russia in the crackdown on illegal fishing and export of marine products by Russian ships, and expressed their intention to further promote working-level contacts.
- Decided to continue efforts to expand trade, economic and human exchange between Siberia and the Far Eastern regions of Russia and the prefectures in Japan. Consider intra-regional cooperation through the participation of Japan Centers in Far Eastern regions and the Japan-Russia Trade and Investment Promotion Organization. Decided to continue considering ways to further relations between Japan and Sakhalin.
- Pointed out that Japanese humanitarian assistance to residents of the Four Northern Islands is beneficial. Russia expressed appreciation for assistance provided until now.
- Reaffirmed the importance of Russia's early accession to the WTO. Supported taking vigorous action in order to reach agreement on bilateral negotiations regarding conditions for WTO accession at an early date.
- Strengthen cooperation in order to increase the efficiency of activities of Japan Centers. Strengthen cooperation for the steady implementation of the program on training managers and executives for enterprises and the program on training public employees in Russia.
- Expressed satisfaction with expanded cultural and human exchanges between Japan and Russia. Highly evaluated the deepening of mutual understanding as a result of "Japanese Culture Festival in Russia 2003."
- Positively evaluated the activities and role of the Japan-Russia Youth Exchange Committee and expressed preparation to support further and encourage activities of the committee.

Japan-Russia Economic Relations

Economic relations between Japan and Russia are improving along with the strongly performing Russian economy, in particular with the development of cooperation in the energy sector in the background. For example, the trade volume in 2003 increased 31.3% over the previous year (the value of exports to Russia increased 72% over the previous year) and direct investment in Russia was 2.7 billion yen in 2002, much higher than the previous year (400 million yen).

At the governmental level, on the occasion of the Co-chair Persons' Meeting of the Japan-Russia Inter-Governmental Commission on Trade and Economic Issues in June, an exchange of opinions was carried out concerning Japan-Russia cooperation in the trade and economy field, such as the Sakhalin Projects, the Pacific Pipeline Project, and the establishment of the Japan-Russia Trade and Investment Promotion Organization. And on the occasion of the visit of Prime Minister Kasyanov to Japan in December, the Joint Statement

was issued, giving an overview of the achievements since the adoption of the Japan-Russia Action Plan, and the Memorandum on the Establishment of the Japan-Russia Trade and Investment Promotion Organization was adopted, confirming that the organization would be established at an early time after April 2004. Also, the Joint Press Release was issued, stating that the two countries would continue the discussions concerning the issue of illegal fishing and export of marine products by Russian ships. During his visit to Japan, Prime Minister Kasyanov and major Russian business officials exchanged opinions with Japanese economic leaders about the possibilities for expanding economic exchange between Japan and Russia.

In the energy field, concerning the Sakhalin Projects, the Sakhalin II project owners decided in May to invest approximately US\$10 billion in the second phase and this and other developments have led to a revitalization of business related to the project. Concerning the Pacific Pipeline Project, consultations are under way between Japanese and Russian experts in the three fields of exploration and development of deposits in east Siberia, the detailed F/S (feasibility study)⁵ of the pipeline, and financing for the pipeline.

As a measure to support economic reforms undertaken in Russia, Japan has implemented through its seven Japan Centers in Russia various projects in areas where the needs of Russia are greatest (courses related to management, training in Japan, Japanese-language courses and so on), and carried out projects (business matching and so on) to promote Japan-Russia economic exchange utilizing the results of technical cooperation.

Cooperation between Japan and Russia in Other Various Areas

Exchanges between Japan and Russia in the fields of defense as well as culture and public relations further developed in 2003. In the areas of security dialogue and defense exchange, top level mutual visits, such as Minister of State for Defense Shigeru Ishiba's visit to Russia in January, and Defense Minister Sergei Ivanov's return visit to Japan in April, were realized. On the latter occasion, Japan received from the Russian side an invitation to participate in its military exercises, and

vessels of the Japanese Maritime Self-Defense Force (MSDF) participated in the large-scale military exercises carried out in the Russian Far East region in August. This participation serves as a visible example of cooperation in the realization of the Japan-Russia Action Plan. Also in July, Commander of the Russian Far East Military District Colonel-General Yuri Yakubov visited Japan for the first time, and MSDF vessels visited Vladivostok in September, held goodwill ceremonies and implemented joint search and rescue exercises. In the area of exchange between law enforcement authorities, Commandant of the Japan Coast Guard Kenichi Fukaya visited Russia in November.

In the area of culture and public relations, the Third Japanese-Russian Forum was held with the participation of Japanese and Russian experts in Irkutsk in September, which was jointly organized by the National Institute for Research Advancement (NIRA), Russia's Center for Strategic Studies, and the Irkutsk regional administration. The three themes of the forum were cooperation in the economic and investment fields, partnership in the energy and environment fields and deepening of mutual understanding and dialogue. And given the fact that 2003 was the 300th anniversary of the founding of St. Petersburg, based on an agreement between the two leaders, more than 120 various events introducing Japanese culture were held with great success throughout Russia, with the participation of private sector organizations and groups, under the title Japanese Culture Festival in Russia 2003.

(b) Russian Domestic Politics and Economy

Russian Domestic Politics

In Russia, State Duma elections were held in 2003 and thus each of the political forces showed a variety of movements toward the elections. The elections were held in December and "United Russia," the party supporting President Putin, won a huge victory while all the opposition parties, such as the Communist Party and Union of Right-Wing Forces, suffered crushing defeats. As a result, in the new State Duma, "United Russia" holds more than two-thirds of the seats and has become an overwhelming force.

⁵ A feasibility study means verification of whether an individual project is suitable for implementation along technical, economic, social, environmental and other lines and formulation of the most appropriate project plan.

Major Events of the Japanese Culture Festival in Russia 2003

Apr 20–21	Opening ceremony (St. Petersburg)	Donation of 1,000 sakura seedlings, Tsugaru shamisen concert, Japanese drum concert by Tokyo Dagekidan. Senior Vice-Foreign Minister Yano attends each event.
Apr 23–24	Concert by NHK Symphony Orchestra (Moscow, St. Petersburg)	Beethoven piano concerto conducted by Charles Dutoit, performance of <i>Ceremonial-An Autumn Ode-</i> by Toru Takemitsu.
May 27–28	Japan Traditional Exhibition – Noh performance by Rokuro Umewaka (St. Petersburg)	Performance of noh's <i>Tsuchigumo</i> and kyogen's <i>Urinusubito</i> at Smolny Cathedral. Turn out of approximately 2,500 people over two days.
May 19–Jul 3	Japanese performing arts (Japanese Season in Russia) (Moscow)	General Artistic Director Tadashi Suzuki of Shizuoka Performing Arts Center's rendition of play <i>Cyrano de Bergerac</i> , Hideo Kanze's rendition of noh's <i>Kagekiyo</i> and gagaku and modern dance performances.
Jun 12–24	Kabuki performance (Ganjiro Nakamura, Chikamatsuza) (Moscow, St. Petersburg)	Ganjiro Nakamura of Chikamatsuza's rendition of <i>Sonezaki Shinju</i> is a sellout everyday, airing on Russian and CIS TV and watched by approximately 20 million people.
Jun 22, 24	Japan Traditional Exhibition – Gagaku performance by Hideki Togi (Moscow, St. Petersburg)	Three-part exhibition consisting of Russian music by Japanese musicians, gagaku and original music by Hideki Togi is performed.
Aug 9–10	21st century Japan-Russia Exchange Festival (Khabarovsk)	Many musicians representing Japan, including sisters Saori Yuki and Sachiko Yasuda, Kosetsu Minami, Himekami, and Da.KT, make appearances and approximately 35,000 people turn out.
Sep 5–9	Ikenobo flower arrangement demonstration (Moscow, St. Petersburg)	Headmaster Sen'ei Ikenobo conducts flower arrangement demonstration at the Kremlin and other places.
Oct 16–18	Hiroshima Week in St. Petersburg (St. Petersburg)	Concert is conducted jointly with Hiroshima Symphony Orchestra and Japanese drum soloist Eitetsu Hayashi, and the performance of Kagura music is also conducted.
Oct 16–19	Kendo and kobudo demonstration (Moscow)	Workshop on kendo and kobudo as well as a kendo tournament are held with sponsorship from the Japan Foundation. A total of 100 people participate in the workshop, 100 people participate in the tournament, and 300 people are in the audience.
Fall 2003–Mar 2004	Japan Film Festival (Moscow, St. Petersburg, Khabarovsk, Vladivostok, Yuzhno-Sakhalinsk)	Popular new film <i>Waterboys</i> , <i>Everybody's House</i> , <i>Rendan/Quartet for Two</i> , <i>Kazahana</i> , etc. and four Yukio Mishima films are shown.
Feb–Mar 2004	Contemporary dance (Moscow, St. Petersburg)	Contemporary dance performance by H.Art Chaos is held under the sponsorship of the Japan Foundation.
Mar 2004	Noh performance commemorating 300th anniversary of St. Petersburg (Moscow, St. Petersburg)	Noh performance by Otoshige Sakai at well-known Russian theatres Bolshoi and Mariinsky with full-scale noh stage.
Mar 2004	Shigeyama kyogen performance (Khabarovsk, Vladivostok)	Performance of signature kyogen plays <i>Boshibari</i> and <i>Susugikawa</i> featuring Sennojo Shigeyama.

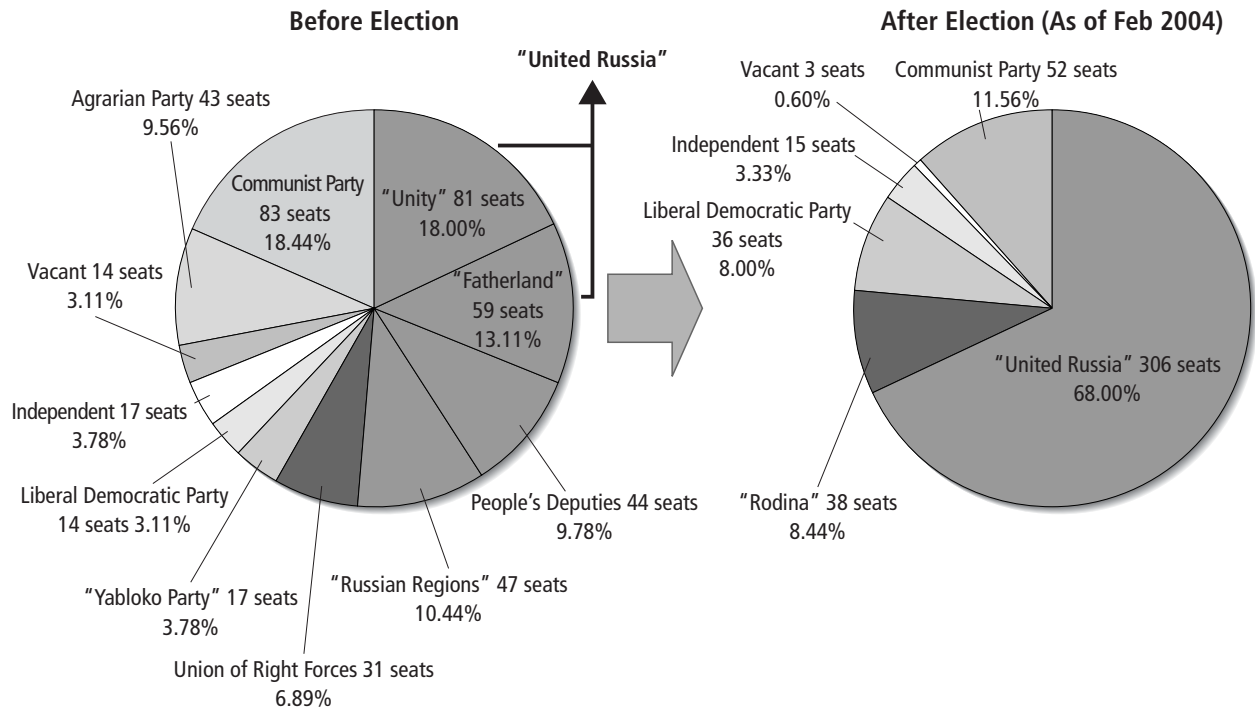
In relation to the arrest in October 2003 of Mr. Mikhail Khodorkovsky, president of the Russian oil giant Yukos, there were political effects such as the resignation of Chief of Staff of the Presidential Executive Office Alexander Voloshin, who had played an important role within the administration since the era of former president Boris Yeltsin.

With regard to the Chechen issue, which is one of the greatest challenges of internal politics facing the Russian government, the new constitution for the Chechen Republic was adopted through a local referendum in March 2003. Based on this new constitution, the new president of the republic was elected in

October. The Chechen Republic has plans to rebuild its systems, such as parliamentary elections, but resistance from armed forces including terrorist incidents even involving citizens, continue unabated and no resolution to the conflict is in sight.

President Putin removed Prime Minister Kasyanov from office at the end of February 2004, immediately before the presidential election, and appointed Representative of the Russian Federation in the European Union Commission Mikhail Fradkov to the post in March, reshuffled the Cabinet, and carried out a wide-ranging reorganization of government structures. After that, in the presidential election held on March 14,

Division of Power in the Duma of the Russian Federation



President Putin was reelected with a 71% of the vote, and the second Putin administration started.

Russian Economy

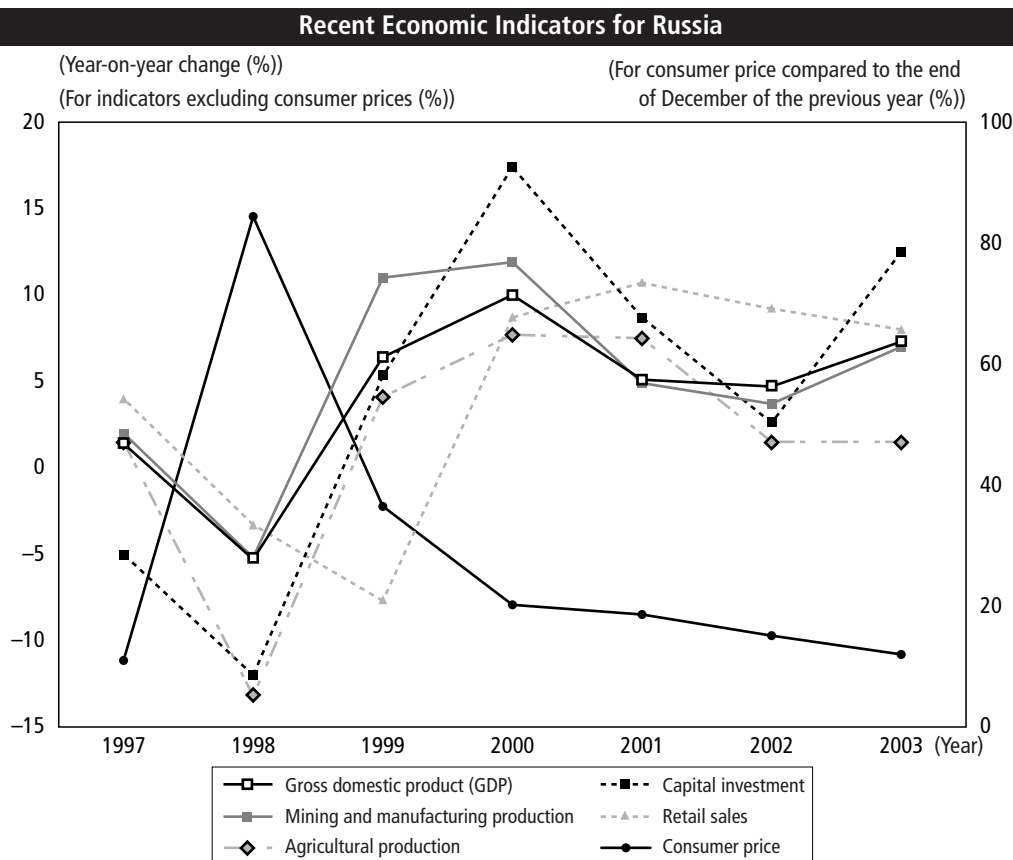
The Russian economy in 2003 became stronger than in the previous year, characterized by the consistently high global price of oil, and GDP showed high growth of 7.3% over the previous year. Major indices such as mining and manufacturing production, capital investment and disposable income all showed high growth. On the other hand, the rate of inflation remained at about 12%, the lowest level since reforms toward a market economy had begun. In line with this strong economic performance, President Putin in his statement to the Federal Assembly in May set as goals for the government, the doubling of GDP over the next ten years and the eradication of poverty, and called for positive economic policies.

Russia also continued its efforts toward economic reform such as developing a series of laws for the reform of state-owned monopolies in electric power and other areas. Moreover, active negotiations were carried out toward the serious issue of the accession of Russia to the WTO, but the goal of accession during 2003 was not achieved and was postponed until 2004 at the earliest.

(b) Russia's Foreign Relations

President Putin continued to carry out vigorous summit-level diplomacy in 2003. In particular, he invited the leaders of the G8 countries, the European Union (EU) countries, the Commonwealth of Independent States (CIS) countries, China, India and others to the 300th anniversary of St. Petersburg at the end of May and took advantage of that opportunity to hold a series of summit meetings, such as the summit meeting with Japan, the EU-Russia Summit Meeting, and the US-Russia Summit Meeting.

Concerning the Iraq issue, Russia together with France and Germany strongly opposed the movement toward the use of military operation against Iraq by the US and other countries, which deteriorated relations with the US temporarily. However, Russia subsequently made efforts to mend relations and at the US-Russia Summit Meeting in June, both countries emphasized that the differences in their positions over the Iraq issue would not affect their good relations. Meanwhile, concerning the construction of a nuclear power station in Iran by Russia, Russia remains determined to advance the construction despite US demands that the project be abandoned, and this has become an issue of concern between the two countries.



In respect to relations with China, President Hu Jintao visited Russia for the first time as president in May and the leaders confirmed that they would continue to strengthen the strategic partnership between the two countries. Concerning the North Korean nuclear development issue, Russia has always taken a position of active involvement and has been trying to raise its profile as one of the member countries in the Six-Party Talks.

For relations with the CIS countries, the Treaty on

Collective Security⁶ was institutionalized in April to strengthen cooperation among the parties and it was agreed to establish an integrated military headquarters and secretariat. Four countries—Russia, the Ukraine, Belarus, and Kazakhstan—agreed to establish a “single economic zone” on the occasion of the CIS summit meeting in September and they have been subsequently carrying out concrete consultations toward its establishment.

⁶ Signed in 1993, there are currently six states parties (Russia, Belarus, Armenia, Kazakhstan, Kyrgyz and Tajikistan).

2 Central Asia and the Caucasus

Since their independence, the Central Asian and Caucasus countries have all advanced democratization and the transition to market economies, while facing political and economic hardships. Now, 12 years having passed since independence, their political and economic systems and performances have been diversifying. In many of the Central Asian and Caucasus countries, leaders from the Soviet-era have been heading administrations even after independence, but a new generation of leaders has appeared as in Azerbaijan and Georgia. In the economic field, economic disparities are continuing to grow due to factors such as the presence or absence of energy resources.

The Central Asian and Caucasus countries are characterized by a peculiar geopolitical condition of being a region that borders Russia, China, Southwest Asia and the Middle East, and are blessed with abundant energy resources. As such, the stability and development of this region is extremely important for the stability and prosperity of the entire Eurasian continent. From this perspective, Japan considers important the advancement of democratic nation-building aimed at stability and market economy reforms in these countries and has made efforts to strengthen relations under the three pillars of: (1) political dialogue; (2) economic cooperation

and resources development cooperation; and (3) cooperation for peace.

Currently major changes in the strategic environment surrounding these countries have been seen, such as the stationing of US troops in Central Asia and the movements of Russia and China. Taking this situation into account, it is important for Japan, as a responsible member of the international community, to contribute to the stability of the entire Central Asian and Caucasus region and the Japanese government's policy is to continue to work to strengthen relations with the Central Asian and Caucasus countries in the future.

Japan opened the Embassy of Japan in Kyrgyz Republic in January 2003, Japan's fourth foreign mission in Central Asia, and carried out vigorous high-level exchanges, including the visit by Parliamentary Secretary for Foreign Affairs Shinako Tsuchiya to Uzbekistan and Kyrgyz (January), the visit by Senior Vice-Minister for Foreign Affairs Tetsuro Yano to Kazakhstan and Azerbaijan (February), the visit by President Emomali Rahmonov of Tajikistan to Japan (March), the visit by former Prime Minister Yoshiro Mori to Kazakhstan (June), and the visit by Foreign Minister Sodik Solihovich Safaev of Uzbekistan to Japan (December).



Parliamentary Secretary for Foreign Affairs Shinako Tsuchiya meeting with President Askar Akaevich Akaev of Kyrgyz on the occasion of the opening of the Embassy of Japan in Kyrgyz Republic

Concerning the regional situation in 2003, the change of administration in Georgia is especially notable. Georgia is in a strategically important position for transporting the energy resources of the Caspian Sea to Europe and other destinations. While it has adopted a pro-Western policy, for example it has been aiming for NATO accession, it has tense relations with Russia over the Abkhazia issue and over armed groups seeking independence in the Russian Federation's Chechen Republic which borders Georgia. Parliamentary elections held at a time when public dissatisfaction with corruption within the administration and economic stagnation was rising (November) led to impeachment of the administration by the opposition parties and finally President Eduard Shevardnadze resigned. In the presidential election held in January 2004, the joint candidate of the opposition parties Mikhail Saakashvili was elected by an overwhelming majority and this result was welcomed by major countries. For example, the Organization for Security and Co-operation in Europe (OSCE), which

dispatched an international election observation mission (including election observers from Japan), evaluated the election as having shown striking improvement in all respects compared to the November elections. It was the first case in Central Asia and Caucasus countries that a campaign by opposition power resulted in a change of administration like this without any bloodletting and it was an epochal event for the entire region.

Additional notable events were a change of administration in Azerbaijan (President Heydar Aliyev was struck by illness (and subsequently died), and in the presidential election in October his son Mr. Ilham Aliyev was elected), and the new opening of a Russian air force base in Kyrgyz, while US troops have been stationed in Kyrgyz since 2001.

As a movement in regional cooperation it is notable that Kazakhstan, along with Russia, the Ukraine and Belarus, agreed to the establishment of a single economic zone (February).