



CHAPTER 1

Overview

1 A New Pillar for Japanese Diplomacy: Creating an Arc of Freedom and Prosperity

On November 30, Minister for Foreign Affairs Aso Taro delivered a policy speech entitled “Arc of Freedom and Prosperity: Japan’s Expanding Diplomatic Horizons.”

In his address, Minister Aso announced a new vision, which adds another pillar of Japanese diplomacy to the existing pillars of reinforcement of the Japan-US alliance, international cooperation, most notably under the auspices of the United Nations, and enhancing relationships with neighboring countries such as China, the Republic of Korea (ROK), and Russia. This new pillar of Japanese diplomacy involves placing emphasis on universal values such as freedom, democracy, fundamental human rights, the rule of law, and the market economy and creating an Arc of Freedom and Prosperity.

This Arc would start from Northern Europe

and traverse the Baltic states, Central and South Eastern Europe, Central Asia and the Caucasus, the Middle East, and the Indian subcontinent, then cross Southeast Asia finally to reach Northeast Asia. Here, a region of stability and plenty with its basis in universal values –the Arc of Freedom and Prosperity– would take shape, and indeed it is just such a region that this initiative seeks to create.

In order for each individual to lead a life of peace and happiness, it is crucial that there be the protection of freedom and fundamental human rights as well as the establishment of a market economy through a system that features both democracy and the rule of law. It is only when citizens are free that political stability and economic prosperity will come to last. The path Japan traveled in the 60 years since the end of World War II demonstrates this plainly.

In the years to come, as one element of its diplomatic policy, Japan will work to create this Arc of Freedom and Prosperity by facilitating the attainment of universal values. It will do so without forcing these values on any nation or people, and it will do so without seeking regime changes. Instead, Japan will pursue this goal maintaining a balance between political stability and economic prosperity and always giving full regard to each country’s unique culture, history, and level of development.

In concrete terms, Japan will be acting in partnership with other nations that share our fundamental values to jointly bring about a society characterized by



Arc of Freedom and Prosperity

both freedom and prosperity by cooperating in the areas of trade and investment as well as by making use of official development assistance to provide support for basic human needs such as health care and education, support to enable democracy to take root, and support to enhance infrastructure and legal frameworks. This will be one of the critical building blocks of the Arc of Freedom and Prosperity and will furthermore contribute to the realization of “human security” that Japan has been advocating.

To examine this Arc from the east, ASEAN (the Association of Southeast Asian Nations) has been developing as the growth center of the globe, making steady progress in democratization and working towards intraregional stability through regional integration. Japan will be enhancing its support to ASEAN so that it can become part of the Arc of Freedom and Prosperity as the CLV nations (Cambodia, Laos, and Vietnam), which joined ASEAN later in the organization’s history, themselves become able to take full advantage of these changes occurring in the other ASEAN member countries. Japan will also be actively supporting efforts towards democratization and peacebuilding in Nepal and other countries in South Asia.

In Europe, democracy has emerged in such countries as Poland, Hungary, the Czech Republic, Bulgaria, and Romania since the 1990’s. At present the Baltic States and newly democratic countries participating in the regional cooperation groupings of GUAM (Georgia, Ukraine, Azerbaijan, Moldova) and the CDC, the Community of Democratic Choice are making efforts towards both democratization and the establishment of market economies. Japan actively supports these efforts.

The countries of Central Asia (Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan) have been making gradual progress towards democratization and market economies since their independence from the Soviet Union. Japan will be providing support, keeping the specific conditions of

each country in mind, and also, under the framework of the “Central Asia plus Japan” Dialogue, support self-sustaining development through the promotion of open regional cooperation, with a view to possible expanded regional cooperation with Afghanistan and perhaps Pakistan, to develop transportation and shipping routes that connect inland areas with the sea.

In creating an Arc of Freedom and Prosperity, cooperation with the United States, our ally with whom we share both values and strategic interests, is a given. It is also critically important that Japan strengthen its relationship with other countries and entities with whom it shares values, namely Australia and India as well as the G8, other nations in Europe and the European Union (EU), and the North Atlantic Treaty Organization (NATO). Japan will be working in close cooperation with them into the future. In the east are Japan, the United States, and Australia; in the center lies India; to the west are the EU and NATO. The basic form of the Arc of Freedom and Prosperity will result from expansions from those points around the rim of the Eurasian continent. Yet this fundamental concept underlying this Arc of Freedom and Prosperity –that is, the creation of a society of stability and plenty having universal values as its foundation– should not be limited to only these areas. On the contrary, this concept is one that should also be shared with China, Latin America, and Africa.

There already exist fora through which Japan can hold policy discussions with many of the countries found along this Arc of Freedom and Prosperity. In the years to come, Japan will make efforts to intensify such policy discussions while also building up its dialogues with countries with whom frameworks for discussion are lacking or weak, such as the CLV countries, the V4 countries (Visegrad Four: the Czech Republic, Hungary, Poland, Slovakia), and the GUAM states.

2 International Developments and Japanese Diplomacy in 2006

Ensuring Security of Japan and the World

The year 2006 was marked by incidents constituting a serious threat to Japan’s peace and security.

On July 5, North Korea launched seven ballistic missiles, including a Taepodong II missile, and on

October 9 announced that it had conducted a nuclear test. Japan swiftly responded to these provocative actions. Immediately after the missile launch, the Chief Cabinet Secretary issued a statement that this incident was a matter of grave concern including from the viewpoint of the security of Japan and

the peace and stability of the international community, and Japan announced measures including the banning of the North Korean cargo-passenger ship *Mangyongbong-92* from entering into Japanese ports as well as the increased stringency in immigration screening for North Korean nationals. In addition, Japan made proactive diplomatic efforts as a non-permanent member of the United Nations Security Council, which resulted in the July 16 adoption of United Nations Security Council Resolution 1695 condemning the missile launches. In the case of North Korea's announcement of a nuclear test, the Chief Cabinet Secretary announced that Japan simply could not tolerate North Korea's announcement and Japan adopted measures such as banning all North Korea-flagged vessels entry into Japanese ports, the banning of all imports from North Korea, and the barring North Korean national's entry into Japan in principle. In response to this nuclear test proclaimed by North Korea, Japan made assertive diplomatic efforts towards Security Council members as the Council Presidency which resulted in the adoption of Resolution 1718 on October 15. This resolution set forth measures to be taken by both North Korea and other UN member states. The Second Session of the Fifth Round of the Six-Party Talks in December marked a resumption of talks after 13 months. While this session resulted in no concrete achievements, at the Third Session, held in Febru-

ary 2007, a document was adopted in which North Korea agreed to shut down and seal the Yongbyon nuclear facility and take other actions, marking a first step toward the non-nuclearization of the Korean Peninsula. Japan has also been requesting the safe and immediate return of the abducted Japanese nationals as well as a full accounting of the victims and the hand over of those responsible for the abductions. However, the abduction issue has not been resolved.

As for other outstanding issues in East Asia, the modernization of military forces and the growth in national defense expenditures by China remain lacking in transparency. Relations across the Taiwan Strait, marked by progress in economic relations and people-to-people exchanges on one hand and an ongoing atmosphere of instability on the other, continue to merit careful observation.

Japan, as a nation which possesses no nuclear weapons, has been furthering its efforts to achieve global nuclear disarmament and non-proliferation. International society now faces critical challenges such as the North Korean and Iranian nuclear issues, and Japan, too, is engaged in efforts towards the resolution of these issues.

In 2006 energy security was a topic that attracted very active discussion. It is an issue of vital importance for Japan insofar as Japan is unable to secure sufficient energy resources domestically. It



Six heads of delegation shaking hands at the 3rd session of the 5th Round of the Six-Party Talks (February 13, 2007, Beijing; Photo: Kyodo)

was also one of the main topics discussed at the G8 Summit held in Russia. Russia had taken measures such as halting its supply of natural gas and implementing price hikes to the Ukraine and Georgia, countries placing greater value on their relationships with EU member countries. This situation raised concerns among EU member countries, as they depend on Russia to meet part of their energy needs. In addition, while pipelines for petroleum and natural gas are now under construction mainly in Central Asia and the Caucasus, various new route configurations have been proposed and rivalry is becoming apparent among the countries concerned with regard to setting new routes of the pipelines. As Russia's partner in promoting multiple energy-related projects, Japan calls on Russia to fulfill a responsible role as an energy-supplying nation.

With regard to global infectious disease issues, there is a growing threat of avian influenza being transmitted to humans in increasing numbers and a new strain of influenza developing. Japan has reinforced its domestic efforts with regard to preventive measures and safety precautions and intensified its cooperation internationally in these areas.

Asia and the Pacific

More than four million people travel between Japan and China and Japan and the ROK annually. As these figures suggest, China and the ROK are neighbors of critical importance for Japan.

Japan and China have launched the Japan-China 21st Century Exchange Program, through which some 1,000 Chinese high school students were invited to Japan and some Japanese high school students were dispatched to China. In October, Prime Minister Abe Shinzo visited China and reached agreement with President Hu Jintao that political and economic relations comprise the two wheels of a vehicle, each of which must be put vigorously into motion, and that the two countries should build a mutually beneficial relationship based on common strategic interests through which they can work jointly towards solutions for global issues. Moreover, they announced the undertaking of the Japan-China Exchange Year of Culture and Sports 2007 and agreed to begin joint research on history, to be conducted by scholars from both nations. This research group convened for the first time in December. They also reached a shared recognition that with regard to the issue of resource development in the

East China Sea, the Sea should be a place of peace, cooperation, and friendship.

China has also begun assertive omni-directional diplomacy in order to secure a stable international environment for economic development. As part of its efforts, China held the 2006 Forum on China-Africa Cooperation in November, with many African heads of state in attendance. China is also making use of the Shanghai Cooperation Organization (SCO) to deepen its relationship with the nations of Central Asia. Japan welcomes China's approach of engagement towards solutions to the problems facing international society but urges China to act in keeping with the norms of international society with regard to its external aid and other issues.

After visiting China, in October Prime Minister Abe went to the ROK and held talks with President Roh Moo Hyun. The leaders shared the recognition that relations between Japan and the ROK were of critical importance not only to the two countries but also to the East Asian region as a whole as well as to the international society, and they agreed to make efforts to build future-oriented friendly relations.

Japan is continuing its efforts to strengthen its relationship with the countries of ASEAN, which play a central role in East Asian regional cooperation. In 2006, during the first three months since the establishment of the Abe administration, head of state visits took place between Japan and Vietnam, Indonesia, and the Philippines, enabling cooperation with these countries to be further reinforced. In addition, regional cooperation is also developing in East Asia. January saw the convening of the Second East Asia Summit in the Philippines and Prime Minister Abe proposed various initiatives for East Asian cooperation focused on an "Asia Gateway," energy security, Japan-EastAsia Network of Exchange for Students and Youths (JENESYS Programme), and human resource development for peacebuilding.

Moreover, in Asia, Japan will be promoting its new pillar of diplomacy, the creation of an "Arc of Freedom and Prosperity," as well as working to bring about long-term stability based on shared universal values. As Japan moves forward in promoting this initiative, it will place special emphasis on cooperation with India and Australia, as countries with stable democracies within the Asia-Pacific region. Foreign Minister Aso Taro's visits to both India and Australia and the visits to Japan by Indian Prime Minister Manmohan Singh and by Australian Minis-

ter for Foreign Affairs Alexander Downer, as well as the holding of the ministerial meetings of the Trilateral Strategic Dialogue among Japan, Australia and the United States, all contributed in 2006 to creating a much closer relationship for Japan with both nations.

The United States

In its foreign policy, the Bush administration has been actively dealing with, among others, the fight against terrorism, the stabilization of Iraq, and nonproliferation of weapons of mass destruction, while on the domestic front it has been responding to such priority issues as illegal immigration, reforms in health insurance and pensions, and the development of alternative energies. However, the Bush administration's approval rating hovered in the 30's and 40's throughout 2006 because of turmoil in Iraq and other issues. In the midterm elections of November 7, the Democratic Party regained a majority in both Houses of Congress from the Republican Party. On the Japan-U.S. relationship, Prime Minister Koizumi Junichiro's visit to the United States in June, Japan and the United States affirmed that these two countries, which share common values and interests, should deepen their bilateral relationship and undertake broad-based cooperation. Prime Minister Abe, who had assumed the prime ministership in September, participated in his first Japan-US Summit meeting in November. The two leaders agreed to further strengthen the Japan-U.S. alliance, and resolved to tackle various issues facing the international community, under the concept of the "Japan-U.S. alliance for Asia and the world."

The Middle East

Japan has been steadily implementing Official Development Assistance (ODA) for the reconstruction of Iraq, for a maximum of approximately five billion US dollars. The Ground Self-Defense Force, which had been deployed to Samawah for humanitarian and reconstruction assistance, completed their activities in Samawah in July. The Air Self-Defense Force continues to undertake assistance activities. Under the concept of the "consolidation of peace," Japan has also been providing assistance to Afghanistan towards the political process, the restoration of internal security, and reconstruction. In addition, the Iranian nuclear issue has stirred up a crisis in the international nuclear non-proliferation re-

gime, and this situation has the potential to undermine the stability of the entire Middle East region. In United Nations Security Council Resolution 1737 the international community has voiced its unanimous concern regarding this situation. Japan has implemented this resolution and urges Iran to comply with this resolution faithfully. With the Gulf states, Japan is working to strengthen its economic relationship with the Gulf Cooperation Council (GCC), including by launching negotiations for a Free Trade Agreement (FTA).

As for Japan's efforts for the Middle East Peace Process, Japan continued to work on the parties concerned to achieve peace through dialogues, and as part of such efforts Japan proposed the concept of a "Corridor for Peace and Prosperity," which was announced by Prime Minister Koizumi during his visit to Israel, the Palestinian territories and Jordan in July 2006.

Europe

Japan and Europe are strategic partners sharing fundamental values. The European Union (EU), now with 27 member states as of the accession of Bulgaria and Romania on January 1, 2007, is an enormous economic zone, with a population of some 490 million people and a gross domestic product of approximately 13.6 trillion US dollars. Japan and the EU have confirmed their shared recognition of the importance of their cooperation in addressing the challenges facing the globe, making use of various opportunities, including numerous VIP visits, such as the September 2006 visit to Europe by Prime Minister Koizumi, the January 2007 visit by Prime Minister Abe, and the May 2006 and January 2007 visits by Foreign Minister Aso. Furthermore, NATO and Japan are both making their respective efforts in the same direction which aims for international peace and stability. At its November Summit in Riga, NATO stated that it would pursue a strengthening of its relationships with individual non-member states, including Japan. Through policy speeches delivered to the North Atlantic Council by both Prime Minister Abe and Foreign Minister Aso, Japan for its part enunciated its intention to pursue a reinforcement of its relationship with NATO. In the future Japan will hold close discussions with NATO regarding more substantial cooperation.

Russia's success in convening its first G8 summit as chair, coupled with the robust economy re-

sulting from high crude oil prices, helped in maintaining the stable administrative base under President Vladimir Putin. At the Japan-Russia head-of-state dialogue held on the occasion of the APEC Economic Leaders' Meeting in November, Prime Minister Abe and President Putin agreed on continuously furthering the cooperation between the two countries across a broad range of fields based on the "Japan-Russia Action Plan".

As for relations with the countries of Central Asia and Caucasus, Japan held in Tokyo the Second Foreign Ministers' Meeting of the "Central Asia plus Japan" Dialogue, a dialogue launched in August 2004 with these nations of Central Asia and the Caucasus. Strengthening of relationships also resulted from Prime Minister Koizumi's visit to Central Asia, through which he became the first Japanese prime minister in history to visit the region, and Azerbaijani President Ilham Aliyev's visit to Japan.

Africa

In Africa, a sharp appreciation in the price of crude oil around the globe resulted in dramatic growth in oil-producing nations, and the economy of the region experienced steady growth as a whole. However, again in 2006 Africa's central political and diplomatic issues were the resolution of conflicts and the consolidation of peace. Some countries demonstrated steady movement towards peace and stability, as demonstrated in the holding of democratic elections in the Democratic Republic of the Congo and the achieving of historical cease-fire agreements in Burundi and Uganda. Yet, situations of great concern were also in evidence, including the deteriorating internal security in the Darfur region of Sudan and political turmoil in Somalia. Attempts in Africa at regional cooperation and integration are ongoing, with these attempts centering on those countries that have maintained political stability and economic growth and steadily fostered development.

Japanese diplomacy towards Africa is grounded in three principles, namely: (i) making appropriate contributions to the solution of global issues that are concentrated in Africa as a responsible member of the international community; (ii) strengthening diplomatic foundations through the enhancement of relationships with these 53 countries of Africa, which comprise approximately 30% of the United Nations member states; (iii) pursuing with Africa, which is both a source of tremendous natural resources and a

potential market, the possibility of development of medium- and long-term economic relations. In order to promote such principles, Japan views the Tokyo International Conference on African Development (TICAD) process, launched in 1993, as the cornerstone of its assistance to Africa, and it is engaged in the steady implementation of this TICAD process as it prepares for the fourth TICAD (TICAD IV), which will be held in 2008.

Latin America

Latin America has been on a path of stable economic growth in recent years. This has emerged against a background of its vast intraregional market and progress in regional integration as well as the promotion of FTAs with countries outside of Latin America. Countries rich in natural resources benefit from high prices of natural resources and energy. During presidential elections held in 12 countries in 2006, all candidates put emphasis on the importance of enhanced social public policy, and momentum has been rising for correcting the economic disparity in the society, which is a historical challenge for countries in the region.

Under the Vision for a New Japan-Latin America and the Caribbean Partnership announced by Prime Minister Koizumi in 2004, relations between Japan and Latin America and the Caribbean, particularly economic relationship, have seen a significant revitalization. The economic partnership agreement (EPA) that entered into force between Japan and Mexico in 2005 has resulted in a dramatic expansion of trade and investment relations between the two countries. Japan and Chile also reached an agreement in principle on major elements of the EPA in September 2006. In addition, the Japan-Central America Business Forum was held, and efforts have been intensified in a number of new fields, such as digital televisions, biofuels, and clean development mechanism (CDM) cooperation. Active exchanges of VIPs between Japan and Latin America and the Caribbean included the Crown Prince's visit to Mexico in March and Prince Akishino's visit to Paraguay in November. From Latin America and the Caribbean, Salvadoran President Antonio Saca and other dignitaries visited Japan, thereby reinforcing bilateral ties.

The United Nations

For years, Japan has been working actively towards comprehensive reform of the United Nations. With regard to the reform of the Security Council, although the G4 (Japan, India, Brazil, Germany) draft framework resolution that was submitted to the United Nations General Assembly in 2005 failed to be adopted, momentum for reform became greater than ever before. Through these efforts, the necessity of attaining results of reform as early as possible has gained recognition throughout the United Nations. Japan continues to hold discussions with relevant countries in order to promote reform. Moreover, on December 18, Japan held a commemorative ceremony to celebrate the 50th anniversary of Japan's admission to the United Nations, and it also contributed to reconfirming the necessity of United Nations' reform.

In October, following the recommendation of the Security Council, the General Assembly appointed Mr. Ban Ki-moon, Minister of Foreign Affairs and Trade, Republic of Korea, to succeed Secretary-General Kofi Annan, who had served for ten years during his two terms in office. Japan welcomes the fact that this marked the first time in 35 years that Secretary-General was elected from Asia. And in the time to come, Japan will be working in close cooperation with new Secretary-General Ban to advance various efforts at the United Nations.

International Economics and International Economic Approaches

The global economy continues to enjoy a high rate of growth, yet factors for uncertainty can be found in the global imbalance and the continuing high oil prices. At the G8 St. Petersburg Summit, active discussions were held on the issues of energy security, trade, and the protection of intellectual property rights.

The maintenance and reinforcement of the multilateral trading system has brought prosperity to the world economy and has been the central pillar on which the development of the Japanese economy has rested. Japan has proactively entered into negotiations in the World Trade Organization's (WTO's) Doha Round, including participation in multiple Ministerial-level meetings, with the objective of concluding negotiations within 2006. The G8 Summit in July also called for greater flexibility from all coun-

tries to enable the conclusion of the Round's negotiations. At the end of July, the gaps in the stances of the countries remained unbridgeable, mainly with regard to the three issues of access to agricultural markets, agricultural subsidies, and NAMA (non-agricultural market access), leading to a suspension of negotiations. However, in November, separate negotiating groups restarted discussions at the officials level.

In addition, as a supplement to the WTO, Japan is actively engaged in EPA negotiations. In July, an EPA between Japan and Malaysia, Japan's third such agreement, entered into force. Moreover, an EPA with the Philippines was also signed and an agreement in principle on major elements was reached with Chile, Indonesia, and Brunei.

Official Development Assistance (ODA)

For the implementation of Japanese ODA, in addition to the principles laid out in its ODA Charter, such as freedom, democracy, fundamental human rights, and the realization of a market economy, Japan also places emphasis on the perspective of "human security," which aims to create a society in which each individual can lead a life of full human dignity through the protection of, and the capacity development of, individuals and local communities. Japan also works to advance cooperation with NGOs and other partners in order to promote human security.

The expansion and development of the Asian market has resulted in a deepening of interdependent relationships among countries in the region. It is becoming increasingly important that ODA is used to promote private-sector economic activities and to reinforcing trade and investment environments, and to secure natural resources and energy.

In response to the changes taking place in this era, a comprehensive review and revision of ODA was carried out in 2006 in order to bring about strategic, effective implementation. Specifically, in April the Overseas Economic Cooperation Council was established, made up of the Prime Minister, the Chief Cabinet Secretary, the Foreign Minister, the Finance Minister, and the Minister of Economy, Trade and Industry. Through this, the headquarters function of the Cabinet with regard to the strategic provision of ODA was reinforced. In addition, at the Ministry of Foreign Affairs, which has central responsibility for coordinating the formation and plan-

ning of ODA policy, the International Cooperation Planning Headquarters was established in March, and in August the International Cooperation Bureau was established through institutional reorganization. In this way the Ministry's functions to formulate and plan ODA policy were strengthened by further reinforcing coordination of bilateral assistance and multilateral assistance that is implemented through international organizations. In order to further reinforce coordination among assistance schemes, the Revised Japan International Cooperation Agency (JICA) Law was passed in November, under which JICA would implement in principle technical cooperation, ODA loans, and grant aid in an integrated way. In addition to these changes, constant efforts to reform will be made, including the enhancement of field functions and the strengthening of collaboration with international organizations, other donors, NGOs, and other such entities.

Enhancing Diplomatic Capacity

Enhancing diplomatic capacity is an issue to be addressed urgently so that Japan is able to develop more potent diplomacy based on national interests and respond to the various diplomatic issues with greater functionality and accuracy. Given the awareness of these challenges, the Ministry of Foreign Affairs is actively promoting efforts to increase the number of diplomatic establishments abroad as well as the number of Ministry personnel in order to improve its implementation structures, which constitute the core of diplomatic strength. Accordingly, the budget for FY2007 adopted by the Cabinet included significant improvements in both the number of diplomatic establishments abroad and the number of Foreign Ministry personnel.