

Tadahiro ABE

Foreign Policy of Japan

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**To my wife, Toshiko,
and daughters Kaori and Hazuki**

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FOREWORD

With the international community facing new wave of challenges in the 21st century, particularly after the collapse of the Cold-War regime, globalization and interdependence among the countries in the world became common words to be shared in seeking foreign and economic policy of the individual country: Policy adopted in one country tends to have something to do more with the policy of other country directly or indirectly.

While effectively addressing various transformations which are taking place in the world, Japan's foreign policy in the new century seeks to promote the security and prosperity of the entire international community in a more active manner, recognizing that these are simultaneously integrated with the peace and development of Japan itself.

Close relationship particularly between Japan and the U.S. in the various aspects of policy implementation such as Japan-U.S. security arrangements has been a basic foundation of Japan's foreign policy in the post-war era through to the 21st century. Renouncing the war as a sovereign right of the nation and use of force as means of settling international disputes, Japan has been maintaining itself as a "Peace-Oriented Nation" in the international community, trying to contribute for the eventual materialization of global peace and stability. In this context, it is also important for Japan, as a member of Asian region, to have an amicable relation with countries in the Asia and Pacific region through various cooperation and policy coordination.

Recognizing the responsibilities that resulted from its position as the second largest global economic power, Japan has been endeavoring to promote sound economic/social development worldwide through application of its Official Development Assistance (ODA) to the developing countries, as well as contribution to the activities of international organizations such as the United Nations(UN), IMF, WTO, OECD .

After the end of the Cold-War and transformation of a global security framework following the fragmentation of the U.S.S.R. in 1991, Newly Independent States(NIS) emerged in the international community. They started to make joint efforts for integration into international community and global economy through formation of the Commonwealth of Independent States(CIS), consisting of 12 former Soviet States, though the Baltic States decided to take different steps toward their Europeanization: Russia, Azerbaijan, Kazakhstan have successfully utilized their strategic natural resources and geopolitical location for their development. Georgia and Ukraine have benefited from their advantageous location for transportation of oil and gas through their territories to global energy markets. Thus each of the NIS has envisaged its own particular policy towards their development and integration into the international community. Social and economic reform in the former Soviet region is important from global perspective. Therefore, Post-Soviet Space is also one of the top priorities for Japan in applying its peaceful foreign policy.

In this regard, the efforts for economic/social reform made by Azerbaijan, with a newly restored oil producing capability, are noteworthy. Japan recognized Azerbaijan since its declaration of independence in 1991, and diplomatic relation was instituted a year later between the two countries. As one of the leading countries in South Caucasus region, Azerbaijan has been making a steady progress for its national development, successfully contributing to the regional peace as well. So, the Government of Japan has been endeavoring to promote mutual understanding between the two countries, and to provide Azerbaijan with various assistance for the purpose of supporting Azerbaijan's efforts toward its social and economic development.

In shedding light upon the perspectives of Japan's Foreign Policy, the following articles may provide some perspectives on the Japan's foreign policy in the U.S., Asia-Pacific and the Post-Soviet Space, particularly in Azerbaijan. The articles mainly dealing with the Japan-U.S., and Japan-Asia Pacific

relations are excerpted from the lectures which I delivered in the U.S., while I was posted as Consul General of Japan in Seattle, State of Washington, U.S., and those which concern with CIS, or Azerbaijan were taken from the lectures or interviews which I made in Azerbaijan while I was assuming the Ambassador of Japan in the Republic of Azerbaijan.

Tadahiro ABE
Extraordinary and Plenipotentiary
Ambassador of Japan

PREFACE

Japan is well known as having succeeded in establishing itself as a major economic power in the international community through its steady and strenuous efforts during the latter part of the 20th century, and moving forward as a peace-oriented country placing the internationally recognized common values such as democracy, rule of laws and basic human rights in its national foundation. Over the past sixty years, Japan has been contributing to the realization of global and regional peace through various means such as provision of the Official Development Assistance (ODA), response to the transnational issues like the proliferation of weapons of mass destruction, international terrorism, infectious diseases, transnational organized crime and environmental problems in concert with the UN activities and so forth.

Since the collapse of the Soviet Union in 1991, the global community got into the so-called Post-Cold War regime where the US and other major countries play substantially important role in maneuvering the international affairs. And Japan has been endeavoring to build a desirable international order through proactive foreign policies on the basis of its alliance with the US and cooperation with the member countries of the international community.

Azerbaijan became independent in August, 1991, under the circumstance of the Soviet's dissolution, and is in a process of realigning its nation through political, economic and social reform. Japan has been extending its support to these endeavors by working together with the government and people of Azerbaijan through such means as ODA and various consultations. In order to facilitate this process and become reliable partners in the international arena, I believe that it is indispensable for us to know each other correctly and strengthen mutual understanding between us. It is very important to learn about Foreign Policy of Japan in this context, since Japan has been making a unique contribution to a state building of the newly independent countries. Those efforts, I am sure, are highly appreciated by the international community.

His Excellency Tadahiro ABE assumed his post as Ambassador of Japan in Azerbaijan in November 2004 and has been making quite extensive work for more than two years. His effort, along with his diplomatic routine, to facilitate mutual understanding between us through his lecture/speech in universities and institutions is highly appreciated by the people in our country. Thanks to Ambassador ABE's efforts, Japan and Azerbaijan have succeeded to attain incomparably friendly and meaningful relations ever happened.

H.E. Ambassador ABE is a graduate of the faculty of Economy of Japan's Keio University. There he obtained a Bachelor degree. After, he continued his education at London School of Economics and completed Master degree course in economics. Also, Mr. Tadahiro Abe, delivered lectures as a visiting scholar at the J.F. Kennedy School of Government, Harvard University in USA. Besides, Mr. Abe has been engaged in diplomatic activity in Washington DC, Los-Angeles and Boston. Before his post as Ambassador of Japan to Azerbaijan, he has been Consul-General of the Consulate-General of Japan at Seattle in the state of Washington of the US.

Hamlet ISAXANLI, Professor
Founder and President
Khazar University
Baku, Azerbaijan
January, 2007

CHAPTER I

JAPAN-US BILATERAL RELATIONS

1.1 Current Japan-US Relations and Asia-Pacific

Tadahiro ABE,

Consul-General of Japan at Seattle

At the Japan Week Business Luncheon

Mukogawa Forth Wright Institute

On April 21, 2004

Recent Developments in Japan-US Relations

One hundred and fifty years have passed since March 31, 1854, when Japan and the U.S. signed the Treaty of Peace and Amity that marked the start of our diplomatic relations. Both countries have developed into strong allies since then, and our close relationship can be witnessed at various international occasions such as those in the context of a bilateral relationship and those in a global context.

During May 22 & 23, 2003, at President Bush's Crawford ranch, our two leaders of Japan and the U.S. reflected on our 150 years of friendly relations and reconfirmed to further strengthen them so that our two peoples can forge powerful ties that underpin their resolve to face global problems together.

On October 17, 2003, Prime Minister Koizumi had a bilateral meeting with President George W. Bush in Tokyo. Both leaders confirmed the strong partnership between the two nations and emphasized the importance of the Japan-US alliance working for the peace and stability of the entire world. President Bush highly appreciated Japan's assistance for the reconstruction of Iraq, saying that Japan's announcement of its assistance package was significantly timely and impressive. President Bush also said that Japan's contribution to the adoption of the U.N. resolution on Iraq deserved credit. The two leaders frankly discussed other issues such as North Korea, the United Nations, and economic situations in the U.S. and Japan.

On April 12th, Prime Minister Koizumi had a bilateral meeting with Vice President Cheney in Tokyo. Both leaders confirmed the strong partnership between the two nations in assisting the reconstruction of Iraq. While Prime Minister Koizumi said, "Japan intends to continue its assistance to Iraq," Vice President Cheney highly appreciated Japan's financial assistance and deployment of the Self-Defense Forces to Iraq. Both leaders also confirmed that they would continue their policy coordination toward a complete dismantlement of nuclear weapons development programs of North Korea in an "irreversible and verifiable manner" through Six-Party Talks.

As you are aware Japan and the U.S., one of the closest allies in the Asia-Pacific region, have been playing vital roles in maintaining prosperity and stability throughout the world. Our Prime Minister Koizumi, upon previous invitation from President Bush, visited him at his ranch in Crawford, TX on May

22 & May 23, 2003, and discussed various issues of mutual concern in a friendly and productive atmosphere. As President Bush said at that time, Japan and the U.S. have a global alliance; a partnership based on shared interests and a shared belief in the cause of freedom and is looking forward to building a mutually strong relationship to meet the challenges of our times.

Our close ties, covering a wide range of issues such as economic and security relations are a cornerstone for peace and prosperity in the Asia-Pacific region and in the entire world, which I am now going to touch upon herein after.

I. Security Cooperation for the Asia-Pacific Region

1. Japan-U.S. Security Related Arrangements

It was fifty-three years ago when Japan signed both the “San Francisco Peace Treaty” with the Allied Nations and the “US-Japan Security Treaty.” The US-Japan Security Treaty marked the beginning of one of the closest relationships shared between two nations, which after a few short decades of involvement have enabled us to create a model foundation promoting peace and prosperity in the Asia-Pacific region and in the rest of the world. Our relationship has progressed and matured alongside events that [have] occurred in the 20th Century and on into the 21st Century where we will continue to develop with firm belief on the common values of democracy, freedom, and human rights.

Japan’s constitution renounces the act of war, hence, prohibiting itself to engage in military operations in order to solve international conflicts. We maintain only a Self Defense Force (JSDF) aimed at defending our own territory. On the other hand, we have U.S. military presence in our country in accordance with the US-Japan Security Treaty, and about 75% of the US’s deployment cost in Japan, for this purpose, is taken care of by the Government of Japan (GOJ) under the context of the Host Nation Support.

The Post-Cold War era brought about many important alterations to the nature of this security arrangement and prompted us to reexamine our alliance. In 1996, the “Japan-US Joint Security Declaration” was announced in light of the fluid international security situation, especially that of the Asia-Pacific region. One year later, the “Guidelines for the US-Japan Defense Cooperation” were revised so that it would bring about better coordination between us in taking care of the security environment in the Asia-Pacific region. Japanese Diet (Parliament) enacted laws in 1999 relating to the revised defense guidelines, which enabled Japan and its Self Defense Forces to cooperate with U.S. forces in a better way. Japan’s Self Defense Forces can now extend logistical assistance to the U.S. and aid in search and rescue missions provided that they are in non-combat areas and that they do not constitute a threat or use of force in the operation concerned.

2. Further Evolvement of the Alliance

At the turn of the century, we are confident knowing that we have taken the proper steps to ensure that our security alliance is strong, and that it responds to real necessities in a more appropriate way. There are risks and security threats still in existence and with no exception in the Asia-Pacific region. However, we have no collective security arrangement such as NATO or OSCE (Organization for Security Cooperation in Europe) in the Asia-Pacific region, which could function as a main multilateral catalyst for peace and stability in the region. Under such circumstances, bilateral security arrangements certainly help to discourage potential destabilization in the Asia-Pacific region. However, it is important that Japan and the U.S. go beyond bilateral arrangements and work together in multilateral operations such as those conducted under the context of United Nations Peace Keeping Operations. We can see a recent example of this in the case of East Timor in Asia. The recent issue of international terrorism also requires us to work together in order to fight against it. Our strong alliance will constitute a basic foundation to such operations. We are sure that our security partnership with the U.S. is and will continue to be a foundation of Japan's foreign policy.

3. Anti-Terrorism Measures

(1) Diverse threats in the international community have prompted the Japanese government to contrive various measures to be able to participate in cooperative operations against these threats in an appropriate manner. After the September 11th incident, Japan and the U.S. have committed to work together to fight against terrorism and for the attainment of global security. After September 11th, the Japanese Diet passed a law in October, 2001, called the "Anti-Terrorism Special Measures Law," enabling Japan to put into practice various measures in support of the U.S. and other likeminded nations' operations targeting to remove terrorism related activities. These various measures comprise implementation of cooperation and support activities toward foreign forces, search and rescue operations, and provision of assistance to the affected people. As mentioned before, these cooperative measures cannot be taken in a way that constitutes a threat or use of force. The new law does, however, state that Japan's Self Defense Forces can move beyond Japan's borders to aid in such operations as providing medical services and transportation abroad. In the case of Afghanistan, they included various supply operations to U.S. troops involved. In November 2001, for the first time, Japan's Maritime Defense Forces dispatched destroyers and supply ships to the Indian Ocean to provide fuel for U.S. and UK marine forces' ships deployed there (later expanded to other like-minded countries' vessels involved as well). In addition, the Japanese government dispatched the Self Defense Force's Aegis-equipped destroyer to the Indian Ocean in December 2002. This ship improved the refueling process and greatly contributed to the operation concerned.

(2) On October 10, 2003, the National Diet of Japan passed an amendment to the Anti-Terrorism Special Measures Law, enabling the JSDF to extend its logistical support for the countries engaging in anti-terrorism activities for another two years. Based on the Law, the Maritime Self Defense Force, as stated before, has dispatched destroyers and supply ships to the Indian Ocean to provide at-sea refueling to the naval vessels participating in Operation Enduring Freedom. As of October 9, 2003, Japan had provided 323, 931 kiloliters* of fuel to these vessels. The GOJ is providing the fuel at its own expense.

The Air Self-Defense Force of Japan has also provided airlift support to the US Forces by C-130 and U-4 transport aircraft. As of September 26, 2003, Japan has completed 191 airlift transportation missions within Japan and 15 missions between US bases in Japan and Guam and other areas. (*About 85.6 million gallons. It accounts for approximately 35% of the entire amount of fuel supplied in at-sea refueling in Operation Enduring Freedom.)

4. Enactment of the National Emergency Laws

(1) On June 6, 2003, the House of Councillors passed three laws concerning Japan's response to a military attack from abroad: the Law Concerning Measures to Ensure National Independence and Security in a Situation of Armed Attack, the Law to Amend the Self-Defense Forces Law, and the Law to Amend the Security Council Establishment Law: a legal framework to respond to military emergencies has been finally established 26 years after the cabinet of then Prime Minister Takeo Fukuda began studying the idea of contingency legislation back in 1977. The passage of the three emergency laws means that Japan's security policy has entered a new stage.

The government submitted three bills to a regular session of the Diet in April 2002. The bills were debated in that session and in the subsequent extraordinary session that fall before finally being passed this time.

(2) The Law Concerning Measures to Ensure National Independence and Security in a Situation of Armed Attack specifies fundamental policies and processes to be followed in the event of a direct attack on Japan. In cases where Japan has been or is expected to be the victim of an organized, planned attack, such from another country, the government will declare a "state of armed attack" or a "situation where an armed attack is anticipated," and the cabinet will decide how to respond. The decision will require prior approval of the Diet, but the law permits ex post facto approval in an urgent situation. Based on the cabinet decision, the government will then create a response headquarters that will be chaired by the prime minister, in whom authority is concentrated.

(3) The amendment to the Self-Defense Forces Law establishes special measures with regard to approximately 20 related laws for the purpose of allowing the JSDF to operate smoothly. Examples include exempting the JSDF from the Road Law, which requires the permission of highway authorities before any alterations to roads can be made when troops are moved.

(4) The amendment to the Security Council Establishment Law creates an Emergency Response Special Committee, chaired by the chief cabinet secretary, that will conduct investigation and analysis in the event of an emergency, and it also strengthens the functions of the Security Council.

5. United Nations Peace Keeping Operations (PKO)

The PKO has been playing a vital role in maintaining peace and security in the international community since the 1960's. In 1992, after much debate and discussion, the "International Peace Cooperation Law," was enacted by the Japanese Diet, which authorizes the government to deploy its Self-Defense Forces in posterior logistical spheres of peacekeeping operations.

Japan submits financial contributions to PKO and now contributes in a civilian manner. For example, Japan sent election observers to prevent any domestic controversies that may arise in conflict with the respective nation's constitutional principles. After having enacted the International Peace Cooperation Law in 1992 (revised in 1999), Japan has dispatched its personnel to become a part of PKO in various countries such as Angola, Bosnia, Cambodia, El Salvador, the Golan Heights, and Kosovo. A most recent case of the operation can be seen in supportive operations for the UN Transitional Administration in East Timor.

6. Multi-tier System in the Asia-Pacific Region

In order to improve dialogue and exchange with regard to security issues in the Asia-Pacific region, Japan makes best use of bilateral as well as multilateral fora like ARF (ASEAN Regional Forum), ASEAN+3 (Japan, Korea, and China), ASEAN PMC (Post-Ministerial Conference), and APEC (Asia Pacific Economic Cooperation). These fora provide suitable opportunities to talk about political/security problems in the regional and global context. It is vital for countries that make up the Asia-Pacific to work together towards achieving peace and stability in a region that is as unique as it is diverse. These various fora provide opportunities for the participating countries to make open and upfront dialogue from the various perspectives among them. ARF, above all, has been playing a vital role in facilitating dialogue and cooperation among member countries in the field of security including confidence-building measures and preventive diplomacy.

II. Japan-U.S. Economic Relations

1. Japan-US as Trading Partners

The U.S. and Japan are the No. 1 and No. 2 ranking economies respectively in the world, and have been increasing their mutual interdependency. Total sum of GDP of the U.S. and Japan reaches about 47% of the world's output in 2001. When it comes to the total amount of trade, Japan has been the U.S.'s No.1 trading partner outside of the NAFTA region. However in 2002, Japan imported some 51 billion dollars worth of U.S. goods (i.e. 7.5% of the total U.S. exports) and the U.S. became the number two ranking exporter to Japan; in the same year, China did surpass the U.S. and became the No. 1 exporter to Japan. Our main items of trade range from agricultural products including such primary commodities as wheat, corn, and soybeans (some 10 billion dollars) to high technology products and so forth.

2. Trade between Japan and State of Washington

When it comes to the State of Washington, it is well-known that one third of its total labor force is involved in international trade; trade plays a very important role in the Washington economy. Since one quarter of the total amount of Washington trade is being made with Japan, one out of 12 workers in the labor force is engaging in trade with Japan.

Japan is the State of Washington's No. 1 trading partner. Total trade between Japan and the State of Washington reached about \$23 billion (about 1/4 of the state's total trade in 2002) followed by Canada (\$17 billion) and China (\$15 billion). Major export items from Washington to Japan are high-tech items,

forest products, and seafood. Major import items from Japan are motor vehicles, aircraft parts, vehicle parts, and so forth.

3. U.S. Investment in Japan

The world economy of today is developing into a process that involves stronger ties between countries and businesses including trade as well as movement of capital, people, and technology made to cross-over the borders. Japan has an important economic background such as: the second ranking in size and scale of GDP in the world economy, well established legislative system, accumulated technology, a wide range of supporting industries, a diligent and well-educated workforce, and a safe living environment. And U.S. investment in the Japanese market is steadily growing. Japan is the U.S.'s No. 1 recipient of U.S. investment. Some of the major companies exemplified in this category are: Citibank, Merrill Lynch, Eddie Bauer, ToysRUs, Wal-Mart, Costco, Starbucks, and Tully's. As you are aware, some of these companies represent those located in the state of Washington. When it comes to Japanese Foreign Direct Investment, the U.S. market ranked No. 1 or No. 2 in accordance with the prevailing economic situations as well as the foreign exchange market.

III. Japanese Economy

Now, Japan is right in the middle of restructuring its economy and the traditional principles that it was once based upon in its economic activities. Under the Koizumi Administration, the GOJ is accelerating structural reform through the four main pillars of financial system reform, tax reform, regulatory reform, and reform of the government expenditure structure; strengthen its efforts toward the revitalization of the Japanese economy; and aim at the realization of self-sustaining economic growth led by private-sector demand while overcoming deflation. In this context, the non-performing loan issue is being addressed in a proper manner.

Deflation is caused by steadily falling prices that can produce various negative outcomes in a nation's economy. A country whose economy is under deflation is apt to experience a magnifying value of debts, a cut in business profits, and smaller income in real value. Consumer behavior changes with falling prices, because it persuades them to put off purchasing now expecting that the price will only continue to fall in the future. The GOJ devised an economic package to cope with the deflation problem over the past years.

The package comprised of measures to dispose non-performing loans, rehabilitate and reenergize companies that have been suffering from serious financial problems. In accordance with the previous measure, the Japanese Diet has passed a law regarding the establishment of a corporate rehabilitation organization in order to help clear off any of those remaining companies. Not all of them are to be rescued in this effort, though; the government has set aside grants to help those individuals who may suffer from the operation in the process concerned. The current challenges that the Japanese companies are confronting are substantial, but not impossible to overcome.

Japan has a proven track record for resiliency and for its ability to recover from hardships. Japan has accumulated somewhere in the neighborhood of 14 trillion dollars in personal savings, and possesses the

largest foreign reserves, totaling 543 billion dollars, among the leading countries. It is well-known that Japanese products have a good value with high quality and the Japanese workers are considered to be hard-working and well-educated. With these values and various elements, Japan certainly will have an opportunity to overcome its current economic difficulty and start growing again. Japan and the U.S. in cooperation with each other can help to improve the economic welfare of both the people in Japan and in the U.S.

In recent months, some favorable signs have emerged. In the second quarter, the economic growth rate in Japan achieved 3.9% in real terms, and that of the US economic growth rate reached 3.3% in the third quarter of this year.

IV. Specific Issues of Grave Concern

1. Iraqi issue

(1) After November 2002's adoption of a new UN Security Council (UNSC) resolution 1441, and eventual military campaign in Iraq, Prime Minister Koizumi reiterated the GOJ's support to the U.S. position towards Iraq. The GOJ approved an emergency relief measure aimed at providing humanitarian assistance to the region concerned so that it can help to improve the prevailing situations. Also at the Crawford meeting in May 2003, President Bush said that the Japanese government demonstrated its commitment to peace and freedom along with the U.S. and that he appreciated Japan's diplomatic and financial support for key regional states affected by the conflict.

(2) On October 16th in 2003, the UNSC unanimously adopted a new resolution (Res. 1511), indicating that the international community is united in undertaking the task of constructing Iraq and ensuring security in that country.

(3) When the Ministerial Meeting of the International Conference on Reconstruction in Iraq was held in Madrid on October 24th 2003, Japan announced its position of providing assistance of up to US \$3.5 billion mainly through concessionary loans to meet the medium-term construction needs in Iraq, in addition to the previously announced US \$1.5 billion grant assistance to meet the immediate reconstruction needs there. This makes the total amount of Japanese assistance to Iraq to be up to US \$5 billion, placing Japan as second-ranking donor, just next to the US, in the process of reconstruction.

(4) As a result of an enactment of the "Iraq Reconstruction Assistance Special Measures Law" in Japan on July, 26 2003, the JSDF became able to participate in "humanitarian/reconstruction assistance activities" for Iraq. The GOJ, afterwards, formulated a concrete Basic Plan on December 9th, in preparation for a dispatch of the JSDF to Iraq.

(5) On January 9th of this year, Director General Ishiba of the Japanese Self Defense Agency issued, in accordance with the Basic Plan, Deployment orders for dispatching Advanced Mission of the Ground Self Defense Force (JGSDF) and Full Mission of the Air Self Defense Force (JASDF) to Iraqi Operations.

(6) Deployment order for the full mission of the JGSDF and the JMSDF on January 26, 2004.

(7) JGSDF's entry into Samawa, on February 8, 2004, started the Humanitarian Reconstruction Assistance.

(8) JASDF's airlift to Samawa started on February 10, 2004.

(9) JMSDF's Destroyer Ship started on a voyage on February 20, 2004, arriving at Kuwait on March 15th.

2. Democratic People's Republic of Korea (DPRK, North Korea) Issue

(1) The situation in North Korea was also discussed during the Summit Meeting in Crawford in May, 2003, and they agreed that Japan and the U.S. would not tolerate nuclear weapons in North Korea nor would they settle for anything less than a complete, verifiable, and irreversible elimination of North Korea's nuclear weapons program. Prime Minister Koizumi also mentioned that it was extremely important for Japan to comprehensively resolve various issues including nuclear weapons, missiles, and abduction, which are based upon the Pyongyang Declaration signed by Prime Minister Koizumi and North Korean leader Kim Jong Il on September 17, 2002. President Bush assured the Prime Minister that the U.S. would stand squarely with Japan until all Japanese citizens kidnapped by North Korea were fully accounted for.

Both of the leaders reconfirmed those points when President Bush visited Tokyo on October 17, 2003. It is vitally important for Japan, the U.S., and the surrounding countries to properly handle the serious concerns that North Korea poses with regard to nuclear programs as well as other problems including abductions in order to realize real peace and stability in the North Asian region.

(2) While officials of the six nations (US, Japan, Korea, China, DPRK, Russia) had six-party meetings for the first time in that nature during August 27-29 2003, a bilateral exchange of views between the Japanese delegation and the North Korean delegation was also made on August 28th 2003.

(3) Later, in a speech at the U.N. General Assembly in New York, Foreign Minister Kawaguchi stated as follows on September 23rd 2003:

“Based on the Pyongyang Declaration between Japan and North Korea, Japan seeks the resolution of various outstanding issues between Japan and North Korea, including the nuclear issue, the missile issue, and the abduction issue. Upon a comprehensive resolution of these issues, Japan is looking to effect the normalization of its diplomatic relations with North Korea.”

From the perspectives of peace and prosperity in Northeast Asia and the nonproliferation, the development and possession of nuclear weapons by North Korea must never be tolerated.

(4) The second round of the Six-Party Talks were held from February 25 - 28, 2004, and understanding has deepened on the importance of the complete, verifiable and irreversible dismantlement (CVID) of all nuclear programs by North Korea. However, the objectives of the dismantlement differed between Japan, U.S., South Korea, and North Korea. Opinion regarding the presence of the uranium enrichment program also differed. Agreement was made between Japan and North Korea to continue intergovernmental consultation with regard to the abduction issue.

3. Japanese Constitution and Collective Self-Defense Right

As for the Constitution of Japan, various discussions such as the following have been made in various circles with regard to its relevancy in current, ever-changing international situations.

(1) Article 9

1) Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

2) In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.

(a) Paragraph 1 stipulates the peaceful settlement of international disputes. Japan is not to resolve the differences it may face with other states by means of force. This is based on a principle that dates back to the Treaty for the Renunciation of War of 1928, which repudiates “recourse to war for the solution of international controversies.”

On the basis of this Treaty and subsequent experiences, the first paragraph of Article 9 renounces not only “war,” but also “the threat or use of force”- a principle that was stipulated in the United Nation’s Charter as well.

(b) Paragraph 2 is said to represent the so-called “non-militarism.” This is a principle espoused by almost no other country ever. But, it is recognized as a matter of course that Japan is permitted to possess the minimum necessary level of self-defense capability and use the minimum level of force necessary to defend itself as the exercise of the right of self-defense.

(2) Individual and Collective Self-Defense

(a) The Cabinet Legislation Bureau has stuck to its interpretation about the right of collective self-defense in the Constitution: While Japan possesses the inherent right of collective self-defense under international law, exercise of the right of self-defense as authorized under Article 9 of the Constitution is confined to the minimum necessary level for the defense of the country. Exercise of the right of collective self-defense exceeds that limit and is not, therefore, permissible under the Constitution.

(b) There is another opinion, however, that considering the statements stipulated in the following, it is not necessarily correct to conclude straightforwardly that Japan cannot exercise its right of collective self-defense.

(i) The U.N. Charter declares that all member states have “the inherent right of... collective self-defense” (Article 51). And

(ii) The San Francisco Peace Treaty of 1951, and the Japan-US Security Treaty of 1951 and 1960 (as revised) state that “Japan has the inherent right of collective self-defense.” And

(iii) Paragraph 2 of Article 98 of the Constitution stipulates that Japan must also abide by international treaties such as those described above.

1.2 Current Japan-US Relations and Asia-Pacific

Tadahiro ABE

Consul-General of Japan at Seattle

At the FEI Meeting

On January 22, 2004

Recent Election for the Japanese House of Representatives

The general election for the Japanese House of Representatives was held on November 9, 2003, and the ruling Liberal Democratic Party (LDP) won 237 seats, 10 seats fewer than its pre-election (247 seats). However, the coalition among the LDP, the New Komeito, and the New Conservative Party (NCPJ), brought about a total of 275 seats, surpassing the half of the 480 seats in the House, and the LDP succeeded in holding the premiership (see the table).

Though the LDP failed to obtain an outright majority of 241 for itself, its numbers were added up to 244 through the addition of independents and dissolution of the NCP into the LDP. The NCP lost 5 out of its 9 pre election seats. The elected 4 members decided to merge with the LDP. The other coalition partner, the Komeito, obtained 34 seats adding 3 seats to its pre-election level of 31. Though the coalition, brought about fewer seats than its pre-election total of 287, its post-election figure of 278 (237 LDP + 34 Komeito + 4 NCP and 3 Independents) is above the so-called “absolute stable majority” of 269 seats, and it has sufficient members to retain a majority in all of the lower house’s 17 standing committees after designating the respective committee chairman.

The Democratic Party of Japan (DPJ), the major opposition party, merged with the Liberal Party about a month before the election; increased its members from 137 to 177 seats. The smaller opposition parties, however, lost their seats dramatically: The Social Democratic Party lost 12 out of 18 seats, and the Communist Party lost 11 out of 20, leaving the DPJ the major opposition party. The election results can be seen as a step toward an introduction to a two-party system in Japan.

The Koizumi administration and the recent reconfirmation of its mandate, coming out of the general election, are said to have changed the nature of the LDP in its approach to politics. Over the two years since Prime Minister Koizumi took his office in April 2001, he has succeeded in maintaining a high level of support for his various policies.

(Table)

Election Results of the House of Representatives (November 2003)

<u>Before</u>	<u>After Final*</u>		
Ruling Coalition	287	275	278
Liberal Democratic Party (LDP)	247	237	244
New Komeito (NK)	31	34	34
New Conservative Party (NCP)	9	4	dissolved
Democratic Party of Japan (DPJ)	137	177	177
Social Democratic Party (SDP)	18	6	6
Japanese Communist Party (JCP)	20	9	9

* Final figures take into account those who changed their party after the election.

Prime Minister Koizumi vs. President Bush:

On October 17th, Prime Minister Junichiro Koizumi had a bilateral meeting with President George W. Bush in Tokyo. Both leaders confirmed the strong partnership between the two nations and emphasized the importance of the Japan-US alliance working for the peace and stability of the entire world. President Bush highly appreciated Japan's assistance for the reconstruction of Iraq, saying that Japan's announcement of its assistance package was significantly timely and impressive. President Bush also said that Japan's contribution to the adoption of the U.N. resolution on Iraq deserved credit. The two leaders frankly discussed other issues such as North Korea, the United Nations, and economic situations in the U.S. and Japan. President Bush invited Prime Minister Koizumi again to Crawford several times during their meeting, the two leaders further promoted their friendship.

As you are aware Japan and the U.S., one of the closest allies in the Asia-Pacific region, have been playing vital roles in maintaining prosperity and stability throughout the world. Our Prime Minister Koizumi, upon previous invitation from President Bush, visited him at his ranch in Crawford, TX on May 22 and May 23, and discussed various issues of mutual concern in a friendly and productive atmosphere. As President Bush said at that time, Japan and the U.S. have a global alliance; a partnership based on shared interests and a shared belief in the cause of freedom and is looking forward to building a mutually strong relationship to meet the challenges of our times.

Our close ties, covering a wide range of issues such as economic and security relations are a cornerstone for peace and prosperity in the Asia-Pacific region and in the entire world, which I am now going to touch upon herein after.

I. Security Cooperation for the Asia-Pacific Region

1. Japan-U.S. Security Related Arrangements

It was fifty-two years ago when Japan signed both the "San Francisco Peace Treaty" with the Allied Nations and the "US-Japan Security Treaty." The US-Japan Security Treaty marked the beginning of one of the closest relationships shared between two nations, which after a few short decades of involvement have enabled us to create a model foundation promoting peace and prosperity in the Asia-Pacific region and in the rest of the world. Our relationship has progressed and matured alongside events that have occurred in the 20th Century and on into the 21st Century where we will continue to develop with firm belief on the common values of democracy, freedom, and human rights.

Japan's constitution renounces the act of war, hence, prohibiting itself to engage in military operations in order to solve international conflicts. We maintain only a Self Defense Force (JSDF) aimed at defending our own territory. On the other hand, we have U.S. military presence in our country in accordance with the US-Japan Security Treaty, and about 75% of the US's deployment cost in Japan, for this purpose, is taken care of by the Government of Japan (GOJ) under the context of Host Nation Support.

The Post-Cold War era brought about many important alterations to the nature of this security arrangement and prompted us to reexamine our alliance. In 1996, the “Japan-US Joint Security Declaration” was announced in light of the fluid international security situation, especially that of the Asia-Pacific region. One year later, the “Guidelines for the US-Japan Defense Cooperation” were revised so that it would bring about better coordination between us in taking care of the security environment in the Asia-Pacific region. Japanese Diet (Parliament) enacted laws in 1999 relating to the revised defense guidelines, which enabled Japan and its Self Defense Forces to cooperate with U.S. forces in a better way. Japan’s Self Defense Forces can now extend logistical assistance to the U.S. and aid in search and rescue missions provided that they are in non-combat areas and that they do not constitute a threat or use of force in the operation concerned.

2. Further Evolvement of the Alliance

At the turn of the century, we are confident knowing that we have taken the proper steps to ensure that our security alliance is strong, and that it responds to real necessities in a more appropriate way. There are risks and security threats still in existence and with no exception in the Asia-Pacific region. However, we have no collective security arrangement such as NATO or OSCE (Organization for Security Cooperation in Europe) in the Asia-Pacific region, which could function as a main multilateral catalyst for peace and stability in the region. Under such circumstances, bilateral security arrangements certainly help to discourage potential destabilization in the Asia-Pacific region. However, it is important that Japan and the U.S. go beyond bilateral arrangements and work together in multilateral operations such as those conducted under the context of United Nations Peace Keeping Operations. We can see a recent example of this in the case of East Timor in Asia. The recent issue of international terrorism also requires us to work together in order to fight against it. Our strong alliance will constitute a basic foundation to such operations. We are sure that our security partnership with the U.S. is and will continue to be a foundation of Japan’s foreign policy.

3. Anti-Terrorism Measures

(1) Diverse threats in the international community have prompted the Japanese government to contrive various measures to be able to participate in cooperative operations against these threats in an appropriate manner. After the September 11th incident, Japan and the U.S. have committed to work together to fight against terrorism and for the attainment of global security. The Japanese Diet passed a law after September 11th called the “Anti-Terrorism Special Measures Law,” resulting in Japan becoming able to put into practice various measures in support of the U.S. and other like-minded nations’ operations targeting to remove terrorism related activities. These various measures comprise implementation of cooperation and support activities toward foreign forces, search and rescue operations, and provision of assistance to the affected people. As mentioned before, these cooperative measures cannot be taken in a way that constitutes a threat or use of force. The new law does, however, state that Japan’s Self Defense Forces can move beyond Japan’s borders to aid in such operations as providing medical services and transportation abroad. In the case of Afghanistan, they included various supply operations to U.S. troops involved. In November 2001, for the first time, Japan’s Maritime Defense Forces dispatched destroyers and supply ships to the Indian Ocean to provide fuel for U.S. and UK marine forces’ ships

deployed there (later expanded to other like-minded countries' vessels involved as well). In addition, the Japanese government dispatched the Self Defense Force's Aegis-equipped destroyer to the Indian Ocean in December 2002. This ship improved the refueling process and greatly contributed to the operation concerned.

(2) On October 10, 2003, the National Diet of Japan passed an amendment to the Anti-Terrorism Special Measures Law, enabling the JSDF to extend its logistical support for the countries engaging in anti-terrorism activities for another two years. Based on the Law, the Maritime Self Defense Force, as stated before, has dispatched destroyers and supply ships to the Indian Ocean to provide at-sea refueling to the naval vessels participating in Operation Enduring Freedom. As of October 9, 2003, Japan had provided 323, 931 kiloliters* of fuel to these vessels. The GOJ is providing the fuel at its own expense. The Air Self-Defense Force of Japan has also provided airlift support to the US Forces by C-130 and U-4 transport aircraft. As of September 26, 2003, Japan has completed 191 airlift transportation missions within Japan and 15 missions between US bases in Japan and Guam and other areas. (*About 85.6 million gallons. It accounts for approximately 35% of the entire amount of fuel supplied in at-sea refueling in Operation Enduring Freedom.)

4. Enactment of the National Emergency Laws

(1) On June 6th of last year, the House of Councillors passed three laws concerning Japan's response to a military attack from abroad: the Law Concerning Measures to Ensure National Independence and Security in a Situation of Armed Attack, the Law to Amend the Self-Defense Forces Law, and the Law to Amend the Security Council Establishment Law: a legal framework to respond to military emergencies has been finally established 26 years after the cabinet of then Prime Minister Takeo Fukuda began studying the idea of contingency legislation back in 1977. The passage of the three emergency laws means that Japan's security policy has entered a new stage.

The government submitted three bills to a regular session of the Diet in April 2002. The bills were debated in that session and in the subsequent extraordinary session that fall before finally being passed this time.

(2) The Law Concerning Measures to Ensure National Independence and Security in a Situation of Armed Attack specifies fundamental policies and processes to be followed in the event of a direct attack on Japan. In cases where Japan has been or is expected to be the victim of an organized, planned attack, such from another country, the government will declare a "state of armed attack" or a "situation where an armed attack is anticipated," and the cabinet will decide how to respond. The decision will require prior approval of the Diet, but the law permits ex post facto approval in an urgent situation. Based on the cabinet decision, the government will then create a response headquarters that will be chaired by the prime minister, in whom authority is concentrated.

(3) The amendment to the Self-Defense Forces Law establishes special measures with regard to approximately 20 related laws for the purpose of allowing the JSDF to operate smoothly. Examples include exempting the JSDF from the Road Law, which requires the permission of highway authorities before any alterations to roads can be made when troops are moved.

(4) The amendment to the Security Council Establishment Law creates an Emergency Response Special Committee, chaired by the chief cabinet secretary, that will conduct investigation and analysis in the event of an emergency, and it also strengthens the functions of the Security Council.

5. United Nations Peace Keeping Operations (PKO)

The PKO has been playing a vital role in maintaining peace and security in the international community since the 1960's. In 1992, after much debate and discussion, the "International Peace Cooperation Law," was enacted by the Japanese Diet, which authorizes the government to deploy its Self-Defense Forces in posterior logistical spheres of peacekeeping operations.

Japan submits financial contributions to PKO and now contributes in a civilian manner. For example, Japan sent election observers to prevent any domestic controversies that may arise in conflict with the respective nation's constitutional principles. After having enacted the International Peace Cooperation Law in 1992 (revised in 1999), Japan has dispatched its personnel to become a part of PKO in various countries such as Angola, Bosnia, Cambodia, El Salvador, the Golan Heights, and Kosovo. A most recent case of the operation can be seen in supportive operations for the UN Transitional Administration in East Timor.

6. Multi-tier System in the Asia-Pacific Region

In order to improve dialogue and exchange with regard to security issues in the Asia-Pacific region, Japan makes best use of bilateral as well as multilateral fora like ARF (ASEAN Regional Forum), ASEAN+3 (Japan, Korea, and China), ASEAN PMC (Post-Ministerial Conference), and APEC (Asia Pacific Economic Cooperation). These fora provide suitable opportunities to talk about political/ security problems in the regional and global context. It is vital for countries that make up the Asia-Pacific to work together towards achieving peace and stability in a region that is as unique as it is diverse. These various fora provide opportunities for the participating countries to make open and upfront dialogue from the various perspectives among them. ARF, above all, has been playing a vital role in facilitating dialogue and cooperation among member countries in the field of security including confidence-building measures and preventative diplomacy.

II. Japan-U.S. Economic Relations

1. Japan-US as Trading Partners

The U.S. and Japan are the No. 1 and No. 2 ranking economies respectively in the world, and have been increasing their mutual interdependency. Total sum of GDP of the U.S. and Japan reaches about 47% of the world's output in 2001. When it comes to the total amount of trade, Japan has been the U.S.'s No.1 trading partner outside of the NAFTA region. However in 2002, Japan imported some 51 billion dollars worth of U.S. goods (i.e. 7.5% of the total U.S. exports) and the U.S. became the number two ranking exporter to Japan; in the same year, China did surpass the U.S. and became the No. 1 exporter to

Japan. Our main items of trade range from agricultural products including such primary commodities as wheat, corn, and soybeans (some 10 billion dollars) to high technology products and so forth.

2. Trade between Japan and State of Washington

When it comes to the State of Washington, it is well-known that one third of its total labor force is involved in international trade; trade plays an ever-important role in the Washington economy. Since one quarter of the total amount of Washington trade is being made with Japan, one out of 12 workers in the labor force is engaging in trade with Japan.

Japan is the State of Washington's No. 1 trading partner. Total trade between Japan and the State of Washington reached \$23 billion (about 1/4 of the state's total trade in 2001) followed by Canada (\$19 billion). Major export items from Washington to Japan are high-tech items, forest products, and seafood. Major import items from Japan are motor vehicles, aircraft parts, vehicle parts, and so forth.

3. U.S. Investment in Japan

The world economy of today is developing into a process that involves stronger ties between countries and businesses including trade as well as movement of capital, people, and technology made to cross-over the borders. Japan has an important economic background such as: the second ranking in size and scale of GDP in the world economy, well established legislative system, accumulated technology, a wide range of supporting industries, a diligent and well-educated workforce, and a safe living environment. And U.S. investment in the Japanese market is steadily growing. Japan is the U.S.'s No. 1 recipient of U.S. investment. Some of the major companies exemplified in this category are: Citibank, Merrill Lynch, Eddie Bauer, ToysRUs, Wal-Mart, Costco, Starbucks, and Tully's. As you are aware, some of these companies represent those located in the state of Washington. When it comes to Japanese Foreign Direct Investment, the U.S. market ranked No. 1 or No. 2 in accordance with the prevailing economic situations as well as the foreign exchange market.

III. Japanese Economy

Now, Japan is right in the middle of restructuring its economy and the traditional principles that it was once based upon in its economic activities. Under the Koizumi Administration, the GOJ is accelerating structural reform through the four main pillars of financial system reform, tax reform, regulatory reform, and reform of the government expenditure structure; strengthen its efforts toward the revitalization of the Japanese economy; and aim at the realization of self-sustaining economic growth led by private-sector demand while overcoming deflation. In this context, resolution of the non-performing loan issue is one of the top priorities needed to be addressed in an appropriate manner.

Deflation is caused by steadily falling prices that can produce various negative outcomes in a nation's economy. A country whose economy is under deflation is apt to experience a magnifying value of debts, a cut in business profits, and smaller income in real value. Consumer behavior changes with falling prices because it persuades them to put off purchasing now expecting that the price will only continue to fall in the future. The GOJ devised an economic package to cope with the deflation problem over the past years.

The package comprised of measures to dispose non-performing loans, rehabilitate and reenergize companies that have been suffering from serious financial problems. In accordance with the previous measure, the Japanese Diet has passed a law regarding the establishment of a corporate rehabilitation organization in order to help clear off any of those remaining companies. Not all of them are to be rescued in this effort, though; the government has set aside grants to help those individuals who may suffer from the operation in the process concerned. The current challenges that the Japanese companies are confronting are substantial, but not impossible to overcome.

Japan has a proven track record for resiliency and for its ability to recover from hardships. Japan has accumulated somewhere in the neighborhood of 14 trillion dollars in personal savings, and possesses the largest foreign reserves, totaling 543 billion dollars, among the leading countries. It is well-known that Japanese products have a good value with high quality and the Japanese workers are considered to be hard-working and well-educated. With these values and various elements, Japan certainly will have an opportunity to overcome its current economic difficulty and start growing again. Japan and the U.S. in cooperation with each other can help to improve the economic welfare of both the people in Japan and in the U.S.

In recent months, some favorable signs have emerged. In the second quarter, the economic growth rate in Japan achieved 3.9% in real terms, and that of the US economic growth rate reached 3.3% in the third quarter of this year.

IV. Specific Issues of Grave Concern

1. Iraqi issue

(1) After November 2002's adoption of a new UN Security Council (UNSC) resolution 1441, and eventual military campaign in Iraq, Prime Minister Koizumi reiterated the GOJ's support to the U.S. position towards Iraq. The GOJ approved an emergency relief measure aimed at providing humanitarian assistance to the region concerned so that it can help to improve the prevailing situations. Also at the Crawford meeting in May 2003, President Bush said that the Japanese government demonstrated its commitment to peace and freedom along with the U.S. and that he appreciated Japan's diplomatic and financial support for key regional states affected by the conflict.

(2) On October 16th in 2003, the UNSC unanimously adopted a new resolution (Res. 1511), indicating that the international community is united in undertaking the task of constructing Iraq and ensuring security in that country.

(3) When the Ministerial Meeting of the International Conference on Reconstruction in Iraq was held in Madrid on October 24th 2003, Japan announced its position of providing assistance of up to US \$3.5 billion mainly through concessionary loans to meet the medium-term construction needs in Iraq, in addition to the previously announced US \$1.5 billion grant assistance to meet the immediate reconstruction needs there. This makes the total amount of Japanese assistance to Iraq to be up to US \$5 billion, placing Japan as second-ranking donor, just next to the US, in the process of reconstruction.

(4) As a result of an enactment of the “Iraq Reconstruction Assistance Special Measures Law” in Japan on July, 26 2003, the JSDF became able to participate in “humanitarian/reconstruction assistance activities” for Iraq. The GOJ, afterwards, formulated a concrete Basic Plan on December 9th, in preparation for a dispatch of the JSDF to Iraq.

(5) On January 9th of this year, Director General Ishiba of the Japanese Self Defense Agency issued, in accordance with the Basic Plan, Deployment orders for dispatching Advanced Mission of the Ground Self Defense Force (JGSDF) and Full Mission of the Air Self Defense Force (JASDF) to Iraqi Operations.

(6) On January 16th and 22nd, JGSDF’s Advanced Mission and JASDF’s Full Mission deployed respectively.

2. Democratic People’s Republic of Korea (DPRK, North Korea) Issue

(1) The situation in North Korea was also discussed during the Summit Meeting in Crawford this past May and they agreed that Japan and the U.S. would not tolerate nuclear weapons in North Korea nor would they settle for anything less than a complete, verifiable, and irreversible elimination of North Korea’s nuclear weapons program. Prime Minister Koizumi also mentioned that it was extremely important for Japan to comprehensively resolve various issues including nuclear weapons, missiles, and abduction, which are based upon the Pyongyang Declaration signed by Prime Minister Koizumi and North Korean leader Kim Jong Il on September 17, 2002. President Bush assured the Prime Minister that the U.S. would stand squarely with Japan until all Japanese citizens kidnapped by North Korea were fully accounted for.

Both of the leaders reconfirmed those points when President Bush visited Tokyo on October 17, 2003. It is vitally important for Japan, the U.S., and the surrounding countries to properly handle the serious concerns that North Korea poses with regard to nuclear programs as well as other problems including abductions in order to realize real peace and stability in the North Asian region.

(2) While officials of the six nations (US, Japan, Korea, China, DPRK, Russia) had six-party meetings for the first time in that nature during August 27-29 2003, a bilateral exchange of views between the Japanese delegation and the North Korean delegation was also made on August 28th 2003.

(3) Later, in a speech at the U.N. General Assembly in New York, Foreign Minister Kawaguchi stated as follows on September 23rd 2003:

“Based on the Pyongyang Declaration between Japan and North Korea, Japan seeks the resolution of various outstanding issues between Japan and North Korea, including the nuclear issue, the missile issue, and the abduction issue. Upon a comprehensive resolution of these issues, Japan is looking to effect the normalization of its diplomatic relations with North Korea.”

From the perspectives of peace and prosperity in Northeast Asia and the nonproliferation, the development and possession of nuclear weapons by North Korea must never be tolerated.

3. Japanese Constitution and Collective Self-Defense Right

As for the Constitution of Japan, various discussions such as the following have been made in various circles with regard to its relevancy in current, ever-changing international situations.

(1)Article 9

1) Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

2) In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.

(a) Paragraph 1 stipulates the peaceful settlement of international disputes. Japan is not to resolve the differences it may face with other states by means of force. This is based on a principle that dates back to the Treaty for the Renunciation of War of 1928, which repudiates “recourse to war for the solution of international controversies.”

On the basis of this Treaty and subsequent experiences, the first paragraph of Article 9 renounces not only “war,” but also “the threat or use of force”- a principle that was stipulated in the United Nation’s Charter as well.

(b) Paragraph 2 is said to represent the so-called “non-militarism.” This is a principle espoused by almost no other country ever. But, it is recognized as a matter of course that Japan is permitted to possess the minimum necessary level of self-defense capability and use the minimum level of force necessary to defend itself as the exercise of the right of self-defense.

(2)Individual and Collective Self-Defense

(a) The Cabinet Legislation Bureau has stuck to its interpretation about the right of collective self-defense in the Constitution: While Japan possesses the inherent right of collective self-defense under international law, exercise of the right of self-defense as authorized under Article 9 of the Constitution is confined to the minimum necessary level for the defense of the country. Exercise of the right of collective self-defense exceeds that limit and is not, therefore, permissible under the Constitution.

a. There is another opinion, however, that considering the statements stipulated in the following, it is not necessarily correct to conclude straightforwardly that Japan cannot exercise its right of collective self-defense.

(i) The U.N. Charter declares that all member states have “the inherent right of... collective self defense” (Article 51).

(ii) The San Francisco Peace Treaty of 1951, and the Japan-US Security Treaty of 1951 and 1960 (as revised) state that “Japan has the inherent right of collective self-defense.”

(iii) Paragraph 2 of Article 98 of the Constitution stipulates that Japan must also abide by international treaties such as those described above.

1.3 Overview of the Current Asia-Pacific and Japan-US Relations

Tadahiro ABE

Consul-General of Japan, on November 14, 2003

On October 17th, Prime Minister Junichiro Koizumi had a bilateral meeting with President George W. Bush in Tokyo. Both leaders confirmed the strong partnership between the two nations and emphasized the importance of the Japan-US alliance working for the peace and stability of the entire world. President Bush highly appreciated Japan's assistance for the reconstruction of Iraq, saying that Japan's announcement of its assistance package was significantly timely and impressive. President Bush also said that Japan's contribution to the adoption of the U.N. resolution on Iraq deserved credit. The two leaders frankly discussed other issues such as North Korea, the United Nations, and economic situations in the U.S. and Japan. President Bush invited Prime Minister Koizumi again to Crawford several times during their meeting, the two leaders further promoted their friendship.

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5. United Nations Peace Keeping Operations (PKO)

The PKO has been playing a vital role in maintaining peace and security in the international community since the 1960's. In 1992, after much debate and discussion, the "International Peace Cooperation Law," was enacted by the Japanese Diet, which authorizes the government to deploy its Self-Defense Forces in posterior logistical spheres of peacekeeping operations.

Japan submits financial contributions to PKO and now contributes in a civilian manner. For example, serving as election observers to prevent any domestic controversies that may arise that would conflict with the respective nation's constitutional principles. After having enacted the International Peace Cooperation Law in 1992 (revised in 1999), Japan has dispatched its personnel to become a part of PKO in various countries such as Angola, Bosnia, Cambodia, El Salvador, the Golan Heights, and Kosovo. A most recent case of the operation can be seen in supportive operations for the UN Transitional Administration in East Timor.

6. Multi-tier System in the Asia-Pacific Region

In order to improve dialogue and exchange with regard to security issues in the Asia-Pacific region, Japan makes best use of bilateral as well as multilateral fora like ARF (ASEAN Regional Forum), ASEAN+3 (Japan, Korea, and China), ASEAN PMC (Post-Ministerial Conference), and APEC (Asia Pacific Economic Cooperation). These fora provide suitable opportunities to talk about political/security problems in the regional and global context. It is vital for countries that make up the Asia-Pacific to work together towards achieving peace and stability in a region that is as unique as it is diverse. These various fora provide opportunities for the participating countries to make open and upfront dialogue from the various perspectives among them. ARF, above all, has been playing a vital role in facilitating dialogue and cooperation among member countries in the field of security including confidence-building measures and preventative diplomacy.

II. Japan-U.S. Economic Relations

1. Japan-US as Trading Partners

The U.S. and Japan are the No. 1 and No. 2 ranking economies respectively in the world, and have been increasing their mutual interdependency. Total sum of GDP of the U.S. and Japan reaches about 45% of the world's output in 2001. When it comes to the total amount of trade, Japan has been the U.S.'s No.1 trading partner. However in 2002, Japan imported some 51 billion dollars worth of U.S. goods (i.e. 7.5% of the total U.S. exports) and made the U.S. the number two ranking exporter to Japan. In the same year, China did surpass the U.S. and became the No. 1 exporter to Japan. Our main items of trade range from agricultural products including such primary commodities as wheat, corn, and soybeans (some 10 billion dollars) to high technology products and so forth.

2. Trade between Japan and State of Washington

When it comes to the State of Washington, it is well-known that one third of its total labor force is involved in international trade; trade plays an ever-important role in the Washington economy. Since one quarter of the total amount of Washington trade is being made with Japan, one out of 12 workers in the labor force is engaging in trade with Japan.

Japan is the State of Washington's No. 1 trading partner. Total trade between Japan and the State of Washington reached \$23 billion (about 1/4 of the state's total trade in 2001) followed by Canada (\$19 billion). Major export items from Washington to Japan are high-tech items, forest products, and seafood. Major import items from Japan are motor vehicles, aircraft parts, vehicle parts, and so forth.

3. U.S. Investment in Japan

The world economy of today is developing into a process that involves stronger ties between countries and businesses including trade as well as movement of capital, people, and technology made to cross-over the borders. Japan has an important economic background such as: the second ranking in size and scale of GDP in the world economy, well established legislative system, accumulated technology, a wide range of supporting industries, a diligent and well-educated workforce, and a safe living environment. And U.S. investment in the Japanese market is steadily growing. Japan is the U.S.'s No. 1 recipient of U.S. investment. Some of the major companies exemplified in this category are: Citibank, Merrill Lynch, Eddie Bauer, ToysRUs, Wal-Mart, Costco, Starbucks, and Tully's. As you are aware, some of these companies represent those located in the state of Washington. When it comes to Japanese Foreign Direct Investment, the U.S. market ranked No. 1 or No. 2 in accordance with the prevailing economic situations as well as the foreign exchange market.

III. Japanese Economy

Now, Japan is right in the middle of restructuring its economy and the traditional principles that it was once based upon in its economic activities. Under the Koizumi Administration, the GOJ is accelerating structural reform through the four main pillars of financial system reform, tax reform, regulatory reform, and reform of the government expenditure structure; strengthen its efforts toward the revitalization of the Japanese economy; and aim at the realization of self-sustaining economic growth led by private-sector demand while overcoming deflation. In this context, resolution of the non-performing loan issue is one of the top priorities needed to be addressed in an appropriate manner.

Deflation is caused by steadily falling prices that can produce various negative outcomes in a nation's economy. A country whose economy is under deflation is apt to experience a magnifying value of debts, a cut in business profits, and smaller income in real value. Consumer behavior changes with falling prices because it persuades them to put off purchasing now expecting that the price will only continue to fall in the future. The GOJ devised an economic package to cope with the deflation problem last year.

The package comprised measures to dispose of non-performing loans, rehabilitate and reenergize companies that have been suffering from serious financial problems. In accordance with the previous measure, the Japanese Diet has passed a law regarding the establishment of a corporate rehabilitation organization in order to help clear off any of those remaining companies. Not all of them are to be rescued in this effort, though; the government has set aside grants to help those individuals who may suffer from the operation in the process concerned. The current challenges that the Japanese companies are confronting are substantial, but not impossible to overcome.

Japan has a proven track record for resiliency and for its ability to recover from hardships. Japan has accumulated somewhere in the neighborhood of 14 trillion dollars in personal savings, and possesses the largest foreign reserves, totaling 543 billion dollars, among the leading countries. It is well-known that Japanese products have a good value with high quality and the Japanese workers are considered to be hard-working and well-educated. With these values and various elements, Japan certainly will have an opportunity to overcome its current economic difficulty and start growing again. Japan and the U.S. in cooperation with each other can help to improve the economic welfare of both the people in Japan and in the U.S.

In recent months, some favorable signs have emerged. In the second quarter, the economic growth rate in Japan achieved 3.9% in real terms, and that of the US economic growth rate reached 3.3% in the third quarter of this year.

IV. Specific Issues of Grave Concern

1. Iraqi issue

(1) After last November's adoption of a new UN Security Council (UNSC) resolution 1441, and eventual military campaign in Iraq, Prime Minister Koizumi reiterated the GOJ's support to the U.S. position towards Iraq. The GOJ approved an emergency relief measure aimed at providing humanitarian assistance to the region concerned so that it can help to improve the prevailing situations. Also at the Crawford meeting in May, President Bush said that the Japanese government demonstrated its commitment to peace and freedom along with the U.S. and that he appreciated Japan's diplomatic and financial support for key regional states affected by the conflict.

(2) On October 16th, the UNSC unanimously adopted a new resolution (Res. 1511), indicating that the international community is united in undertaking the task of constructing Iraq and ensuring security in that country.

(3) When the Ministerial Meeting of the International Conference on Reconstruction in Iraq was held in Madrid on October 24th, Japan announced its position of providing assistance of up to US \$3.5 billion mainly through concessionary loans to meet the medium-term construction needs in Iraq, in addition to the previously announced US \$1.5 billion grant assistance to meet the immediate reconstruction needs there. This makes the total amount of Japanese assistance to Iraq to be up to US \$5 billion, placing Japan as second-ranking donor, just next to the US, in the process of reconstruction.

(4) As a result of an enactment of the “Iraq Reconstruction Assistance Special Measures Law” in Japan on July 26th, the JSDF became able to participate in “humanitarian/ reconstruction assistance activities” for Iraq. The GOJ is under the process of formulating a concrete basic plan in preparation for a possible dispatch of the JSDF to Iraq.

2. Democratic People’s Republic of Korea (DPRK, North Korea) Issue

(1) The situation in North Korea was also discussed during the Summit Meeting in Crawford this August and they agreed that Japan and the U.S. would not tolerate nuclear weapons in North Korea nor would they settle for anything less than a complete, verifiable, and irreversible elimination of North Korea’s nuclear weapons program. Prime Minister Koizumi also mentioned that it was extremely important for Japan to comprehensively resolve various issues including nuclear weapons, missiles, and abduction, which are based upon the Pyongyang Declaration signed by Prime Minister Koizumi and North Korean leader Kim Jong Il on September 17, 2002. President Bush assured the Prime Minister that the U.S. would stand squarely with Japan until all Japanese citizens kidnapped by North Korea were fully accounted for.

Both of the leaders reconfirmed those points when President Bush visited Tokyo on October 17, 2003. It is vitally important for Japan, the U.S., and the surrounding countries to properly handle the serious concerns that North Korea poses with regard to nuclear programs as well as other problems including abductions in order to realize real peace and stability in the North Asian region.

(2) While officials of the six nations (US, Japan, Korea, China, DPRK, Russia) had three-day meetings for the first time in that nature from August 27, the following summation was released by the chairman as to the discussion made during the conference.

a. The participants in the six-party talks agreed to solve the nuclear problem peacefully through dialogue to maintain peace and stability on the Korean Peninsula, and to pave the way for permanent peace.

b. The participants in the six-party talks called for a nuclear-free Korean Peninsula and shared the view that North Korea’s reasonable concern over its security must be considered and resolved.

c. The participants in the six-party talks agreed to seek a fair and realistic resolution in a manner that is phased and synchronized or parallel in implementation.

d. The participants in the six-party talks agreed not to take actions that could escalate the situation in the process of resolving the issue peacefully.

- e. The participants in the six-party talks agreed to build mutual confidence, narrow the differences in opinions, and expand their common views through dialogue.
 - f. The participants in the six-party talks agreed to continue the process of the six-party talks and to decide as soon as possible through diplomatic routes the place and time of the next meeting.
- (3) During the six-party conference, a bilateral exchange of views between the Japanese delegation and the North Korean delegation was made on August 28th, were as follows;
- a. Statements by the head of the North Korean delegation:
 - i. There is a firm basis between Japan and North Korea in the form of the Pyongyang Declaration.
 - ii. Bilateral problems between Japan and North Korea, including the abduction issues, should be resolved one by one in line with the Pyongyang Declaration.
 - iii. It is important for both Japan and North Korea to implement the Pyongyang Declaration.
 - b. Statements by the head of the Japanese Delegation:
 - i. Japan also intends to implement the Pyongyang Declaration
 - ii. Regarding the resolution of the abduction issue, and in particular the return to Japan of the families of abduction victims, Japan calls on North Korea to demonstrate a constructive response to the issue so that the humanitarian problem such as this could be solved quickly.
 - iii. Japan wants to continue discussions so as to solve the problems between Japan and North Korea. (In response, the North Korean delegation said that it wanted to do the same.)

(4) Later, in a speech at the U.N. General Assembly in New York, Foreign Minister Kawaguchi stated as follows on September 23rd:

“Based on the Pyongyang Declaration between Japan and North Korea, Japan seeks the resolution of various outstanding issues between Japan and North Korea, including the nuclear issue, the missile issue, and the abduction issue. Upon a comprehensive resolution of these issues, Japan is looking to effect the normalization of its diplomatic relations with North Korea.”

From the perspectives of peace and prosperity in Northeast Asia and the nonproliferation, the development and possession of nuclear weapons by North Korea must never be tolerated.

3. Japanese Constitution and Collective Self-Defense Right

As for the Constitution of Japan, various discussions such as the following have been made in various circles with regard to its relevancy in current, ever-changing international situations.

(1) Article 9

1) Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

2) In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.

(c) Paragraph 1 stipulates the peaceful settlement of international disputes. Japan is not to resolve the differences it may face with other states by means of force. This is based on a principle that dates back to the Treaty for the Renunciation of War of 1928, which repudiates “recourse to war for the solution of international controversies.”

On the basis of this Treaty and subsequent experiences, the first paragraph of Article 9 renounces not only “war,” but also “the threat or use of force”- a principle that was stipulated in the United Nation’s Charter as well.

(d) Paragraph 2 is said to represent the so-called “non-militarism.” This is a principle espoused by almost no other country ever. But, it is recognized as a matter of course that Japan is permitted to possess the minimum necessary level self-defense capability and use the minimum level force necessary to defend itself as the exercise of the right of self-defense.

(2) Individual and Collective Self-Defense

(a) The Cabinet Legislation Bureau has stuck to its interpretation about the right of collective self-defense in the Constitution that while Japan possesses the inherent right of collective self-defense under international law. The exercise of the right of self-defense as authorized under Article 9 of the Constitution is confined to the minimum necessary level for the defense of the country, so that the exercise of the right of collective self-defense exceeds that limit and is not, therefore, permissible under the Constitution.

(b) There is another opinion, however, that considering the statements stipulated in the following, it is not necessarily correct to conclude straightforwardly that Japan cannot exercise its right of collective self-defense.

a. The U.N. Charter declares that all member states have “the inherent right of... collective self-defense” (Article 51). And

b. The San Francisco Peace Treaty of 1951, and the Japan-US Security Treaty of 1951 and 1960 (as revised) state that “Japan has the inherent right of collective self-defense.” And

c. Paragraph 2 of Article 98 of the Constitution stipulates that Japan must also abide by international treaties such as described above.

1.4 Overview of the Current Japan-US Relations

Tadahiro ABE

Consul-General of Japan,

At Rotary Club of West Seattle on June 10, 2003

As you are aware Japan and the U.S., one of the closest allies in the Asia-Pacific region, have been playing vital roles in maintaining prosperity and stability throughout the world. Our Prime Minister Koizumi was invited to meet President Bush at his ranch in Crawford, TX on May 22 and May 23, and discussed various issues of mutual concern in a friendly and productive atmosphere. As President Bush said at that time, Japan and the U.S. have a global alliance; a partnership based on shared interests and a shared belief in the cause of freedom and is looking forward to building a mutually strong relationship to meet the challenges of our times.

Our close ties, covering a wide range of issues such as economic and security relations are a cornerstone for peace and prosperity in the Asia-Pacific region and in the entire world, which I am now going to touch upon herein after.

I. Security Cooperation for the Asia-Pacific Region

1. Japan-U.S. Security Arrangements

It was fifty-two years ago when Japan signed both the “San Francisco Peace Treaty” with the Allied Nations and the “US-Japan Security Treaty.” The US-Japan Security Treaty marked the beginning of one of the closest relationships shared between two nations, which after a few short decades of involvement have enabled us to create a model foundation promoting peace and prosperity in the Asia-Pacific region and in the rest of the world. Our relationship has progressed and matured alongside events that have occurred in the 20th Century and on into the 21st Century where we will continue to develop without compromising our fundamental vision.

Japan’s constitution renounces the act of war, hence, prohibiting itself to engage in military operations in order to solve international conflicts. We maintain only a Self Defense Force aimed at defending our own territory. On the other hand, we have U.S. military presence in our country in accordance with the US-Japan Security Treaty and the majority of required expenditures for this purpose are taken care of by the Government of Japan (GOJ) under the context of Host Nation Support.

The Post-Cold War era brought about many fundamental changes to the nature of this security arrangement and prompted us to reexamine our alliance. In 1996, the “Japan-US Joint Security Declaration” was announced in light of the fluid international security situation, especially that of the Asia-Pacific region. One year later, the “Guidelines for the US-Japan Defense Cooperation” were revised

so that it would bring about better coordination between us in taking care of the security environment in the Asia-Pacific region. Laws related to these defense guidelines were passed in our Japanese Diet (Parliament) in 1999, which allowed Japan and its Self Defense Forces to work more closely with U.S. forces. Japan's Self Defense Forces can now provide logistical support to the U.S. and aid in search and rescue missions provided that they are in non-combat areas and that they do not constitute a threat or use of force.

2. Further evolvement of the Alliance

At the turn of the century, we are confident knowing that we have taken the proper steps to ensure that our security alliance is strong, and that it responds to real necessities in a better way. There are risks and security threats still in existence and with no exception in the Asia-Pacific region. However, we have no multi-lateral security framework like NATO in the Asia-Pacific region, which could function as a main catalyst for peace and stability in the region. Bilateral security treaties certainly help to discourage potential destabilization in the Asia-Pacific region. It is vital, however, that Japan and the U.S. go beyond bilateral arrangements and cooperate in multilateral operations such as United Nations Peace Keeping Operations; just as we did in East Timor. We also need to cooperate in the fight against international terrorism. Our strong alliance will provide the basis for such cooperation. We are sure that our security partnership with the U.S. is and will continue to be a foundation of Japan's foreign policy.

3. Anti-Terrorism Measures

Diverse threats in the international community have prompted the Japanese government to take various steps so that it can offer more effective cooperation in international activities to cope with these threats. After the September 11th incident, Japan and the U.S. have committed to work together for the attainment of global security. The Japanese Diet passed a law after September 11th called the "Anti-Terrorism Special Measures Law," resulting in Japan becoming able to put into practice various measures in support of the U.S. and other nations' operations whose aim is to cope with and to eradicate the threat of terrorist activities. These measures include cooperation and support activities for foreign forces, search and rescue missions, and assistance to affected peoples. As mentioned before, these measures cannot constitute a threat or use of force. The new law does, however, state that Japan's Self Defense Forces can move beyond Japan's borders to aid in providing medical services, transportation, and most recently gave supplies to U.S. troops engaging in Afghanistan operations. In November 2001, for the first time, Japan's Maritime Defense Forces dispatched destroyers and supply ships to the Indian Ocean to provide fuel for U.S. and UK naval vessels (later expanded to other countries' vessels). In addition, last December the Japanese government dispatched the Self Defense Force's Aegis-equipped destroyer to replace one of the destroyers already on duty in the Indian Ocean. This vessel helped to improve the refueling process and greatly contributed to the operation concerned.

4. United Nations Peace Keeping Operations

The United Nations Peace Keeping Operation(PKO) has played a central role in maintaining peace and security in the international community since the 1960's. In 1992, after much debate and discussion, the Japanese Diet passed legislation of the "International Peace Cooperation Law," which empowers the

government to dispatch its Self-Defense Forces to participate in logistical aspects of peacekeeping operations.

Japan submits financial contributions to PKO and now contributes in a civilian manner. For example, serving as election observers to prevent any domestic controversies that may arise that would conflict with the respective nation's constitutional principles. Since the enactment of the International Peace Cooperation Law, Japan has sent its personnel to aid in PKO in Angola, Bosnia, Cambodia, El Salvador, the Golan Heights, Kosovo and so forth. In its most recent effort, Japan dispatched workers from its Self-Defense Force's Engineering Unit and staff members from its headquarters to the UN Transitional Administration in East Timor.

5. Multi-tier system in the Asia-Pacific Region

Japan is making positive efforts to promote bilateral dialogue and exchange on security issues, and in multilateral forums such as the ASEAN Regional Forum (ARF), ASEAN+3(Japan,Korea,China), ASEAN PMC (Post-Ministerial Conferences), and the Asia Pacific Economic Cooperation that offer grounds to discuss political and security issues involving the region. It is vital for countries that make up the Asia-Pacific to work together towards achieving peace and stability in a region that is as unique as it is diverse. These various forums allow for open and upfront dialogue among the major countries of the region. ARF has and is actively encouraging concrete dialogue and cooperation on a wide range of issues including confidence-building measures and preventative diplomacy.

II. Japan-U.S. Economic Relations

1. Japan-US as Trading Partners

The U.S. and Japan have the first and second largest economies in the world and not surprisingly have increased their mutual interdependency. Together they accounted for about 46% of the world's output (GDP) in 2001. In terms of the total amount of trade(export + import), Japan has been the U.S.'s No.1 trading partner. However in 2002, Japan imported some 51 billion dollars worth of U.S. goods (i.e. 7.5% of the total U.S. exports) and made the US the number two ranking exporter to Japan: In the same year, according to the Ministry of Finance report, China did beat the U.S. as the leading exporter to Japan. We are still heavily reliant upon U.S. agricultural products including such primary commodities as wheat, corn, and soybeans (some 10 billion dollars) and additionally we import high technology products and so forth, which are all imported into Japan every year.

2. Trade between Japan and State of Washington

When it comes to the State of Washington, it is well-known that one third of the total labor force is involved with international trade; trade plays an ever-important role in the Washington economy.

Japan is the State of Washington's No. 1 trading partner. Total trade between Japan and the State of Washington reached \$23 billion (about 1/4 of the state's total trade in 2001) followed by Canada (\$19 billion). Major export items from Washington to Japan are high-tech items, forest products, and seafood. Major import items are motor vehicles, aircraft parts, and vehicle parts.

3. U.S. Investment in Japan

Today's world economy is developing into a new stage where stronger ties among its member countries are required, and business circles, in particular, is deemed to play a vital role covering trade, investment and transfer of technology. Japan has abundant economic background suitable to induce global business from there such as (1) the second-ranking GDP, next to the US, (2) well established legal system, (3) accumulated technology, (4) a wide range of supporting industries, (5) a diligent and well educated workforce, and (6) a safe living environment.

U.S. interest and investment in the Japanese market are continually growing. The U.S. has invested, more than any other country, in the Japanese market. By the end of 2001, U.S. investment totaled some \$50 billion. Major finance companies such as Citibank, Merrill Lynch, and Salomon Smith Barney are now well-established in Japan. Likewise, American retailers like Coach, Eddie Bauer, and Gap also enjoy great success in Japan as do American fast-food chains and coffee shops such as McDonald's and Starbucks. More recently, Japan has seen the development of large-scale retailers such as ToysRus and Costco, which have benefited from various market deregulation measures adopted by the Japanese government. Wal-Mart also appears to be a good match for similar growth and success in Japan. As you are well aware, some of these companies represent those located in the State of Washington.

When it comes to Japanese foreign direct investment, the US market is ranked at top or second place in accordance with the prevailing economic situations as well as foreign exchange rate and so forth.

III. Japanese Economy

Japan is restructuring its economy and the traditional principles that it was once based upon. Under the Koizumi administration, Japan is undertaking various reforms that would, until recently, have been unthinkable. Prime Minister Koizumi believes that what *can* be done *should* be done in the private sector. Specific reform targets include Japan's budget, financial system, and tax code. In addition, Prime Minister Koizumi plans to eliminate or privatize Japan's public corporations that no longer serve its originally intended purpose and he is working to create a method to dispose of any existing non-performing loans.

Undoubtedly, one of the problems that the current Japanese economy is faced with is deflation. Deflation is caused by steadily falling prices that can produce many negative outcomes. A country enduring deflation experiences an expanding value of debts, a cut in corporate profits, and smaller income in real value. Consumer behavior changes with falling prices because it persuades them to put off buying now in hopes that the price will only continue to fall in the future. The GOJ realizes the severity of deflation and last year devised a comprehensive package to tackle the issue.

The package included measures to dispose of non-performing loans, rehabilitate and reenergize companies that have been suffering from serious financial problems. In accordance with the previous measure, the Japanese Diet has passed a law to establish a corporate rehabilitation organization that will help salvage any of those remaining companies. Not all companies, though, will be saved in this effort so the government has set aside grants to help those individuals who may lose their jobs in the process. The

current challenges that the Japanese companies are confronting are substantial, but not impossible to overcome.

Japan has a proven track record for resiliency and for its ability to recover from hardships. Collectively, Japan has somewhere in the neighborhood of 14 trillion dollars in personal savings, and it also has the highest amount of foreign reserves among the leading countries. Japanese products remain well-known for their value and high quality. The Japanese workforce is considered hard-working and well-educated. With these values and various elements, we can be somewhat optimistic that Japan certainly will have an economic rebound. Japan and the U.S. in cooperation with each other can help to improve the economic welfare of both the people in Japan and in the U.S.

IV. Specific Issues

1. Iraqi issue

After last November's adoption of a new UN Security Council resolution 1441, and eventual military campaign in Iraq, Prime Minister Koizumi reiterated the Government of Japan's (GOJ) support to the U.S. position towards Iraq. The GOJ approved an emergency relief measure aimed at providing humanitarian assistance to the region concerned so that it can help to improve the prevailing situations. Also at the Crawford meeting in May, President Bush said that the Japanese government demonstrated its commitment to peace and freedom along with the U.S. and that he appreciated Japan's diplomatic and financial support for key regional states affected by the conflict.

2. Democratic Peoples Republic of Korea (DPRK, North Korea) Issue

The situation in North Korea was also discussed during the Crawford visit last month and they agreed that Japan and the U.S. would not tolerate nuclear weapons in North Korea nor would they settle for anything less than a complete, verifiable, and irreversible elimination of North Korea's nuclear weapons program. Prime Minister Koizumi also mentioned that it was extremely important for Japan to comprehensively resolve various issues including nuclear weapons, missiles, and abduction, which are based upon the Pyongyang Declaration. President Bush assured the Prime Minister that the U.S. would stand squarely with Japan until all Japanese citizens kidnapped by North Korea were fully accounted for.

It is vitally important for Japan, the U.S., and the surrounding countries to properly handle the serious concerns that North Korea poses with regard to nuclear programs as well as other problems including abductions in order to realize real peace and stability in the North Asian region.

1.5 Current situations in the Asia-Pacific region and Japan-U.S. Relations

Consul-General of Japan Tadahiro ABE

At the University of Washington,

Seattle

March 6, 2003

I. Overview

1. The International Situation

The international community has built an open political and economic system founded on the basic values of respect for human rights, democracy, the market economy, and free trade; and that framework has allowed the world to secure stability and achieve prosperity. To ensure peace and safety and to realize greater success, Japan has actively contributed to the further development of this open politico-economic system as a key player among the developed democracies.

Society, through recent experiences, recognized a need for global efforts to maintain the stability of the international community in order to achieve even greater prosperity where unmistakably our success hinges increasingly upon our response to global issues, which must be dealt with appropriately to promote the further development of the world order built upon such an open politico-economic system. Accordingly, the international community has been actively addressing global issues such as terrorism, the world economy, the global environment, arms control, disarmament, and non-proliferation.

From the point of view of international relations, September 11 proved that a non-state actor in the form of a terrorist organization could, in the blink of an eye, exert a previously unimaginable influence on international relations, which was formerly considered to be the sole prerogative of nation-states. The globalization of the contemporary world has seen greater interaction among states, deepening interdependence, the free movement of people, goods, and services in response to the opening of borders and deregulation. In this world, the movers and shakers of international relations have diversified away from states to include international institutions, non-governmental organizations and multinational corporations. The new heterogeneity of the main players in the field of international relations has also introduced greater diversity and complexity into international relations itself.

At the same time the advance of globalization has provided the international community with the opportunity for greater prosperity, there remains a need for the international community to deal appropriately with those problems that could be described as the dark side to the results of globalization such as the uneven distribution of the benefits from globalization, the widening gap between the rich and poor, the "digital divide," and issues involving cultural and social identity. Nothing makes terrorism legitimate, but while these problems and others like them persist, they will be used by terrorist organizations to justify their actions. As a means also of maintaining and strengthening international

solidarity against terrorism, the international community must go beyond direct efforts to combat terrorism, namely, it must also strive to resolve the problems created by the result of globalization.

2. Japan's Efforts

Japan's unprecedented prosperity in the postwar years, undoubtedly, owes much to the existence of an international order grounded in an open politico economic system comprising respect for basic human rights, democracy, the market economy, and free trade. To secure the peace and security, this international order must be advanced further yet. Accordingly, as a key player among the developed democracies, Japan must work towards the stabilization of the international community through active efforts to resolve global issues, including counter-terrorism measures, and to reinforce those regional situations that have the potential to disproportionately impact the international community. In pursuing those efforts, Japan will need to further strengthen relations with the United States as the axis of Japan's diplomacy, as well as promote cooperative relations with other countries, including the major powers.

Founded on that basic approach, key Japanese efforts undertaken were as follows:

- Efforts to Resolve Global Issues

- a. Counter-terrorist measures took on great urgency in the wake of the September 11 attacks. Recognizing the urgency to fight against terrorism, the Government of Japan passed the Anti-Terrorism Special Measures Law in October 2001, and supported activities mainly through logistic supplies for U.S. and other troops fighting terrorism. In addition, viewing the prevention and eradication of terrorism that requires a long campaign extending beyond immediate military operations, Japan set out to strengthen international legal frameworks by concluding the International Convention for the Suppression of Terrorist Bombings and signing the International Convention for the Suppression of the Financing of Terrorism.
- b. Arms control, disarmament, and non proliferation efforts are also critical in a counter-terrorism context. Japan continued to make efforts in this area through various measures such as preventing nuclear, biological, or chemical weapons from falling into the hands of terrorist organizations and strengthening the domestic export control system. Since proliferation of weapons of mass destruction (such as nuclear, biological, and chemical weapons) and ballistic missiles presents a direct threat to the peace and stability of the international community, these issues must continue to be addressed by the international community, not just in the context of counter-terrorism but in light of the seriousness of the issue itself.
- c. The Comprehensive Nuclear-Test Ban Treaty (CTBT) at the Conference on Facilitating the Entry into Force of the CTBT, Japan has been working actively to have the conference convey a strong message, one that would help facilitate the entry into force of the CTBT at the earliest possible date. At the UN General Assembly, Japan presented a resolution-"A Path to the Total Elimination of Nuclear Weapons," which was adopted by an overwhelming majority.
- d. Japan has been engaged in dialogue with the Asian countries concerning missile non-proliferation. Further, recognizing the importance of advancing practical disarmament efforts in

conventional weapons (i.e. anti-personnel landmines and small arms and light weapons), Japan played an active role in consensus-making toward the adoption of the final document at the United Nations Conference on the Illicit Trade in Small Arms and Light Weapons in All its Aspects.

II. Regional Cooperation in the Asia-Pacific

Regional cooperation in Asia has steadily deepened in recent years, particularly in the area of security and economic cooperation. The evolution of East Asian cooperative frameworks within the span of the Asia Pacific—such as the Asia-Pacific Economic Cooperation (APEC) that handles primarily economic issues, the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF), which focuses on security issues, and the East Asian regional cooperation framework of ASEAN+3 (Japan, China, and the ROK); has led to the development of a multi-layered network of multilateral dialogue and cooperation in various fields. With regards to frameworks for interregional cooperation, the Asia-Europe Meeting (ASEM), a forum for dialogue and cooperation between Asia and Europe, has recently been joined by a new framework, the Forum for East Asia Latin American Cooperation (FEALAC), which aims to strengthen cooperative relations between East Asia and the countries of Latin America. Multi-layered development of these various regional frameworks will deepen interdependence among the countries in the region and also promote confidence-building among them.

1. Relations with the Association of Southeast Asian Nations (ASEAN)

With the assistance of Japan and other requisites of the international community, Association of Southeast Asian Nations (ASEAN) members have rebounded from the shattering impact of the 1997 currency and financial crisis with a solid economic recovery. At the same time, the economic environment around ASEAN has been changing rapidly through economic globalization and the advance of regional economic integration. In order for ASEAN to strengthen its competitiveness, it is imperative that the region become even more attractive for foreign investors. Throughout 2001-2002, Japan stressed the importance of improving the investment environments of the ASEAN countries and strengthening the efforts of ASEAN as a whole, such as the ASEAN Free Trade Area (AFTA) and the ASEAN Investment Area (AIA), and provided various forms of assistance in this regard. Japan also proposed specific cooperation in terms of Information and Communications Technology (IT) and human resources development to redress ASEAN's intra-regional disparities.

At the ASEAN Post Ministerial Conference (PMC) in 2001-2002, Foreign Minister of Japan lauded ASEAN's role in achieving Asian peace and prosperity, and explained Japan's readiness to maintain its cooperation with ASEAN. Japan also expressed its intention to cooperate actively with ASEAN, including cooperation in the Initiative for ASEAN Integration (IAI), with the goal of solving issues that face ASEAN, such as domestic difficulties, intra-regional disparities, and strengthening competitiveness and globalization.

Attending the Japan-ASEAN Summit, Prime Minister Koizumi stressed that Japan places importance upon the ASEAN world and intends to continue cooperating with ASEAN in the areas of human resource development, IT, and Mekong Basin development in particular. Prime Minister Koizumi also explained Japan's responses to transnational issues such as terrorism, piracy, drugs, and

infectious diseases, indicating that cooperation with the ASEAN would also be strengthened in those areas.

Prime Minister Koizumi visited five ASEAN countries (the Philippines, Malaysia, Thailand, Indonesia, and Singapore) in mid-January 2002, engaging in frank exchanges of views with national leaders. In a speech delivered in Singapore, he explained that Japan would bring up concrete cooperative efforts in East Asia so that Japan would be "acting together-advancing together" with the ASEAN countries as "sincere and open partners."

In addition, he gave a policy speech entitled "Japan and ASEAN in East Asia: A Sincere and Open Partnership." In regard to future-oriented cooperation, he proposed five specifics of cooperation beyond the liberalization and facilitation of trade and investment. These comprised of cooperation for education and human resource development, the Initiative for Japan-ASEAN Comprehensive Economic Partnership designed to strengthen economic partnership in a wide range of areas, convening of an Initiative for Development in East Asia (IDEA), which addresses future development cooperation, and strengthening of security cooperation including transnational issues.

2. ASEAN+3 (Japan, China, and the ROK) and Japan-China-ROK Cooperation

a. ASEAN+3 (Japan, China, and the ROK)

Learning from the experience of the currency and financial crisis that occurred during the summer of 1997, momentum has been growing among the East Asian countries toward stronger regional cooperation. This momentum produced the ASEAN+3 (Association of South East Asian Nations and Japan, China, and the ROK) framework, within which summit meetings have been held annually since 1997. At a different level, Foreign Ministers' Meetings and various other ministerial meetings have also been convened, with the ASEAN+3 frameworks gradually expanding and deepening.

The second ASEAN+3 Foreign Ministers' Meeting was held in Hanoi in July 2001. And the third Round of the ASEAN+3 Meeting was held in Brunei the following year. At the second meeting, the Japanese Foreign Minister welcomed the progress of cooperation within the ASEAN+3 in regard to Information and Communications Technology (IT), IAI, and IDEA in particular.

The theme of the ASEAN+3 Summit held in Brunei was "Building a Closer East Asian Partnership," in which context leaders exchanged views on terrorism and the progress of ASEAN+3 cooperation in particular. The East Asian Summit concept was discussed briefly, but leaders decided to wait for the results of deliberations by the East Asia Study Group (EASG). Prime Minister Koizumi noted that Japan would work to combat terrorism through a broad range of measures, including assistance for refugees, measures to block financing to terrorists, and capacity building. In the context of ASEAN+3 cooperation, he introduced some of Japan's measures in trade, investment, financing, and Mekong Basin development, as well as the country's concrete cooperative measures in the areas of piracy and energy. In addition, from the perspective of cooperation in wide-ranging areas, he noted Japan's intention of emphasizing ASEAN+3 cooperation in responding to transnational issues such as terrorism, drugs, infectious diseases, and the environment.

In regard to future East Asian regional cooperation, Prime Minister Koizumi took the opportunity of his January 2002 visit to five of the ASEAN countries to explain Japan's strategy of making maximum use of the ASEAN+3 framework and building up concrete regional cooperation as a means of creating a "community that acts together and advances together" by expanding East Asia cooperation with Australia and New Zealand included. Japan believes that promoting open regional cooperation in a form that is transparent to outside countries will contribute to the peace and prosperity in a better way.

b. Japan-China-ROK Cooperation

Spurred by the first Japan-China-ROK Summit in 1999, Japan, China, and the ROK are already shaping and implementing environmental cooperation projects through the Tripartite Environment Minister's Meeting, as well as engaging in substantive efforts such as trilateral research on economic cooperation. In terms of cultural exchange, the three countries agreed to designate 2002 as the Year of Japan-China-ROK National Exchange where they cooperate closely to ensure its success.

At the ASEAN+3 Summit held in Brunei, Prime Minister Koizumi chaired the Japan-China-ROK Summit, which leaders had agreed at their previous meeting to regularize into an annual event. The summit saw the leaders of the three countries agree to hold trilateral economic and finance ministers' meetings and to promote trilateral cooperation in various areas and at various levels, including promotion of trade and IT. They also decided to consider establishing a trilateral business forum with a view to facilitating stronger business cooperation. The leaders agreed to strengthen trilateral consultations and cooperation regarding efforts to deal with transnational issues and they reaffirmed their stance against all forms of terrorism, as well as the importance of stronger global cooperation and the role of the United Nations.

Prime Minister Koizumi proposed holding consultations among the three countries' diplomatic authorities, including trilateral foreign ministers' meetings where necessary, in order to strengthen trilateral cooperation and Japan-China-ROK cooperation in ASEAN+3. His proposal was approved by the Chinese and ROK leaders. Japan-China-ROK cooperation is expected to make a substantive contribution to the prosperity of the East Asian region as a whole.

3. ASEAN Regional Forum (ARF)

The Asia-Pacific region manifests a rich diversity in terms of political and economic systems, stages of economic development, and cultural and ethnic backgrounds where there has been no multilateral collective defense security mechanism analogous to the North Atlantic Treaty Organization (NATO) in Europe. Rather, regional stability has primarily been maintained through the building up of bilateral security agreements, centered on the United States. While there are currently no fundamental changes being made to this security structure, intraregional cooperative frameworks, such as the Association of Southeast Asian Nations Regional Forum (ARF), established in 1994, have steadily been improved and fortified.

Based on the premise of continued U.S. presence and involvement in the region, Japan believes that its multi-layered policy of improving bilateral and multilateral frameworks for dialogue such as the ARF,

while simultaneously working unilaterally to eliminate regional instability factors are both practical and appropriate. The ARF has achieved steady progress in such fields as specific confidence-building measures and preventative diplomacy. The ARF is intended to gradually advance dialogue and cooperation in accordance with its three stage approach ((1.) the promotion of confidence-building (2.) the development of preventative diplomacy, and (3.) the elaboration of approaches to resolving conflicts.)

As a second-stage measure, the ARF has also been continuing its deliberations regarding the concept of preventative diplomacy. Japan believes that ARF's importance as a security forum for the Asia-Pacific region should be further increased by carrying out more in-depth discussions on preventative diplomacy and thereby achieving concrete results.

4. Asia-Pacific Economic Cooperation (APEC)

Asia-Pacific Economic Cooperation (APEC) comprises 21 members in the Asia-Pacific region, including Asia, Oceania, North America, Latin America, and Russia, and it represents the world's largest example of regional cooperation in terms of economic activities. APEC aims to realize sustainable development in the region through various activities based on three pillars: 1.) trade and investment liberalization 2.) trade and investment facilitation and 3.) economic and technical cooperation. APEC's distinguishing features and basic principles can be seen in its open regionalism and an emphasis on "concerted unilateral action," which have contributed significantly to building a sense of community in the region. Joint activities among diverse members have also helped strengthen APEC cohesiveness.

Japan attaches importance to APEC as the basic framework for economic cooperation in the Asia-Pacific and engages actively in cooperative activities with a view to securing the long-term development of the Japanese economy, strengthening mutual trust within Asia, and creating an environment conducive to regional political stability. In the past, APEC discussion has always focused on economic issues, but in view of the gravity of the terrorist attacks in the United States that occurred shortly before APEC's Shanghai meetings held in October 2001, interest was focused strongly on means of combating terrorism; a subject that prompted intense debate. APEC leaders consequently issued a statement strongly condemning terrorism and emphasizing international cooperation against terrorism, which given the religious and cultural diversity of APEC's membership was very significant in terms of demonstrating the solidarity of the international community.

Ever since the Asian currency and financial crisis that began in 1997 and carried over into 1998, the APEC economies have worked to strengthen market functions in order to shape sound domestic and international markets, an endeavor that has fostered in member economies an awareness of the need to implement structural reforms, whereupon the members agreed to accelerate these efforts.

In discussion on the challenges accompanying globalization, it was noted that globalization acts as an engine in accelerating economic growth and improving standards of living. At the same time, attention was also drawn to the disparities among and within member economies in regard to the distribution of opportunities to enjoy the potential benefits of globalization. The importance of human resource development and assistance for capacity-building were emphasized as means of reducing these

disparities. Member economies also welcomed the formulation of a plan in the field of human resources development, a Japanese initiative, as well as the results of the Fourth APEC Human Resources Development Ministerial Meeting held in Kumamoto.

5. Asia-Europe Meeting (ASEM)

The Asia-Europe Meeting (ASEM) was launched in 1996 as a forum for strengthening relations between Asia and Europe. Comprising 10 Asian countries, 15 European countries, and the European Commission, ASEM is a forum for inter-regional dialogue and cooperation. Four summit meetings have been held to date, with the fourth (ASEM4) that took place in Copenhagen on September 2002.

ASEM has identified political dialogue, economics, cultural and other issues as the three pillars of its activities and various activities have been advanced in each of these areas. In the context of political dialogue, members discussed the Korean Peninsula situation, ASEAN+3, enlargement of the European Union, the Balkan situation, the United Nations, arms control and disarmament, and the Middle East peace process, while the theme of economic and financial cooperation explored discussion on the World Trade Organization (WTO), the digital divide, and cooperation among small and medium-size enterprises. With regard to cultural and other issues, members looked at global environmental issues and transnational crime. Efforts have been made to hold discussion about ASEM's direction and strengthening participation among members.

III. Japan-U.S. Security Arrangements

1. Overview

The Asia-Pacific region still faces a number of unpredictable and uncertain situations, such as outbreaks of regional conflict due to complex and diverse causes, including ethnic and religious differences and the further proliferation of missiles and weapons of mass destruction. Moreover, current international conditions encompass a great many volatile factors, as demonstrated by the emergence of formerly inconceivable types of threats such as the September 11 terrorist attacks in the United States.

Given this security environment, Japan embraces a security policy with three main pillars: (1. firmly maintaining the Japan-U.S. Security Arrangements, (2. moderately building up Japan's defense capability on an appropriate scale, and (3. pursuing diplomatic efforts to ensure international peace and security.

Under the Constitution, Japan has moderately built up its defense capability in accordance with the fundamental principles of maintaining an exclusively defense-oriented policy and not becoming a military power that might pose a threat to other countries. Base upon those principles, Japan's defense capability continues to be systematically upgraded under the National Defense Program (FY 2001-05) adopted in December 2000.

a. The Japan-U.S. Security Arrangements

While there are signs that conditions in the Asia-Pacific region are moving in a favorable direction, instability and uncertainty still exist. Given this security environment, the Japan-U.S. Security Arrangements continue to play a vital role in preserving the peace and stability of the Asia-Pacific

region. Since Japan is unable to respond to all of the situations that might threaten the country's security solely with its own defense capabilities, Japan must uphold its security under the deterrence provided by firmly maintaining the Japan-U.S. Security Treaty and thereby securing the forward deployment of the U.S. forces. From this perspective, Japan must continue unremittingly with its efforts to further enhance the credibility of the Japan-U.S. Security Arrangements.

b. Guidelines for Japan-U.S. Defense Cooperation

Guidelines for Japan-U.S. Defense Cooperation was revised in 1997 and a related law was enacted in 1999. Ensuring the effectiveness of the Guidelines for Japan-U.S. Defense Cooperation is an important part of the effort to increase the credibility of the Japan-U.S. Security Arrangements. The guidelines were designed to create a solid basis for more effective and credible Japan-U.S. cooperation under normal circumstances and during contingencies. Japan will continue striving to ensure the effectiveness of the guidelines, and Japan and the U.S. are continuing bilateral work on planning for joint Japan-U.S. actions for responding to an armed attack against Japan, and for Japan-U.S. cooperation in the event of situations in areas surrounding Japan.

c. Missile Defense

Japan and the U.S., since the end of the Cold War, have been in agreement that the proliferation of ballistic missiles will threaten security and enhance vulnerabilities. At the June 2001 Japan-U.S. Summit, the leaders of both countries agreed that the two countries should continue to consult closely on missile defense, together with non-proliferation related measures. The leaders also reconfirmed the importance of cooperative research on Ballistic Missile Defense (BMD) technologies that was initiated in 1999. Judgment on transitioning to the development and implementation stages of the BMD system will be made after sufficient examination of the feasibility of BMD and the ideal way for Japan's defense to develop in the future.

2. Japan-U.S. Economic Relations

The Bush Administration emphasizes relations with Japan and other allies and regards international economic policy as an essential element of the foreign policy package, seeking to coordinate foreign policy with international economic policy, security, and other external policies. This approach is also evident in Secretary of State Powells' clear indication that the Department of State will play an extremely active role in international economic policy.

The Bush Administration strongly supports the structural reforms being promoted by Prime Minister Koizumi and has frequently underlined the high expectations it has of Japan's structural reforms. Further, the United States has indicated its awareness that, given the deceleration of the U.S. economy and the world economy as a whole, the recovery of the Japanese (which records the world's second highest gross domestic product {GDP}) is critical not only for the U.S. and Japanese economies, but also for the stability and prosperity of the world as a whole. The basic stance of the Bush Administration on bilateral economics has been to abandon the heavy use of pressure from outside in shaping economic ties, in favor of offering advice where necessary. The current Japan-U.S. economic relationship is based on cooperation and

collaboration aimed at the growth of both economies and the world economy, making the trade friction that once epitomized the relationship, now a thing of the past.

Given these circumstances, Prime Minister Koizumi and President Bush took the opportunity of the Summit Meeting to agree on the launch of the Japan-U.S. Economic Partnership for Growth with a view to engaging in constructive dialogue benefiting the sustainable economic growth of both countries. The Partnership focuses on creating even tighter bilateral economic relations, while at the same time promoting the sustainable growth of both countries' economies as well as the world economy. Japan-U.S. dialogue is already under way for a Partnership.

The Japan-U.S. Subcabinet Economic Dialogue is one such forum, designed for strategic discussion on bilateral economic issues from a medium to long term perspective. The first session was held in Washington D.C. on October 7, 2001 and the participants engaged in a constructive, valuable exchange of views. Most important on their agenda are economic trends and prospects for the Japanese, U.S., and world economies in the wake of the terrorist attacks in the United States, the launch of the new World Trade Organization (WTO) round, and the current state of affairs and prospects for the regional economy and regional cooperation in the Asia-Pacific and in other regions.

Following the exchange of respective recommendations concerning regulatory reform and competition policy between Japan and the United States, discussion is now under way in the various working groups under the Regulatory Reform and Competition Policy Initiative, which represents the evolution and reorganization of the previous Japan-U.S. Deregulation Dialogue. Japan has identified to the United States government issues in regard to anti-dumping measures, the U.S. patent system, sanction acts, product liability, differences in regulations among states, and other systems and regulations that can serve as business impediments in the United States, seeking improvement or elimination of the issues in question.

Japan's share of the U.S. trade deficit has dropped from a peak of 65 percent to less than 20 percent and at present there are basically no specific issues of trade friction that have been politicized between the two countries. To avoid the escalation of individual trade issues into trade friction, the Trade Forum has been established as an "early warning" mechanism to facilitate expeditious resolution of emerging trade-related issues.

The Investment Initiative for discussing ways to improve the environment for foreign direct investment in both countries has also been established, as well as the Financial Dialogue focusing on financial and fiscal policy as macroeconomic policy. Both countries are therefore engaged in constructive dialogue on the various economic issues facing them and the Japan-U.S. economic relationship is basically in a good state.

3. Future Outlook and Challenges

The Japan-U.S. alliance is becoming increasingly important to the peace and prosperity of the Asia-Pacific region, as well as being an effective means to tackle global issues. It is vital that the two countries continue the close bilateral dialogue that is under way at a variety of levels and that they engage in policy

cooperation in regard not only to bilateral relations, but also to a wide range of other areas such as multilateral issues, grounding these efforts in the Partnership for Security and Prosperity, which was agreed to in June 2001.

IV. Current Specific Issues

1. Economic and Military Expansion of the People's Republic of China

a) China sought sustainable economic growth through active fiscal policy and continued to attach importance to social stability in its domestic administration. In March 2000, the Chinese government officially approved a report concerning China's 10th Five-Year Plan at the Fourth Session of the Ninth National People's Congress. This plan aims at achieving annual economic growth on the order of 7 percent over the five-year period.

In 2002, the gross domestic product topped 10 trillion Yuan (1.2 Trillion U.S. dollars), standing at 10.24 trillion Yuan, an increase of 8 percent over 2001 at comparable prices. Economists have attributed China's fast growth to brisk exports and large-scale government spending.

b) A peaceful international environment and favorable economic cooperation with individual countries are critical for China to maintain economic development, which is the country's highest priority. In pursuit of those ends, China is vigorously pursuing an omni-directional foreign policy.

Relations between China and Russia are growing increasingly close. For example, at the "Shanghai Five" Summit meeting in June 2001, the leaders of China and Russia expressed their joint opposition to the U.S. MD. Additionally, during President Jiang's July visit to Russia, the two countries signed the Treaty on Good-Neighborliness, Friendship and Cooperation and issued the Moscow Joint Statement.

Publicly, Russia and China, both permanent veto-holding members of the U.N. Security Council, appear unified on Iraq. Both have reiterated they oppose war and want the U.N. inspectors to have more time. Russia and China, Pyongyang's friendly countries, were also said to have promised to push for dialogue between the United States and North Korea to resolve a crisis that erupted in October, when Washington said Pyongyang had admitted to a nuclear weapons program.

Both China and Russia are said to be ready to actively push for a political resolution of the nuclear issue of the DRPK in both bilateral and multilateral arenas.

c) As for China's national defense budget for 2002, the government reported to the National People's Congress that it increased its national defense spending by 25.2 billion Yuan or (around US 3 billion increase) or 17.6 percent over the previous year. Presumably the total amount is around 20 billion US dollars, though the total amount was not officially announced. China's national defense budget has registered an annual increase of more than 10 percent for 14 consecutive years since 1989 with the highest growth in recent. China could double its announced defense spending between 2000 and 2005 if the current trend of increase continues, director of the U.S. Central Intelligence Agency stated. The increase was said to reflect Beijing's policy to build a powerful military to complement its robust economy and underpin its strategic position in Asia.

It is said that China has embarked on a major shopping spree for weapons, mainly from Russia, and a worldwide hunt for technology to improve its nuclear weapons and rocketry programs. China was the world's largest arms importer in 2000, according to the Stockholm International Peace Research Institute. It was reportedly so again in 2001 and 2002.

China's military acquisitions seem to have been substantial. Recent Russian weapons and equipment sales have included 72 Su-27 fighter-ground attack aircraft, 100 S-300 surface-to-air missiles, 10 II-76 transport aircraft, four Kilo-class submarines, and two Sovremenny-class destroyers. China is said to have signed a contract to assemble at least 200 more Su-27's at the Shenyang Aircraft Corp. in northeastern China.

China's purchase of the Sovremenny-class destroyers were touted as another sign

of Beijing's new ability to project force and challenge U.S. influence in Asia, but attempts to purchase an early warning radar system was reportedly said to have failed in July 2000 when the United States blocked Israel from selling China an II-76 aircraft equipped with AWACS-style radar, a system Israel calls the Phalcon. China's defense spending is by no means transparent.

2. Democratic People's Republic of Korea (North Korea)

The problem of North Korea is not only that it has its roots stemming from the cold-war legacy of a divided state, but that it does have characteristics that pose a threat of WMD proliferation. It is, undoubtedly, a problem of the international community as a whole.

Last September, Prime Minister Junichiro Koizumi visited Pyongyang and held talks with Kim Jong II, the chairman of North Korea's National Defense Commission. The two leaders signed the Japan-DPRK Pyongyang Declaration, and there was some progress toward the solution of the problems between Japan and North Korea.

After that, however, the problem of North Korea's nuclear development, particularly its enriched uranium program emerged again as a serious concern. Despite unanimous calls by the international community since December 20, North Korea has successively lifted its freeze on nuclear-related facilities that were based on the 1994 Agreed Framework. On January 10 North Korea announced its withdraw from the Treaty on the Nonproliferation of Nuclear Weapons. This matter was reported by the IAEA to the U.N. Security Council.

It appears that North Korea is adopting a brinkmanship, demanding negotiations with the United States and the conclusion of a non-aggression pact in order to maintain the Kim regime. However, the problem of North Korea is not a problem between the United States and North Korea, but a problem of the international community as a whole. Therefore, the international community should make coordinated responses to North Korea. Japan is intensifying its approach to North Korea, while maintaining close consultations with the Republic of Korea and the United States and is keeping in touch with countries such as Russia and China. We are prepared to make further efforts toward a peaceful solution by making North Korea understand the situation seriously by letting them take prompt, concrete actions to dismantle its nuclear weapons development program.

3. Iraqi Issue

More than a decade has passed since the Gulf War, which unmistakably was an event that marked changes in the security environment after the cold war. However, Iraq has continued to be a threat to the international community. The problem of Iraq's development of WMD has been recognized once again as a serious threat to the international community together with the recognition of the heightened risk of terrorists acquiring WMD.

Resolution of the Iraqi dilemma is crucially important to the peace and stability of the Gulf region and the Middle East as a whole. The basic structure of the problem is "the international community" on one hand and "an Iraq with WMD" on the other. Under this basic understanding, we should search for a solution through international cooperation.

The root of the problem lies in Iraq's non-compliance with the U.N. Security Council Resolutions concerning the problem of WMD. Security Council's debate on the Iraqi situation is reaching a critical phase. Japan appreciates the comprehensive presentation by US Secretary of State Colin L. Powell on February 5th. Japan will cooperate and act even more closely with the international community and strongly calls upon Iraq to proactively address the unresolved issues and comply with all relevant Security Council resolutions.

1.6 “New Wave of Evolution in Asia and Japan-U.S. Relations”

Consul General Tadahiro Abe

At The Japan-America Society

Seattle, October 7, 2002

1. Overview on the International Community

Soon after the international community celebrated the end of the Cold War and looked forward to a rosy future, we found that the post-Cold War brought with it post-Cold War issues, among them the frequent outbreak of regional conflicts--- those previously suppressed by the Cold War structure---based on ethnic, religious and other grounds, as well as the proliferation of weapons of mass destruction, which could be described as by products of the East-West arms race. While we need to overcome these and the various other issues facing the international community, we also need to engage more actively in the task of building an international order.

Looking firstly to the Asia-Pacific region, the presence of the United States continues to be a critical factor in ensuring the peace and prosperity of the region, with no change at all in this situation. At the same time, special note should be made of the unprecedented vigor of diplomatic activity among the region's four main players, namely Japan, the United States, China, and Russia. All four countries play a key role in the stability and prosperity of the region, and stable relations among them serve as a vital foundation for the security, stability and prosperity of the entire region. These nations remained mindful of their respective roles in the creation of a new order in the Asia-Pacific region and worked to ensure stable mutual relations. The Four-Party Meeting on the Korean Peninsula, the decision to allow Russia and a few other countries to join the Asia-Pacific Economic Cooperation (APEC) forum, and the expansion of the Association of South East Asian Nations (ASEAN) are all worthy of particular mention as moves contributing to the new order mentioned above.

While the search for a new international order continues, two major tides have emerged in the international community today: deepening interdependence and accelerating globalization. Against such backdrop, new challenges were posed for the international community raising the question of how to respond appropriately.

As interdependence deepens, the security and prosperity of individual countries has become closely tied to the stability and prosperity of the world as a whole. A stable international environment, in this sense, has always been of crucial significance to Japan from a geopolitical and economic perspective; even today, with Japan's substantial development in the arenas of international politics and international economy, a peaceful and stable international environment is no less important for Japan as well as other countries concerned. Moreover, Japan now wields a great deal of influence and responsibility as a major player in the international community.

Given that the security and prosperity of Japan are closely linked to the stability and prosperity of the international community, the kind of international order sought by Japan and that sought by the international community have essentially the same orientation. The skeleton of which, from Japan's point of view, is as follows: (1) further deepening and strengthening of Japan-U.S. relations and other bilateral ties as the foundation for building a stable international order in the Asia-Pacific region; (2) contribution to the promotion of various regional cooperation frameworks which supplement these bilateral ties; and (3) active participation in global efforts to respond to challenges shared by the international community.

As to the Japan-U.S. relations, both countries continue to be engaged in close communication, thereby deepening cooperative relations in a wide range of areas from bilateral political, security, and economic issues to endeavors to deal with global issues. It is believed that Japan and the US can make a

meaningful contribution to the materialization and maintenance of peace and stability in the Asia-Pacific region.

Regarding the Asia-Pacific Region, the distinctive trend in the Asia-Pacific at the opening of the 21st century appears to be the momentum of regional cooperation which is beginning to connect the entire Asia-Pacific region. Regional cooperation supplements efforts to strengthen bilateral relations, and a number of frameworks are already in place, promoting multi-level dialogue and cooperation in the Asia-Pacific as a whole. In addition to the ASEAN and the ASEAN Post Ministerial Conference (PMC), regional dialogues and cooperation have been gradually expanding, since 1980's, through the Asia-Pacific Economic Cooperation (APEC), ASEAN Regional Forum (ARF), the Asia-Europe Meeting (ASEM), and ASEAN+3 (Japan, China, and the ROK), as well as Japan-China-ROK cooperation. The Asia-Pacific is in fact moving steadily away from its old Cold War divisiveness toward dialogue and cooperation. Japan should carefully foster these regional dialogues as a means of supplementing the Japan-U.S. alliance and other bilateral efforts. Japan participated actively in discussions in such frameworks and promoted multicultural dialogue and the creation of cooperation frameworks in the Asia-Pacific region.

2. Regional Cooperation in the Asia-Pacific

It is usually said that the Asia is represented by its characteristics of 'diversity in background.' Every member country in Asia has a different culture, nationality, social, political, economic system. Because of this characteristics, however, the peace and development in this region of globe has a vital implication to the realization of global peace and prosperity. Southeast Asia and East Asia, above all, has been providing an important foundation in this regard.

ASEAN

The Association of Southeast Asian Nations (ASEAN) was established in 1967 for the purpose of attaining (1) stability and development of individual member countries, (2) friendly relationship among the member countries, and (3) mutual interdependency and prosperity among member countries without intervention from the countries outside of the region. It celebrated its 30th anniversary in 1997, continuing to promote intraregional cooperation widely across political, economic, and social areas. In political and security spheres, ASEAN worked to realize the Zone of Peace Freedom, and Neutrality (ZOPFAN), while on the economic side, efforts also progressed toward further promoting intraregional trade and investment through the ASEAN Free Trade Area (AFTA), the ASEAN Investment Area (AIA) etc.

After Vietnam participated in ASEAN in 1995, the number of ASEAN members expanded from seven to nine in 1997. At the ASEAN ministerial Meeting on 31 May in Malaysia, the decision was made to admit Cambodia, Laos, and Myanmar simultaneously. However, because of subsequent military clashes in Cambodia in July, the Foreign Ministers' Meeting in Malaysia at the end of the same month allowed only Laos and Myanmar to join, with Cambodia's accession postponed.

Accession of Cambodia having been approved two years later, the "ASEAN 10" was finally realized in April 1999, which the ASEAN has hoped for long since its establishment. ASEAN has developed into a regional cooperative entity which encompasses the entire Southeast Asian region. Japan has historically had strong ties with the Southeast Asian countries in a number of areas, and the successive Japanese Foreign Ministers have been participating in the annual ASEAN Post-Ministerial Conference in an active manner.

b) The ASEAN Regional Forum (ARF)

(1) The ASEAN Regional Forum was established in 1994 as a forum for dialogue at which foreign ministers from Asia-Pacific countries, including Japan, the United States, China, and Russia, gather

around one table to exchange views on political and security issues in the region. Ministerial Meeting has subsequently been held every summer, and steady progress is being achieved, with the scope of ARF activities expanding steadily.

At the Second ARF Ministerial Meeting in 1995, participants agreed that the three-step evolutionary approach should be taken toward achieving ARF objectives: (1) promotion of confidence building, (2) development of preventative diplomacy; and (3) elaboration of approaches to conflicts resolution.

At the Fifth ARF Ministerial Meeting in Manila in July 1998, the regional situation, including the security implication of the Asian economic crisis, Myanmar and Cambodia were discussed. In particular, the Chairman's Statement issued at this meeting expressed grave concern and strongly deplored the nuclear tests undertaken by India and Pakistan, which was notable given that one of them, i.e. India, was also a ARF member, and that the decision-making of the ARF is based on consensus.

At the Sixth ARF Ministerial Meeting held in Singapore in July 1999, sovereignty in the South China Sea and other aspects of the Southeast Asia, the Korean Peninsula, and preventive diplomacy which is the second stage of ARF's three-step process were discussed. The Chairman's Statement issued by this meeting appealed for continued restraint on the part of all countries involved in the South China Sea sovereign issue, while also expressing the concern of the ARF member countries over the missile launch by North Korea in August 1998. Members also agreed to examine the concepts and principles of the preventive diplomacy in the ARF context.

In the most recent ARF meeting, the concept and principle of the Preventive Diplomacy (PD) was further discussed, and the ARF paper manifesting a basic stance of the member countries toward PD was adopted.

(2) A part of examples which represents recent characteristics prevailing in the region can be seen in the case of China which launched an active foreign policy by taking approach to ASEAN, Russia and even to the Central Asia from new perspectives : (i) Solving of the history-long border problem with Russia, and that of Vietnam, (ii) Rapid increase of military expenditure, (iii) Reported active procurement of sophisticated arms and equipments such as jet fighters(SUHOI 30MK), submarines or battleships, military tanks, land-to-air missile system, etc, (iv) Military exercise in the sovereign tangled South China Sea, and, (v) Formation of the Shanghai Cooperative Organization (China, Russia, Kazakhstan, Kyrgyz and Tajikistan), among others.

c) ASEAN+3

(1) In terms of regional efforts, 1999 was a year that saw progress toward regional integration and promotion of dialogue in regions concerned. Europe bore witness to the introduction of the euro and progress in Common Foreign and Security Policy in the European Union (EU), and also attracted attention for its further drive toward integration. While an altogether different dimension to Europe, in the Asia-Pacific region the Association of South-East Asian Nations (ASEAN) +3 (Japan, China, the Republic of Korea (ROK)) Summit came into being in December 1997. The ASEAN+3 framework is expected to play an important role in promoting dialogue and cooperation on various matters among the countries of East Asia, which is more a functional concept than a geographical one; the expansion of economic, political, and security interdependence is constantly changing the scope of East Asia.

(2) The meeting in Manila in November 1999 adopted a Joint Statement for the first time in which leaders resolved to promote cooperation in a wide range of areas encompassing economic policy, monetary arrangement and financial cooperation, social and human resources development, development cooperation, scientific and technical development, the cultural and information, political-security and transnational issues. Given the importance of steadily implementing the Joint Statement, it was decided, resulting from the Japanese proposal, that the ASEAN+3 (Japan, China, the ROK) Foreign Ministers' Meeting be held on the occasion of the ASEAN PMC from the year 2000.

(3) Despite the call for the formation of East Asian regional community, bilateralism remains a distinct characteristic of cooperation within the ASEAN+3 process. The member countries have been trying to promote bilateral dealings, in parallel with multilateral arrangement, with others.

(a) As to the Japan-ASEAN relation, Prime Minister Koizumi, in his speech in Singapore this year, called for forging closer economic and security ties for the future among ASEAN countries and Japan under his “Initiative for Japan-ASEAN Comprehensive Economic Partnership*”, ”Initiative for Development in East Asia*” and “Security Cooperation between Japan and ASEAN*” which eventually lead to formation of community linking countries in East Asia. (* Those are the initiatives addressing for broadening economic partnership, and considering future models for development.)

(b) On the other hand, it should be pointed out that China is making a great progress in its economic development and gravity of investment made by the developed economies are shifting to China over the past years. China, rising as a possible economic power and becoming more actively involved in regional diplomacy, also puts high priority on its relation with ASEAN. One of the example can be seen in its recent proposal for a ASEAN-China Free Trade Agreement(FTA). China is reportedly said that it may propose to facilitate earlier conclusion of ASEAN-China FTA in the coming ASEAN Ministerial Meeting, and to extend its assistance to ASEAN countries, including the program for Mekong River Valley development: It is vital for China to explore the market for their products, though they have to abide by rules and regulation under the context of WTO and so forth, at the same time.

Japan-United States Relations

Overview

It is vital for both of Japan and the U.S. to maintain peace and prosperity in the Asia-Pacific region from the viewpoint of establishing the global peace and stability. We have two major areas of our activities in this regard; security arrangement and economic management.

One of Japan’s basic policy for maintaining regional stability is to set alliance with the United States, a proponent of democracy and market economy, as the cornerstone of its foreign diplomacy.

While the Asia-Pacific region shows various positive signs of development, a number of uncertain factors remain to exist there. A limited defense capacity restricts Japan’s ability to respond to every situation which could threaten its own safety. To ensure national safety, as well as the safety of the region on which it is premised, Japan will continue to set the alliance with the U.S. as the axis of its foreign policy. The new U.S. administration retains an emphasis on peace and prosperity in the Asia-Pacific region, placing the Japan-U.S. relationship as a core of its Asia policy. Japan and the U.S. together account for around 42 percent of the global GNP, a figure approximately 4.9 times greater than the GNP of Asia as a whole (excluding Japan but including China). The alliance between Japan and the U.S., as the major advanced industrialized democracies of the Asia-Pacific, will remain the linchpin of regional stability in the 21st century. Both countries are expected to endeavor further to meet this responsibility. Japan and the U.S. have a central role to play in the development of the Asia-Pacific region in numerous areas, including those of social, economy and so forth.

(1) Security Arrangement

(a) Japan and the United States have worked to enhance cooperative relations in the field of security and issues of global nature. The basis of Japan-U.S. relations is the alliance based on the Treaty of Mutual Cooperation and Security between Japan and the United States of America (The Japan-U.S. Security Treaty), and the new “Guidelines for Japan-U.S. Defense Cooperation”, based on the Japan-U.S. Joint Declaration on Security in 1996, was issued in September 1997 at the Japan-U.S. Security Consultative Committee (SCC) meeting in New York. Laws relating to the Guidelines were later enacted by the Japanese Diet in 1999: (1) the Law Relating to Measures for Preserving the Peace and Security of

Japan in the Event of a Situation in the Areas Surrounding Japan; (2) a bill to amend the Self-Defense Forces Law; and (3) an Agreement amending the Agreement between the Government of Japan and the Government of the United States of America concerning Reciprocal Provision of Logistic Support, Supplies and Services Between the Self-Defense Forces of Japan and the Armed Forces of the United States of America (the so-called amended ACSA*).

(ACSA*; the Acquisition and Cross Servicing Agreement which defines method of cooperation between the Self-Defense Force and the U.S. Armed Forces in such area as joint military exercise, UN peace keeping operations, and international humanitarian relief activities.)

(b) In addition, bilateral defense planning and mutual cooperation planning are required in order to ensure the effectiveness of the Guidelines. Defense authorities of both Governments undertook the bilateral cooperative operation for various planning and establishment of common standards and procedures in this regards.

Japan-U.S. Economic Relations

At present, there are basically no major issues of trade friction, which are politicized between the two countries. However, in the field of macro-economic policy, both of Japan and U.S. are facing serious economic management problems respectively. Because of the lack of confidence in the future prospect of the economy, Japan failed to get out of its economic stagnation, and simultaneous deflation. Though the U.S. economy is currently maintaining low rate of positive economic growth somehow since IV quarter of last year, it is not strong enough to lead an active global economy. If the U.S. economy slows down in the future, protectionist sentiment and discordance of the global macro-economic management might arise between the two countries, which could well cause problems as we saw in the past.

However difficult it might be to get the Japanese economy back to the rail of economic growth, Koizumi Cabinet is making sincere and consistent efforts to solve the problems through adopting structural reform and various economic revitalization policies. We only hope that someday, not in the distant future, all our efforts will result in a steady economic growth, and thereby enabling us to contribute to the maintenance of regional and global peace and stability.

Chapter II

JAPAN-AZERBAIJAN BILATERAL RELATIONS

2.1 Azerbaijan is becoming more important country in the international arena

(Newspaper “Echo”, November 2005)

In his exclusive interview to “Echo”, His Excellency Ambassador of Japan to our country stated that the amount of Japanese investments to Azerbaijan will rise.

Your Excellency, you have already been heading Japanese diplomatic mission in Azerbaijan for over one year. And how did Azerbaijan appear in your life? Was it just a usual “staff appointment” to the unknown state or something else? I am asking this question, because I have heard from my colleagues that you are the best informed diplomat about the history of Azerbaijan.

It's my first appointment to this region, before I used to work in the sphere of Japan- American relations. As you know, the Embassy of Japan was opened in January 2000 and since then two Ambassadors have served here and both of them were the specialist in this region. I am the third Ambassador of Japan to Azerbaijan and in contrast to my predecessors I am not such a specialist and I do not speak the local language. However, as my Government supposes the knowledge of language is not the most significant aspect for further development and extension of our relations. The most important aspect is implementation of substantial part of works. When the Embassy was just opened in Azerbaijan, the main objective was to introduce Japan to Azeri people and Azerbaijan to Japanese people therefore at the first stage the language played the significant role for mutual understanding. But now, we have passed to the second stage and my Government understands that at the second stage of development of our relations when their main part is being built, it is important to achieve mutual reliance based on the best understanding. Though, I am not the specialist in this region my Government dispatched me to Azerbaijan, which is becoming more important for us and in the International arena. Although, I resort to the assistance of my colleagues for translation of my statements, I would like to underline that I think I can manage the substantial part of my work. When I first arrived here I resembled to a student, who was trying to learn as much as possible about Azerbaijan and as the result of this I fell in sincere love with Azerbaijan as other Japanese who did it. First of all, I learnt about the history of your country and I found out that the history of Azerbaijan is very long and very interesting as the history of Japan. We both have abundant historical experience accumulated from the most ancient times and I am really very glad that I have been appointed to Azerbaijan and I represent Japan in this country.

The expression “Donor countries” is well-known to us – those are the group of countries rendering assistance to poor countries, Japan is one of the top donor countries in the World. We know that Japan has rendered big assistance to our country for reconstruction of “Shimal” Power Plant. And what kind of other projects does Japan implement in Azerbaijan?

Since 1991, when Azerbaijan restored its independence, it has aspired to become competent member of International Community and to provide its economical development. It is worth noting that Azerbaijan plays the key role in securing peace and stability in the region Japan highly appreciates the efforts of Azerbaijan and wants to continue working with your country for contribution into further economic development and upgrading the people's living standards. We think that after achieving these goals your country will be able to duly contribute into establishment of peace and stability in the region. We aspire to render assistance to Azerbaijan within the wide spectrum of substances. The present assistance of Japan rendered to Azerbaijan amounts 690 Million USD.

As we suppose, Azerbaijan should improve its economic infrastructure, conditions in the social sphere, for instance at schools and hospitals by provision of minimum human needs, in particular provision of foodstuffs. Also, it's important to improve human resources with this purpose we have conducted trainings with your specialists.

According to our experience, the aforementioned factors are thought to be extremely important for economic development and Japan rendered and is rendering its assistance to Azerbaijan in all these

spheres. The “Shimal” Power Plant Project is a very big project, which plays an important role in the infrastructure; in particular power supply- is an important factor for functioning of factories and other enterprise as well as for development of economy and people’s living condition. Since I came here, I have made many efforts for realization of this project, we have been successfully working on it with your Government and we could achieve mutual consent in May, this year. The total sum of the project is 280 million USD. We are implementing such projects as reconstruction of schools, providing the hospitals with medical equipment, restoration and reconstruction of roads (3.5 million USD), as well as projects dedicated to improvement of irrigation and food production. As you see our assistance concern many spheres.

Excellency, which sectors of economy can be attractive for Japanese investments?

Investments concern the private sector and they have their own logic. Azerbaijan is very famous with its oil and gas resources. Since the date of conclusion of the Contract of the Century, Japanese businessmen have also entered into this sphere, in particular into the project “Azeri –Chirag –Guneshli” and Japanese companies possesses 13.9% and 5.9% in BTC. Also, there are several big Japanese corporations that are engaged in trade with Azeri partners. I think when Azerbaijan will achieve particular success in its economical development, more and more Japanese businessmen will appear here. I am convinced that your country has great economical potential and there will be great opportunities for business here.

A few weeks ago, one high-ranking representative of Azerbaijan Ministry of Transport has announced that Japanese investors expressed their interest over construction of rail-road Kars-Akhalkalaki-Tbilisi –Baku, but did not go into details. What can you inform us about this matter on behalf of the Embassy?

We are interested in many spheres of economy of Azerbaijan and transportation matters play great role in this regard. I think that this project takes is very important. It is possible to improve the transportation facilities in East-West and North-South directions. But we have no detailed information with regard to “Kars-Akhalkalaki” transportation route. I think this was a private initiative.

After conducting of the CSCE in mid of 1970th in Helsinki, the law term “third basket”, envisaging the whole complex of cultural , humanitarian and information problems have appeared in international politics and diplomatic slang. What do we have in the relation of Azerbaijan-Japanese “third-basket”? Is the fact of absence of historical problems in Azerbaijan-Japanese relations affected on the level of humanitarian and scientific contacts of two countries?

Before my appointment to this region, from 1998 to 2001 I worked in the Embassy of Japan in Vienna where the HQ of OSCE is situated. I was engaged in establishing the relations with this organization. Then, I was convinced that CSCE which consequently became OSCE could be one the most important organizations for ensuring mutual understanding between its members. Presently, it has become one the biggest regional organizations consisting of 55 member-states. The Conference on Security and Cooperation in Europe was conducted by the time of the height of Cold war between East and West and the “third-basket” then played a great role in achieving mutual understanding and contributed into settlement of this confrontation. I absolutely agree with this idea that political, economical contacts together with cultural and humanitarian contacts are very important factor for cooperation of two countries. Azerbaijan and Japan were very friendly states from the ancient times and there is no confrontation between them but in spite of this fact the “third basket” plays an important role in improvement of our relations. It comprises students exchange, cultural projects, and scholarship programs for Azeri experts in Japan. In year 2005 International Exhibition Expo2005 was held in Japan. More than hundred countries participated in this event and Azerbaijan had its own stand there. For six month 12 million people had visited it, it is more than whole population of Azerbaijan and these people could get acquainted with your country with your culture.

What is the opinion of Japan with respect to election process, which took place in Azerbaijan and with respect to recent clashes of the citizens with policemen in Galaba [Victory] Square?

Our countries general position is that the policy of each country concerns the people of this country. Azerbaijan is a sovereign state and the policy of this country must be determined by its people. Having restored its independence in year 1991 Azerbaijan took the course for establishing of democratic state with market oriented economy and could achieve particular success in this respect. But it's important to bear in mind that the democracy cannot be established overnight and this is a time taking process. Azerbaijan is in the middle of the route. On the eve of the elections the President of Azerbaijan made greater efforts for enhancement of electoral legislation and the procedures of elections process as well as for securing freedom of press and freedom of assembly. With respect to the happenings in Galaba Square, I would like to note that there have been four demonstrations of opposition after the elections. In any democratic state people enjoy the right to freedom of assembly and state should guarantee the safety of people who have used their rights. At the same time this right must be realized within the framework of State Law. In order to enable Azerbaijan to become a democratic state all the parties should exercise maximum restraint – this is my opinion.

2.2 I am optimistic about the future of Azerbaijan

(Newspaper “The Azeri Times”, March 2006)

The Japanese diplomatic mission has long been present in Azerbaijan. What are the political priorities of Tokyo regarding the Caspian Region and regarding our country in particular, please?

As it is known, Azerbaijan declared its independence in 1991. Japan recognised the independence of your country and established diplomatic relations with it as soon as in 1992. We have been keeping our friendly relationship for over the past fourteen years during which your country made considerable efforts to become a member of the international community, implementing democratic reforms and began to develop its economy based on the market-oriented principles. Throughout that period Japan has been trying to help the government of Azerbaijan walk this way. To Tokyo, Azerbaijan is a very important country and not only in the regional dimension but also from the geopolitical point of view and in the global energy security respect. In this connection, the effective development of the country makes it possible to improve the ordinary peoples’ way of life. At the same time, a powerful economy keeps to enable materialisation of political stability. Your country can be playing a more important role in the global community in the very near future. Japan has profound social democratic traditions as well as the experience of building up market economy. We think that our knowledge and skills could be useful for your country. In this context, our priority is also to ensure peaceful nature of all the changes. It is known that Japan renounced use of military force to settle international conflicts, no matter where they may be. We think that economic strength is much important to improve people’s welfare. Therefore, the topmost priority that Japan has in Azerbaijan is to promote the economic as well as the social development of your country. The government of Japan has been providing the Official Development Assistance to various projects in Azerbaijan over the past years, which included technical and humanitarian assistance as well as grant and loan assistance in the approximate total amount of \$700 million. Japan belongs to the category of top donor countries rendering assistance to Azerbaijan.

How will the Azeri delegation that President Ilham Aliyev will lead be welcomed in Japan?

The visit of the president of Azerbaijan, Mr Ilham Aliyev and Mrs. Mehriban Aliyeva to Tokyo is scheduled to be taking place during 7-10 March. Mr. President was in Japan and more than once, but this trip is going to be his first visit to my country in the capacity of a head of a state. His father Heydar Aliyev paid an official visit to Japan in 1998. Those meetings are remembered and the memory of the national leader of Azerbaijan is respected in Japan. During their stay in Japan, they will be received by His Majesty the Emperor and Empress, and Mr. President will have talks with Mr. Junichiro Koizumi, Prime Minister and Mr. Taro Aso, Minister for Foreign Affairs of Japan. We are certain that the meetings of the leaders of the two countries will be mutually useful and will keep to strengthen our bilateral relationships further. Also, all the issues and businesses of mutual interest will be discussed in Tokyo.

Japanese companies are mainly present in the oil sector here. Does this mean that the other sectors of the economy of Azerbaijan are less interesting or is there any other explanation of this fact?

I have said that Azerbaijan is of considerable interest to Japan. Your country possesses natural resources and human resources. In Azerbaijan, the oil industry is leading its economic growth. The Japanese companies involvement in the largest projects in your country and in the whole region is quite expectable, I think if conditions allow it emanates, among other things, from the priorities that have already been mentioned. This sector develops very successfully in Azerbaijan; its task is to become locomotive to continued development of the non-oil sectors. The positive process has set in already. Yet, a lot need to be done to ensure steady development, though. The concrete aspects of business peoples

activity depend on a large number of factors including the type of industry, the type of goods and commodity, the type of manpower and the technologies employed. The private business is free to make decisions and a lot depends on the established infrastructure and the existing investment climate, really. It may be necessary to promote the small and medium businesses at the same time: such enterprises are a rule specialising in the cutting-edge technologies and act as innovative agents in any development process. Also, it is necessary to maintain balance between large scaled and smaller companies. This is a kind of example that Japan has experienced and, I think, our countrys economic success heavily depend on this kind of balance. It will be useful for Azerbaijan to create this kind of balance for its own .

Non-oil sector development may cover not only industrial production but also agricultural industry of Azerbaijan. 40% of the total workforce belong to the agricultural sector while the share of the agriculture production in the GDP is merely 14%. There are extensive possibilities there. Production and processing and service sector may make up another promising field of operation.

How do they assess the current economic co-operation with Azerbaijan in Japan?

I have mentioned that the total amount of our Official Development Assistance to Azerbaijan over the past years has reached approximately \$700 million. Quite a number of projects have been implemented in those years. However, the potential of our economic relationship is far from being exhausted yet. The total turnover between Japan and Azerbaijan generated a little less than 200 million US dollars last year, for example. Azerbaijan still needs to continue improving investment related environment particularly in non-oil economic sectors. A part of the works have successfully performed, the country has the instances in which overseas companies entered the local telecommunications and the national metallurgical industry. If the country has beneficial and appealing conditions, then, overseas companies will come of their own accord. They are very sensitive to favourable business conditions.

I am personally optimistic about the future of Azerbaijan and not at all because I represent the interests of my country in the hospitable City of Baku. Let me repeat again – Azerbaijan is relatively young country since its independence and it has rich natural resources, professional human resources and traditional culture as well. I have an impression that Azerbaijan is making successful efforts towards democratization and establishment of market-oriented economy, and Japan in its turn is ready to work with Azerbaijan in this respect.

Is Japan supportive with regard to Azerbaijan’s admission to the World Trade Organisation?

Doubtless. Our countries are negotiating this issue intensively. I am sure that the visit of President Ilham Aliyev and of the delegation of Azerbaijani entrepreneurs to Japan will contribute into further improvement of bilateral economic relations between our countries. As it is known, the WTO has certain admission eligibility requirements. Besides, it is necessary to accommodate the specific conditions in accordance with the principle with regard to the Organisation. The legal basis concerning taxes, customs, the legal system and other matters etc must be unified. This is a long process – long, but not endless. I am certain that Azerbaijan will benefit by joining the WTO. Japan is putting importance on the WTO in the field of promoting international trade in which Azerbaijan will become an unalienable part.

Can Azerbaijan eventually become a place where the famous Japanese companies specialising in mechanical engineering, electronics and other industries will deploy their manufactures?

All is possible. Japanese companies are investing in industrial projects world-wide. However, many factors are taken into consideration when each project is chosen and such factors include market prospects, market conditions, marketing strategies, technical and financial resources and region-specific aspects. It is important to remember that the total population of Azerbaijan is around 8.4 million. The potential market could include Georgia and the Central Asian republics. Certainly, the companies will be very interested in the level of demand in this region before taking such steps. Probably, the conditions will be improved and Japanese companies will consider working in this region in the future.

It is known that there will be an extensive business forum involving Azeri and Japanese in the format of the official visit of President Ilham Aliyev to Japan. Could you please tell us which firms and corporations will be representing Japan and what documents may be signed during this visit?

As regards documentation, this aspect will become clear during the Azeri delegations visit to Tokyo. At the business forum, the Japanese side will be represented by the companies known in Azerbaijan, such as Itochu, which is successfully involved in the Azeri-Chirag-Guneshli oil-field development project in the Azeri sector of the Caspian Sea, as well as by Mitsui, Mitsubishi, Sumitomo and others. I must say that Japanese business people are very interested in intensifying their contacts with Azerbaijan.

Your country manifests immense activity in the humanitarian field in Azerbaijan, and your country also promotes the infrastructure. The majority of the related projects run on grants, besides. Why is Japan desirous to spend so much money on what effectively is charity?

This is our country's strategy applied to our friend-countries. Japan believes that efficient economic development is indispensable for maintaining peace in the World. However, successful economic development cannot be attained without desirable combination among financial resources, human resources and good technology. For the development of economy simultaneous enhancement of social sector along with economic infrastructure is required. Education, Health sectors belong to this sector. Therefore, to develop social sector is also indispensable to improve peoples welfare, Embassy of Japan allocates necessary financial resources for construction and reconstruction of hospitals, clinics, schools and kindergartens – all this infrastructure provide people with better living conditions and contribute to establishment of efficient human resources which is one of the elements necessary for materializing efficient economic development.

2.3 Each country in the world has the right to maintain its sovereignty and territorial integrity

(Analytical Journal “Region Plus” , April 2006)

The history of Azerbaijan-Japan bilateral relations equals to the history of Azerbaijan's independence. In 1991 when the Republic of Azerbaijan declared its independence, Japan immediately recognized it. The subsequent year diplomatic relations between the two countries were established. Today Azerbaijan has become an important country in the region and Japan is very interested in it. Also Azerbaijan is a country with which Japan intensively promotes its bilateral relations. The visit of President Ilham Aliyev to Tokyo during March 7-10, 2006 and the documents signed during this visit are very significant occasions with respect to strengthening relationships between the two countries. Therefore, we started our conversation with the Ambassador of Japan to Azerbaijan, H.E. Mr. Tadahiyo Abe from discussing the outcomes of President Ilham Aliyev's visit to Tokyo.

During last 14 years we together have worked on many matters, Japan is making its best efforts to help establish democracy and market oriented economy in Azerbaijan. The visit of H.E. Mr. President to Japan has been made in the juncture where Japan-Azerbaijan bilateral relations are in its highest level ever reached. We highly appreciated the visit of President Ilham Aliyev and Mme. Mehriban Aliyeva to our country, all Japanese people warmly welcomed Mr. President and First Lady. Despite it has been relatively short visit, Mr. President had many opportunities for exchanges of opinion with respect to various items of mutual interest. Mr. President and Mme. Aliyeva were received in audience by Their Majesty the Emperor and Empress of Japan. Mr. President met with Prime Minister Junichiro Koizumi, Minister of Foreign Affairs Taro Aso. In particular, the meetings of Mr. President with Prime Minister and Minister of Foreign Affairs have had very great importance in discussing about substantial aspects of our bilateral relations. Mr. President had a chance to deliver his speech at Japan Institute of International Affairs and provide the participants with comprehensive information about the internal policy as well as the foreign policy of his country. During this visit the Joint Statement on Furthering friendship and Cooperation between Japan and Azerbaijani was signed between Prime Minister and Mr. President. Also, the Memorandum on cooperation between the Ministries of Foreign Affairs of Japan and Azerbaijan as well as Agreement on Technical Cooperation between the Governments of Japan and Azerbaijan were signed. In brief, I would like to emphasize that this visit has facilitated conditions for further promotion of the high level bilateral relations between our two countries, and provided an important impetus to the further development of friendship and partnership between us in the future. In our turn, it was a great honor for us to have had the visit of H.E. Mr. President and First lady to Japan.

Mr. Ambassador, which spheres does the process of development Japan-Azerbaijan cooperation comprise? We already know that your country is interested in Oil Sector but how about non-oil sector, are there any perspectives for cooperation?

Upon its experience, Japan knows that in order to make a country developed it is necessary to improve economical infrastructure, people's living conditions, technical knowledge and to develop human resources. In order to build a contemporary and developed country you need the composition of all aforementioned factors. Japan, in order to become of some help to Azerbaijan in this respect, has been rendering a comprehensive assistance to Azerbaijan for its attainment of the modern and developed country with democracy and market oriented economy. For instance, for improvement of economical infrastructure, Japan renders its assistance to Azerbaijan in reconstruction of Power Plants, roads, irrigation systems. With regard to improvement of social sector directed to upgrading peoples' living conditions, our country assists Azerbaijan in this regard as well. Supply of medical equipment, construction of hospitals, schools and improvement of educational system are priority for us. We render comprehensive assistance to Azerbaijan to enable it to become a developed country in near future. The total amount of the assistance of the Government of Japan hitherto provided to Azerbaijan reached 700 million USD and I think that Japan is one of the top donor countries assisting Azerbaijan. We believe that

only comprehensive assistance covering a wide range of areas such as economic infrastructure, social sector and human resources development can make real improvement of people's economic capability and lives. Based upon this belief, I have materialized more assistance to Azerbaijan than my predecessor, since I assumed the current post of Ambassador of Japan in December 2004.

However the main attention is paid to Oil Sector isn't it?

Certainly, Oil Sector is very important for Azerbaijan. I would say it is one of the main sectors which play a very important role for the development of your country. Therefore, we closely participate in Oil Projects. As you know, currently, two Japanese companies are participating in ACJ Oil Extraction Project and in construction of BTC pipeline. However, at the same time we understand that Azerbaijan is very interested in development of Non-oil Sector. It is necessary to attain achievements in various aspects of economic activities for your country's bright future. In this regard, Japan always cooperates with Azerbaijan. Currently, we have several Japanese experts posted in Baku to transfer knowledge and experience about the way how to promote entrepreneurship in Azerbaijan. We are jointly searching the opportunities to develop Non-Oil Sector and we will expand our relations in various spheres of economy. This matter was also discussed during the visit of H.E. Mr. Ilham Aliyev to Japan. Concrete aspects of this cooperation can be also discussed through Japan-Azerbaijan Joint Economic Committee.

You have just mentioned that you are searching the opportunities to develop Non-Oil Sector of Azerbaijan's Economy, are there any particular results?

Indeed, Japan's interest in Azerbaijan's Non-Oil Sector dates back to the past when Azerbaijan was under the Soviet regime. We can recall a Japanese air-conditioner factory built in Baku in 1970th. This factory could satisfy almost all the demand for air-conditioners of main part of USSR at that time. Certainly, after gaining independence, it is necessary for Azerbaijan to establish a firm business foundation. Azerbaijan needs to provide favorable business conditions in compliance with modern requirements in order to invite a flow of foreign capital to the country. If Azerbaijan succeeds to establish desirable business conditions, then foreign investments flow to the country will increase.

Mr. Ambassador, despite the development of bilateral relations between the two countries, it is just apparent that the trade turnover between Japan and Azerbaijan is not sufficient; it is only 70 million USD. You may agree with me that it is lower than existing potential. Is it possible for both countries to increase it?

The current situation is that the major trade partners of Azerbaijan are its neighboring countries mainly because of historical reason. Japan entered to this region a bit later. Despite this fact, the bilateral economic relations between our countries are really high. If Azerbaijan succeeds to establish a reliable economic foundation and provide us with favorable business conditions, then our economic and trade relations will be further enhanced. As you know, since 1968 Japan has been the second super power in the World, from economic point of view. Our GDP equals to 5 trillion USD. In this regard, there will be more business and trade opportunities between Japan and Azerbaijan in the future.

Mr. Ambassador, we have been talking about Economy, certainly bilateral relations between our countries do not only comprise Economy. Could you kindly tell us how you evaluate current political relations between Japan and Azerbaijan?

In order to establish friendly relations between countries it is desirable to attain mutual understanding in wider areas including political as well as economic relations. I can confidently state that we can attain mutual understanding between our countries in this regard. The recent visits of high-ranking governmental officials and the documents signed prove my confidence. Since I started working in Azerbaijan as Ambassador of Japan, I have witnessed that political relations between Japan and

Azerbaijan also has been intensively developing. I would like to recall as recent example the visit of a Senior Vice-Foreign Minister, a Chairman of International Relations Committee of the Japanese Parliament and other parliamentarians to Baku. At the same time, it is worth recalling as a case of the Azerbaijani officials' visit to Japan, especially H.E. Mr. Ilham Aliyev and Mme. Mehriban Aliyeva's recent visit to Japan deserves a special attention. All these cases represent how important exchanges we have had with regard to bilateral political relations between our two countries.

What the position of Japan with regard to Karabagh problem emerged between Azerbaijan and Armenia?

As you are well aware, toward the end of the previous century, lots of regional conflicts emerged. Karabagh problem is one of these conflicts. This issue is being discussed in several International Organizations. Japan supported adoption of UN Security Council's Resolutions regarding the solution of the conflict concerned. We have always supported peaceful settlement of this conflict. Japan welcomes and supports a mutual dialogue between the two parties. We attentively watch the Prague process held within OSCE Minsk Group where both Azerbaijan's and Armenia's Foreign Ministers carry on negotiations. We also witness important dialogues between the Presidents of both countries. Japan thinks that these steps taken play important role in resolution of the conflict and we hope that the conflict will be resolved through peaceful means. Besides, we do really understand that there are about 1 million IDPs and refugees in Azerbaijan and all these people are the victims of Karabagh conflict, therefore the Government of Japan has been extending assistance to these people to alleviate difficulties in their living conditions. That is our position with regard to this problem.

Which principle Tokyo considers appropriate in the case of settlement of the conflict? When Japan supported the Resolutions of UN Security Council, Japan at the same time supported territorial integrity of Azerbaijan, isn't it?

Each Country in the World has the right to maintain its sovereignty and territorial Integrity. This right belongs to all of 191 UN member states. This is our basic understanding.

Mr. Ambassador, the Embassy of Japan in Baku attaches great importance to cooperation with NGOs. Lots of schools, roads and etc. have been constructed owing to Japanese grants. What the reason of Japanese activity in this regard?

I have already noted that for sustainable development of a country, provision of comprehensive assistance to it is very important. It is necessary to improve people's living standards and their well-being in addition to a strengthening of economic capability of the country concerned. Therefore, we are working on various projects to address to those targets mainly through NGOs as well as to develop economic infrastructure of Azerbaijan as a whole. Japan will continue supporting the projects directed to development of economical infrastructure, and to improvement of living conditions of Azerbaijan's people. I would like to state again that our bilateral relations in political, economical, cultural areas are all at their highest levels ever seen. I am determined also to do my best in further strengthening our amicable relations in the future. I am confident to say that I have substantially progressed our bilateral relations much more than what my predecessors did, since I assumed current post in Azerbaijan.

Quotation: "Hitherto Japan has provided Azerbaijan with total amount of 700 million USD assistance. I think that Japan is one of the top donor countries rendering its assistance to Azerbaijan. We think that only comprehensive assistance can lead to the real development of Azerbaijan and improvement of people's lives."

Quotation: "Japan has supported all the Resolutions of UN Security Council adopted on Karabagh conflict. Each country of the World has the right to maintain its sovereignty and territorial integrity that is our basic understanding"

2.4 The intellectual level of Azeri people is very high

(Newspaper "Parithet", March 2006)

Ambassador of Japan, H.E. Mr. Tadahiro ABE: "I will try to do my best in increasing the rendered assistances to Azerbaijan"

It is more than one year, Mr. Tadahiro ABE representing his country in Azerbaijan and during that time he has had chances to get closely acquainted with our country, nation and national history and sentiments. Mr. Ambassador is a graduate of Japanese Keyo University and his specialty is Economist. Mr. ABE has huge experience in diplomatic sphere as he has been a member of Japanese diplomatic mission in various countries of Europe as well as Asia. Before his appointment to his first position as Ambassador Extraordinary and Plenipotentiary to Azerbaijan, Mr. Tadahiro ABE was Consul General in USA.

In one of the official events, you mentioned that you love Azerbaijan very much and this country is very important for you. We wonder how this kind of love emerged in your heart.

Azerbaijan and Japan have both ancient cultural and historical ties. When I started my diplomatic mission in Azerbaijan, I visited Gobustan Rocks. There, I saw a lot of ancient drawings scratched on the rocks. These illustrations were similar to those I saw in Europe. Even some little things found in the caves reminded me the history of Roman Empire. All these things were witnessing that the historical way of Azerbaijan had been very long and interesting. The same I would say about the history of my country. The history of Japan dates back to thousands years before now. By means of Great Silk Way our nations had opportunities to get acquainted with each other. Despite the Azeris and the Japanese look quite different with respect to their appearance but in there is an affinity in their souls. For instance, both in Japan and Azerbaijan, senior people receive duly respect and I think that respecting senior people is very important and it is an indelible part of human's code of behavior. However, behavior of Western people in this regard is quite different. I think we need to preserve such sentiments obtained during the long historical development of our countries.

Our ancestors have made some mistakes and we have to learn by these mistakes and utilize the experience gained. We have to live in a harmonic peaceful society. Japan is a peaceful country and its clearly stipulated in our Constitution. According to the Constitution of Japan renounced use of military force to settle international conflicts. I would like all the countries to adhere to peaceful policy. In this regard, the Government of Japan works together with Government of Azerbaijan for comprehensive development of Azerbaijan because Economic Development is the key factor enabling each and every citizen to live in peaceful condition.

Are you usually able to visit the places of interest of Azerbaijan?

There are a lot of places of interests in Azerbaijan. But unfortunately, I did not have an opportunity to visit all of them because since I started my diplomatic mission in Azerbaijan, my working schedule has been quite occupied. Nevertheless, I am sure that soon I will be able to visit the places that I have not visited yet. Indeed, we need to work very hard for coordination of the Official Development Assistance of Japan being rendered to Azerbaijan therefore most of time is devoted to this purpose. During the 1 year period since I started serving as Ambassador of Japan to Azerbaijan, I have succeeded to further promote bilateral relations between our two countries. As the result of our cooperation we have gained excellent achievements. Now, we expect H.E. Mr. Ilham Aliyev's Presidential Visit to Japan. This is really a noteworthy event for us. In Japan, Mr. President will meet His Majesty the Emperor and of Japan, Prime Minister H.E. Junichiro Koizumi and Foreign Minister H.E. Mr. Taro Aso. I would like to note that this is the first visit of Mr. Ilham Aliyev to Japan as the President of the Republic of Azerbaijan. We hope that this visit will facilitate further deepening of mutual understanding between our two countries. I think after

completion of this visit I will have some free time to visit the places of interest. There are a lot of places in Azerbaijan that I would like to visit.

How could you explain your affection to masterpieces of Fine Arts?

Actually, I can explain it with my personal experience and in general with the humankind experience. During my diplomatic activity I had an opportunity to visit various parts of the World and to get acquainted with cultures of various nations. I have always tried to understand the people of the country where I was appointed to. I have gotten acquainted with the peculiar cultures of American, European, and Asian people. Culture and Art are very important when you want to understand a particular nation. I was invited to many cultural events and festivals in Azerbaijan. Every time when I participated in these events I was always astonished at variety of songs and dances of Azerbaijan. This cultural wealth surprises me very much. The only thing I regret that I am getting old and unable to learn any foreign language including Azeri. If I could speak Azeri it would be easier for me to learn more about the culture of Azerbaijan. I will never forget Azerbaijan as it left an indelible impression on my mind.

Which countries became unforgettable for you?

I loved the people of the country where I was representing my country. I have excellent recollections in all these countries. It is difficult for me to name a particular country. Fortunately, all the people I met were very kind to me and I would say the same about Azeri people. I am very pleased with my life in here.

What has surprised you in Azerbaijan?

Actually, I am already used to local habits and culture therefore nothing has so seriously surprised me.

Did you get any new friends in Azerbaijan as well as in the countries where you had been?

Most of my friends live in USA. I have worked in this country four times. The first time when the President of USA was S. Carter, the second time was during the presidency of Ronald Reagan, the third time was when the father George Bush became President of USA and the fourth time was when George Bush junior became US President. I have also been a Visiting Scholar to Harvard University in Boston, USA. Therefore during my diplomatic mission in USA, I got acquainted with many governmental officials as well as professors of educational institutions. A few years ago when I worked in Vienna, I got acquainted with Ms. Valtner, EU Commissioner. I have always tried to establish friendships among officials and professors. The same is true about Azerbaijan.

With respect to Education, as we know a few years ago owing to the kind assistance of the Embassy of Japan, “Oriental Studies” Faculty was opened at Baku State University. Do you utilize the specialists of this faculty here in Azerbaijan?

We highly appreciate the “Oriental Studies” faculty of Baku State University. The intellectual level of the Azeri people is very high. I am sure that Azerbaijan will utilize these persons to promote more meaningful relations between our two countries. Therefore, the Embassy of Japan rendered its assistance to the University. The one of the noteworthy assistances was furnishing the language laboratory with technical equipment. Also, we gave necessary materials for teaching Japanese. Every year the Embassy conducts the Japanese Speech Contest where the students that passed the exams successfully are dispatched to Japan to continue their education at Japanese Universities. I would like to note that this is very complex process. This project is very new in Azerbaijan as you now the Embassy of Japan was opened in year 2000, only five years passed therefore we cannot provide you with great figures regarding the quantity of the students getting education in Japan. Nonetheless, as the time passes by the quantity of the students will increase. We will do our best in introducing Japanese culture and language to

the Azeri students. Human resources are the wealth of every country that's why we are hopeful that Azerbaijan will utilize it for further enhancement of our bilateral relations.

One of the most important elements of Japan-Azerbaijan bilateral relations is the bilateral economic relations. Is it expected that the Japanese businessmen will implement new projects to invest non-oil sector of Azerbaijan's Economy?

With regard to Japanese investments to non-oil sector of Economy of Azerbaijan, I would like to note that from early 1970th Japan assisted Azerbaijan to establish Air-Conditioner Factory in Baku. Those times this factory provided whole Soviet Union with air-conditioners. Since 1991, when Azerbaijan declared its independence, a ground for flow of foreign investments to Azerbaijan has been established. To invest Azerbaijan foreign businessmen need a legal base. Currently, Japanese Corporations are seeking the opportunities to invest Azerbaijan's non-oil sector in case of establishment of the said legal base. As well as the question in which spheres of economy Azerbaijan can perform works is observed. In this regard, Azerbaijan-Japan Economic Commission will examine the opportunities to improve non-oil sector of Azerbaijan's Economy. We will study the negotiation processes between Japanese and Azeri businessmen. The Government of Azerbaijan is striding in sphere of Economy, especially in oil sector. However, it is important to improve non-oil sector as well. I hope that the sides will come to agreement on appropriate projects. It is worth noting that Azerbaijani specialists are studying at the economy courses in Japan and very effective trainings are being held. We invite there the people who work in govermental structures as well as in industrial sphere. These specialists then come back to Azerbaijan and contribute into development of this country.

2.5 Japanese observers to arrive in Baku for Parliamentary Elections

(Newspaper “Zerkalo” May 2006)

This was stated by H.E. Mr. Tadahiro ABE Ambassador Extraordinary and Plenipotentiary of Japan to Azerbaijan in the exclusive interview with “Zerkalo”.

Mr. Ambassador, most of Western countries are very interested in the forthcoming Parliamentary Elections and keen on commenting the events occurring around this process. However, Japan which has always been friendly towards Azerbaijan demonstrates no reaction to all these developments. Could you explain it?

I do not think so. I have already stated the position of Japan with respect to Parliamentary Elections taking place in Azerbaijan in my previous interviews with the representatives of Mass-Media. Since 1991, when Azerbaijan obtained sovereignty, the Azeri people have been making serious and constant attempts for building up democratic society and market economy in their country. I believe in great importance of elections in successful completion of this process. It is necessary to conduct fair and free elections in order to build a genuine democratic state. Recalling the fact that at the beginning of XXth, there was Democratic Azerbaijan Republic that could endure only two years, it is possible to infer that the Azeri people has abundant experience of building up a democratic state. In my opinion, for the last 14 years Azerbaijan has achieved optimistic progress on this course, at least the country has become a sovereign and eligible member of the International Community.

Nevertheless, we should always keep in our minds the common rules existing in the International Community, adherence to which is compulsory for all the members of the Community. These rules are: duly respect to the human rights, obedience to the principles of market economy and democracy. As I have witnessed, Azerbaijan is trying to adhere to all these three principles. Today, it is necessary to foster favorable condition for carrying out fair and free elections in other words it is very important to fill the Milli Mejlis (Parliament) with the elected representatives of people having obtained the votes of majority of population. With this point of view, the Government of Japan anticipates Azerbaijan to conduct genuine democratic elections. I am sure that after democratic elections, Azerbaijan will gain respect of the International Community.

Japan traditionally adheres to the policy of non-interference into the internal affairs of the States. How the results of the elections held in other countries, in particular in Azerbaijan, can affect the determination of the foreign policy of Japan with respect to this country?

I must honestly confess that it is not so easy for us to make decisions in such circumstances. As a rule we try to track the election process hence we try to determine whether the process was held democratically or not and what are the opinions of the people of this state. If the elections have been held democratically and the population has accepted the result then the Government of Japan starts establishing normal relationships with new Government.

As a rule the representatives of western diplomatic missions are very active on the eve of any public elections. They held consultations, meet the representatives of ruling as well as opposition parties and provide various recommendations. Are you taking such measures?

As I have already mentioned we adhere to the policy of non-interference into internal affairs of other states. Besides, it is necessary to take into account that in this case it is extremely difficult to keep the balance between ruling and opposition parties. For instance, if I receive two parliamentary members from an opposition party and one from the ruling party it will simply be unfair. Vice versa, if I spend two hours in the meeting with one representative of ruling party and one hour in the meeting with two representatives of an opposition party, it will lead to disbalance. Therefore, in the case of elections it is

better to keep the policy of equidistance from both campaigns. That's why we adhere to the policy of non-interference into internal affairs.

In 1991, Japan recognized the independence of the Republic of Azerbaijan and established diplomatic relations. Consequently, we emphasized our respect to your sovereign state.

Is Japan planning to dispatch its observers to Azerbaijan?

When Japan receives respective request from International Organizations that deal with election processes, for example OSCE, it always dispatches Japanese observers to the countries where the elections are being held.

Will there be any Japanese observers in the parliamentary elections? If yes how many?

Yes, there will be Japanese observers in the parliamentary elections however the quantity of the observers depends on the request of OSCE.

Are you going to coordinate or consult their activity? As you are aware to be an observer in elections held in the countries like Azerbaijan is not so easy. When the presidential elections were held in 2003, the international observers figuratively speaking found themselves among the two barricades.

I hope that there will be no tensions and confrontation during the parliamentary elections. I believe that the Azeri people will behave appropriately and demonstrate their ability to conduct fair and free elections to the International Community.

When the Embassy of Japan in Azerbaijan was opened?

In year 2000.

There is still no Embassy of Azerbaijan in Japan. Why?

I can congratulate you with event that the Ambassador of Azerbaijan has already gone to Japan. Currently, he is seeking a building for the Embassy.

As I know, the prices for real estates are extremely high in Tokyo. By the way, can we compare the prices in Baku with the prices in Tokyo? For example, the prices of private residence where the Embassy of Japan in Azerbaijan is.

I do not know the exact prices. Actually, it is long time I was not in Tokyo. However, I think that Azerbaijan can afford own Embassy in Japan.

The amounts of financial assistances, in particular the assistances via tax credits rendered by Japan to Azerbaijan are at the same level as all the assistances rendered by European Community. However, the assistances of Japan are not well advertised. Why?

It is not a peculiarity of the Japanese to make a show of the works they implement. We do not like superfluous advertisement. Our main purpose is that the Azeri people can obtain and accept our help and all the rendered assistances can reach the target population. What about the advertisement, I think it is not necessary. There are two types of people. The first type of people does a lot but does not advertise and the second type of people makes interesting shows, however does not contribute even thousand dollars.

Which sphere are the Japanese financial assistance and loans directed to?

We know that Azerbaijan is in the process of economical formation and development. In order to maintain sustainable economical development, you need to improve the economical infrastructures such

as power plants. Besides, provision of stable power supply is one of the terms of improvement of people's living standards. Therefore, we have rendered huge financial assistance in the form of lax credits for reconstruction of "Shimal" Power Plant. Three times, we have allocated credits for reconstruction of this Power Plant. The first was in 1998, the second in 1999 and the third in 2005. I would like to note that the credits have been allocated with minimal interest rate – less than 1%. Only for reconstruction of these Power Plants, Japan has allocated credits in total sum of 620 million US Dollars.

Other means are directed to reconstruction of roads, improvement of irrigation system, renovation and of the hospitals and provision of medical equipments. Moreover, we also allocate grants for development of educational system as well as for construction of new schools.

What is your impression about Azerbaijan?

Though the preceding diplomats were basically Turkish-speaking, I don't speak neither Turkish nor Russian. Therefore, I had not expected that it would be so pleasant for me to serve in this country until I came here. The nature of the country is wonderful and the people are very courteous. I do not regret that I have been appointed to Azerbaijan. Indeed, it is the first time I have been assigned to a Post-Soviet country. With regard to development of Azerbaijan, I would say that it is apparent that Azerbaijan has achieved tremendous results within the recent ten years.

What works have been performed during your service in Azerbaijan?

As you see the time passes very quickly. During my service here I have tried to strengthen friendly bilateral relations and to extend the areas of cooperation between Japan and Azerbaijan. I have established excellent relations with the Government of Azerbaijan and I have performed numbers of works for Economical development of Azerbaijan.

When people were trying to establish relationships between West and East in the last century, everybody thought that it would surely lead to peace. Unfortunately, it appeared contrary and numbers of disputes aroused in the World. These disputes are more complicated and serious now. Both Japan and Azerbaijan aspire to maintain peace and stability in the World. Therefore, development of Azerbaijan is extremely important for us. With that end in view, Japan renders pecuniary aids to the Government of Azerbaijan. The total sum of the aids rendered within the framework of Official Development Assistance (ODA) equals to 690 million USD. This was done for the development of Azerbaijan. The rendered assistances included improvement of economic infrastructure, grant aids, development of local production, reconstruction of schools and other facilities. Please, do not regard as immodesty for my part but in spite of the fact that I have served less than the preceding ambassadors in Azerbaijan, during this 10 months period the rendered assistances of Japan equaled to 280 million USD and this is really a big amount. This was gained as a result of my exertions. Our main purpose is to improve people's living conditions. I am doing my best in order to strengthen our bilateral relations and to raise the amounts of the assistances being rendered.

2.6 Japan-Azerbaijan Bilateral Relations

H.E. Mr. Tadahiro ABE
Ambassador of Japan
Azerbaijan

(Lecture at Khazar University, Baku, May 12, 2006)

I. General Observation

1. International Situation

(1) In the last decade of the 20th Century, the world was shaken by major upheavals such as the end of the Cold War regime, acceleration of economic globalization, and revolutionary advances in information technology. With the international community facing new waves of change in the 21st century, interdependence between countries can only continue to increase. To address the many growing problems that transcend national boundaries –security issues, terrorism, economic issues, environmental degradation, illegal drugs, refugees, etc. –the extensive cooperation of all countries involved is becoming increasingly critical. While effectively addressing those problems deriving from the changes taking place, Japan’s foreign policy in the new century seeks to actively promote the security and prosperity of the entire international community, in the recognition that this is inseparable from the security and prosperity of Japan itself.

(2) Since its admission to the United Nations in 1956, Japan has regarded its commitment to the United Nations as one of the main pillars of its foreign policy, and has been contributing to the UN budget for **19.5%**, next to the US which has the largest shares of **22 %** of the total budget. Japan has been working for the international peace and security. It works for resolution of regional disputes through personnel and financial support provided to United Nations peacekeeping operations and other international efforts. It is actively supporting international endeavors for conflict prevention and active promotion of arms control and non-proliferation, and fight against terrorism and to solve problems in areas such as environmental degradation, illegal drugs, and population growth as well.

(3) The significance of economic issues as a component of international relations has also been increased in recent years, making a global economic stability a critical issue in Japanese diplomacy. Recognizing the responsibilities of a country as a world’s second largest economy, Japan has been making sincere efforts to promote healthy economic development worldwide through bilateral relations as well as its relation with international organizations such as the IMF, the WTO, and the OECD. Japan has also been providing financial and technical assistance to developing countries via official development assistance (ODA) program in order to contribute to their economic development as well as improvement of people’s welfare. Japan was the world’s largest aid donor all through 1990s, and now the second largest global donor in 2005 just next to the US.

2. Main target of Japanese diplomacy

(1) Japan is a peace-oriented country, as its Constitution clearly stipulates as follows, and it is reflected upon its pursuance of the foreign diplomacy:

Article 9 of the Japanese Constitution:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as a means of setting international disputes.

(2) In the international environment marked by economic globalization and ever-increasing interdependence among the member countries of the international community, Japan's economic growth and security are intertwined to, and dependent on, the peace and stability of both Asia-Pacific region and the rest of the world. In order to ensure its security as well as regional peace and stability, Japan is engaging in an active diplomacy at various levels of international affairs. These efforts include: (i) attempts to resolve individual conflicts and confrontations, bilateral and multilateral dialogues and cooperation to promote regional stability; (ii) political and security-related dialogues and cooperation, aimed at increasing the policy transparency of Asia-Pacific countries and building trust between them; and (iii) the achievement of greater social stability in various regions through a support for and cooperation in the regional and individual economic development.

II. Contemporary Japanese Economy

1. The Japanese economy is the world's second largest economy since 1968 next to the United States. Japan's real gross domestic product (GDP) was \$4.7 trillion in 2004, and its per capita GDP ranked third in the global economy in 2003. Although, more than three decades characterized primarily by solid economic growth, Japan's economy entered into recessionary process in the 1990s. The extended stagnation of the economy made it necessary for Japan to reform its economic structure fabricated through its 50 years of postwar economic experience. The standardized mass production practices refined by Japanese industry have enabled Japan to produce automobiles, electronics, and many other products that are highly competitive internationally. However, as the world's economic focus shifts to software, information, and diversification, Japan needs to respond to changing economic trends. In order to promote economic recovery and facilitate growth in the 21st Century, the government is reforming its economic structure through administrative operations, deregulating the economy, and liberalizing the financial system.

2. Japanese economy in historical perspective

(1) High-Growth Era

At the end of the Allied Occupation in 1952, Japan ranked as a less-developed country, with per capita consumption a mere one-fifth that of the United States. During the period 1953-1973, the economy grew with unprecedented rapidity (the average growth rate was 8.0% per annum overall and 10.6% during the 1950s). Real output per person in 1970 was 2.5 times higher than in 1960, and, Japan became the world's second largest economy

in 1968. This rapid growth resulted in significant changes to Japan's industrial structure. Production system shifted from a reliance on agriculture and light manufacturing to a focus on heavy industry, machineries and, gradually, service sector. Urbanization also progressed rapidly.

The first major economic expansion, the Iwato Boom (1959-1961, average growth 12.2%), touched off an investment occurred in 1963-1964(average growth 11%), 1966-1970 (the Izanagi Boom, average growth 11.6%), and 1972-1973 (the Tanaka expansion, average growth 8.9%)/

Many factors contributed to rapid growth, including the shift in employment from a low-productivity primary sector to a high-productivity manufacturing sector, combined with a high technical knowledge and a skilled and educated labor force with a strong commitment to work. In addition, macroeconomic policies were conducive to growth, the international environment was blessed with stable commodity prices and expanding trade, and investment was high in magnitude. Together with introduction of a better and innovative technology, productivity of the industry increased rapidly.

Japan became a member of the International Monetary Fund (IMF) in 1952 and the General Agreement on Tariffs and Trade (GATT) in 1955. Around 1960, Japan committed itself to trade liberalization by seeking IMF article 8 status and deciding to join the OECD, both of which were realized in 1964. Tariffs and quantitative controls on most tradable goods were removed by 1970, and, with the exception of agriculture and some high technology products, most non-tariff barriers were eliminated by the 1980s.

Indirect government assistance came in the form of tax breaks, treasury investment and loans, and the policy of administrative guidance of the Ministry concerned. Most industries obtained some government favours, and it is unclear that any industry was effectively promoted relative to its rival industries. However, domestic policies did result in a minimal presence by foreign firms in most sectors.

From the 1950s, the banking system was gradually rebuilt. The stock exchange was reopened in 1949, but it did not develop into a major source of new funds until the 1980s. Corporate finance depended on bank financing as the major sources of outside funds, giving rise to a capital structure dominated by debt. To prevent takeovers, enterprise groups, or keiretsu, actively sought cross-shareholdings with a variety of firms, including major financial institutions. Small and medium-sized enterprises remained relatively important during this period, employing nearly three-quarters of the labor force.

During the 1950s the major exporters and thus the leading firms were in textiles and other light industries, whose products were marketed by general trading companies; government promotion. However, focus was gradually shifted to a heavy manufacturing industry located in major coastal industrial complexes: During the 1960s, the iron and steel industry and the shipbuilding industry came to the fore, followed by the chemical industry and in the early 1970s the electronics industry; the automotive industry rose to prominence in the late 1970s. Exports were important, especially for textiles and shipbuilding, which were aided by a rapid increase in world trade throughout the 1960s.

Rapid growth was not without its problems. Until the late 1960s, Japan faced chronic balance-of-payments difficulties. Inflation also proved to be problematic, at least comparatively. The spread of pollution and pollution-related diseases went unchecked until the late 1960s.

2. Matured Economy

(a) By 1973, many of the factors that supported rapid growth lost their strength. First, Japanese industry had caught up with the best practices abroad; improving productivity required more resources than in the past. This in turn reduced the profitability of new investment, which fell to a lower level after 1974. The international environment also became less favorable, due mainly to the revaluation of the yen and trade frictions with the United States. The Japan-United States textile talks of 1969, a worldwide commodity price boom that culminated in the quadrupling of oil prices during the oil crisis of 1973, and the movement of the yen to a floating rate in 1973, all these factors worked to slow Japanese economic growth.

Even before the October 1973 oil crisis, the government had started to slow the economy in response to rising inflation. Combined with the impact of a quadrupling of oil prices, gross national product (GDP) fell 1.4 percent in 1974, the first actual decline since the 1950s. Growth slowed from the 10 percent level to an average of 3.6 percent during 1974-1979.

(b) After the 1985 Plaza Accord, the yen rose sharply in value, reaching \backslash 120 to a US dollar in 1988, twice its average 1984 value and three times its 1971 value. As a result, after 1986 the trade surplus gradually shrank. Nevertheless, this time around, domestic demand increased to pick up the slack. Monetary policy was eased four times during 1986, as the Bank of Japan lowered the discount rate from 5.0 percent to 2.5 percent, the lowest level since World War II. Consumption began increasing in 1986, and investment took over during 1978-1990; in fact, corporate investment rose to 19.6 percent of GNP in 1988 and 21.7 percent in 1989, exceeding total investment in plant and equipment in 1989 for the entire United States in both percentage and value.

With higher stock prices, new equity issues skyrocketed, becoming a significant source of finance for corporations for the first time since the crash of the Tokyo market in 1961. Banks found a new outlet for funds in real estate development. In turn, corporations attempted to maximize the productivity of their assets using real estate holdings as collateral for stock market speculations. The ensuing speculative binge (1986-1989) resulted in the so-called "bubble economy" in which land prices doubled and the Tokyo Nikkei stock market index rose 2.7 times.

Japan tightened monetary policy beginning in May 1989, and higher interest rates touched off a collapse of stock prices.

(c) According to the Economic Planning Agency (now part of the Cabinet Office), the Heisei Recession began in April 1991 and bottomed out in October 1993. The recovery since then, however, has been extremely slow. Subsequent upward momentum was undermined by negative factors such as the Asian economic crisis in 1996 and the bankruptcy of several large financial institutions, and the Japanese economy turned downward again in 1997, suffering a negative growth rate of -1.1 percent in 1998. Aided by emergency government spending measures, increasing IT-product demand, and external demand growth caused by the economic recovery in the World economy, Japan in 1999 showed signs of recovery and started a positive economic growth period. However, those upturns were heavily depend upon stepped-up external stimulus, and fizzled out when those effects wore off.

(d). Another economic recovery began in 2002 and has proceed uninterrupted since then. In February 2006, the upturn entered its fifth year, and if it continues to the year's end, it will become the longest phase of expansion since WW II. This upturn that began in

2002 is different from the previous one. It has been propelled by the private sector such as investment and private consumption.

III. Recent developments in the Azerbaijan-Japan bilateral relations.

After a transformation of a global security framework in 1989, CIS countries became independent of the former Soviet Union. Japan recognized the independence of Azerbaijan soon after its declaration in 1991, and established diplomatic relation between the two countries. Since Japan is a peace-oriented country and targeting the materialization of global peace as an important part of its foreign policy. Development of Azerbaijan is very important from this point of view. Because it makes Azerbaijan possible to materialize peace and prosperity domestically, and to contribute to the regional peace and stability in the South Caucasian Region which constitutes an important part for realization of the global peace. That is why the Embassy of Japan in Azerbaijan has been making its best efforts, since its establishment, to promote mutual understanding between our two countries and to provide Official Development Assistance in various aspects of Azerbaijan's efforts toward social and economical reforms. The Government and the people of Japan are hoping to construct a real friendship between our two nations. As for the year of 2005 and thereafter, in particular, we have succeeded in materializing numbers of achievements between us from the viewpoint of promoting our meaningful relations as follows:

1. Conclusion of the discussion between Azerbaijan and Japan on “Succession of the Treaties inherited from the previous regime of the USSR”.

Since we established our diplomatic relations in the year 1992, the Government of Japan and the Government of Azerbaijan have been discussing “Succession of the Treaties, which were concluded in the previous regime of the USSR” in order to realign legal foundation for our new bilateral relations. As the result of revitalizing our efforts from the end of 2004 and thereafter, we have finally succeeded in reaching agreement on this important issue after 13 years of interval between Embassy of Japan and the Ministry of Foreign Affairs of the Republic of Azerbaijan in May 2005. We believe that we can construct a more meaningful relationship between us as the result of resolution of this issue.

2. The further facilitation of the economic cooperation, including large-scale assistance to the improvement of economic infrastructure.

With regard to the Official Development Assistance (ODA) of the Government of Japan to Azerbaijan, we have been rendering our assistance mainly through grant assistance, small-scaled Grass Roots grant assistance to Azerbaijan until recently. However, we found that there are diversified needs for this Development Assistance in Azerbaijan. With a view to facilitating better conditions for economic development and improvement of the people's welfare in Azerbaijan, the Embassy of Japan in Baku discussed with various Ministries concerned and decided to extend a large-scale financial assistance to Azerbaijan in the field of improvement of economic infrastructure, in addition to the traditional small-scale grant assistance programs, namely, “Shimal Gas Cycle Power

Plant” Project : the total cost of the project is \$ 274 million US Dollars. We had a signing ceremony on the Exchange of Note in this regard between Ambassador of Japan, Tadahiro ABE and Deputy Prime Minister, Abid SHARIFOV in May last year. We are hoping that this project will become of some help to increase the supply of electricity to the people of Azerbaijan and contribute to the development of economic activities of this country as well. As a result of all the efforts being done in the year 2005 and thereafter, the total amount of Official Development Assistance of Japan to Azerbaijan, covering a large-scale economic infrastructure project and various grass-root Grant Assistance, reached the highest amount ever materialized in Azerbaijan for the amount of more than \$ 280 million US dollars during the past one and a half year.

After the calendar turns into year 2006, continuous efforts have been made by the Embassy of Japan to extend further assistance to various projects in Azerbaijan including such projects as school constructions and IDP assistances.

3. Opening of BTC Pipeline.

We are pleased to see that ACG Oil Extraction Program proceeded smoothly and the opening ceremony of BTC pipeline was held successfully last year in Sangachal terminal. It is expected that the eventual shipping of oil from Jeyhan port will be materialized sometime in the former half of this year, which we expect to contribute to improvement of supply and demand situation in the Global Oil Market. As it is well known, Japan became a stakeholder of these projects by participation of the Japanese Companies such as “INPEX” and “ITOCHU” Oil Company.

4. Opening of the Embassy of Azerbaijan in Japan.

As mentioned above it is vitally important for both Japan and Azerbaijan to have closer relations in order to develop and maintain friendly relations between our countries and work together for maintenance to the maintenance of the global peace and stability. From this perspective, it was expected to have Embassies both in Baku and in Tokyo. We were pleased that the Government of Azerbaijan finally decided to appoint a new Ambassador to Japan and to establish the Embassy of Azerbaijan in Japan in October last year. Since, we have Embassy of Japan in Baku and Embassy of Azerbaijan in Tokyo, we can start our diplomatic relations through Embassy in order to deal with our official communications in a more efficient way. This certainly is beneficial for both of us to have constructive relation between us.

5. Exchange Programs of the eminent people, facilitating mutual understanding between our two countries.

(1) It is vitally important to promote mutual understanding through exchange of the peoples of our countries through various channels such as acceptance of trainees, dispatch of experts and acceptance of students. In the year of 2005, we have also increased this opportunities by sending eminent governmental officials and parliamentarians. We had a visit of Vice Foreign Minister Mr. Aizawa and Chairman of the Foreign Relations committee Mr. Harada of the Parliament of Japan respectively in 2005, and for the Azerbaijan side, you dispatched Deputy Prime Minister Mr. Sharifov to Japan also in 2005.

We have succeeded in utilizing various channels to promote mutual exchange of the people for the purpose of facilitating mutual understanding between us.

(2) The most important program of welcoming H.E. President Ilham Aliyev and Mme. Mehriban Aliyeva to Japan was carried out under the initiative of Ambassador ABE from March 7 to March 10, 2006, in Tokyo. Representing a good relationship between Japan and Azerbaijan, the visit of Mr. President and Mme. Aliyeva became a meaningful opportunity to further promote our friendship to a more meaningful stage of our mutual relationship;

H.E. President Ilham Aliyev and Mme. Mehriban Aliyeva were received by His Majesty Emperor and Empress of Japan. Besides, Mr. President has had meeting with Prime Minister Junichiro Koizumi, and Foreign Minister Taro Aso respectively. In addition, Mr. President made Policy Statement at the Investment Seminar and at the Research Institute's Seminar.

2.7 We are connected to our past and are devoted to our values

(Newspaper “Yeni Azerbaijan”, May 2006)

Toshiko Abe: The diversity of Azerbaijani culture attracts me greatly

Japan - the Country of Sunrise, the Motherland of Japanese people, the cleverest and the most modest people in the world. . . The country that can serve as an example for the entire world. The whole world is amazed by the Japanese miracle. It is the intellect, power and ability of the ordinary Japanese that have created this miracle.

I think that despite of the long distance between Japan and Azerbaijan, there is some closeness, likeness and similarity between our people.

I once more witnessed .this closeness during my interview with Mrs. Toshiko Abe, spouse of Ambassador Extraordinary and Plenipotentiary of Japan to Azerbaijan Mr. Tadahiro Abe.

While being in Japan I witnessed great respect of Japanese to their customs and family traditions. In this, I saw likeness with Azerbaijan. Such great dedication to the traditions and the development to be envied by the world. How did Japan achieve that?

I also share these ideas of yours. It is true that there are similarities between Japan and Azerbaijan from historic as well as cultural point of view. In this respect, I would like to briefly touch upon the history of Japan. It is known that in 15-17th, centuries a period of technical, development started in Europe and Europeans started to conquer the neighboring countries. We can say that a period of conquest started. From Portugal, Spain, Holland and a bit later from Great Britain people started to conquer South America and Asia. At that time, the Portuguese arrived in Japan for the first time. They tried to disseminate their culture as well as Christianity. They came to one of the southern islands of Japan. At the same time, Portugal had its own colonial interests in other countries. At that period, they started to colonize territories in South America and Asia. At that period, shoguns were ruling in Japan. Shogun Tokugawa was aware of intentions of Portugal to establish its colonies in other countries; and to prevent this he decided to close all the borders of Japan. Only Holland was an exception here. We can say that only Holland managed to maintain the relations with Japan. Why Holland? Because Holland declared that, it had no religious interests they would be engaged only in trade and would demonstrate good will. Consequently, Japan's borders were closed for European countries for about 300 years. In the mid 19th century, the Meiji period started in Japan and from that period, the border was opened again. If we look upon history, we will see that when the borders were closed Japan was experiencing a peaceful period. At the same time while the borders were closed for about 300 years the Japanese culture was being developed in a special way. Of course, the Japanese culture had been developing in previous periods too. But in the period of closed borders, schools were kept open in almost all provinces, everywhere in Japan. Among them there were han-ko schools (in Japanese *han* means a province, *ko* means a school). At these schools children from higher society were studying. There were also terakoya schools where people from lower society were studying. I want to say that despite of the level of society , whichever class people belonged to, they could all write and read in Japan at that period. As I have mentioned above, in 1868 the Meiji period

started and the borders were opened. At the same time the number of travelers from Europe to Japan increased too. Together with them they brought their culture to Japan. But specific Japanese culture had already had its own strong foundation, and therefore Japanese could easily adopt positive trends of other cultures. And the attempts of foreign countries to colonize Japan had also failed. Therefore, Japan managed to preserve and develop its own traditions, its own culture, at the same time to acquire good features of new cultures coming to the country . And starting from that time Japanese people has had goodwill toward connecting different cultures together .

It is natural that Japanese have great respect to their customs and traditions, to their culture, as well as to their family traditions. But along with that, we demonstrate respect to traditions and cultures of other peoples. In this respect, there is similarity between Japan and Azerbaijan. I think that it was due to its special culture, due to its consideration and estimation for education that Japan could survive after the Second World War and could achieve progress again.

What do the family, husband and children mean for Japanese women? And what role does a Japanese woman play in the family?

Family is a sacred thing and it represents the basis for a society. Family has a great significance in the life of a Japanese woman. It is natural that both man and woman play important role in formation of a family. In the past Japanese men were working, and women were doing their house chores and were looking after their children. I would like to mention that families in Japan had many children then. But gradually the number of children decreased. At the same time women started to work, and the number of workingwomen has been increasing from year to year. In recent years, more than 50 % of Japanese women are participating in different spheres of social life. They bring their children to kindergartens. Frankly speaking, I do not think it is good to give a child younger than 3 years to the kindergarten, because children of this age need their own mothers' care and attention. I think that a constant presence of the mother, her engagement in upbringing of the child under 3 will have a positive effect on the child's development and education. Yes, there are companies that give maternity leave to mothers for three years. But such kind of system exists in a limited number of companies. It would be favorable to apply this system in all work places. Of course, in the family women bear great responsibility as mothers and wives.

Working and being active in various spheres of society, as well as performing the family obligations demand great efforts, but this is a maternal and feminine duty.

It is natural that being a diplomat's wife differs from other women's lives. Is it difficult to be Ambassador's wife?

As a diplomat, my husband has worked in different countries. Together with him, I have lived in those countries too. Naturally, they were different countries for their religion, language, social and cultural peculiarities. Experience has great importance for any diplomat. Before starting our tenure in Azerbaijan my husband and I were received by Emperor Akihito and Empress, they wished us success in our activities for development of relations between the two countries. Of course, the most important parts of these activities such as foreign policy, development of relations in various spheres, extending cooperation between the countries, are responsibility of my husband, as Ambassador. On my part, I

would like to contribute to development of cultural relations. Both Azerbaijanis and Japanese have their special tea cultures. Besides, I want to introduce the art of ikebana in Azerbaijan. Being Ambassador's wife is difficult but at the same time, it is honorable and responsible, because together with her husband she represents their country and their people in other country

You have lived in different countries together with Mr. Ambassador. You go to some country, stay there for a while, get accustomed to its people, get adapted to the environment, and then depart. . Isn't it difficult for you to leave?

As I have already mentioned because of my husband's diplomatic activities we have lived in many countries. We go to a country, work and live there for 1, 2 or 3 years. During this period, we get used to its people, learn their culture, and make new friends. Of course, all departures are hard. Even if you are missing the people, you have to leave. But you keep the best memories of the country and its people. Now we are in Azerbaijan. I think that after leaving this country we will always remember Azerbaijan and its people with gratitude.

The next question will be connected with the previous one. You have been in Azerbaijan for some time; it is interesting to learn your thoughts about our country.

Azerbaijan is a young country that has recently gained its independence. The country economy and other spheres are being developed. The speed of the development of your country gives grounds for telling that as economy becomes stronger, people's living standards become better and GDP per capita increases as well. Azerbaijan attaches great importance to educational sphere, to its development as we do in Japan. Of course, education and culture play important role in development of a society, in the level of development of future generations. As you know, in March this year President Ilham Aliyev and his wife Mehriban Aliyeva were on official visit to Japan for the first time. I participated in the meetings of the Ambassador of Goodwill of UNESCO Mehriban Aliyeva. I was an eyewitness of her great interest in Japanese culture, customs, and traditions. I also want to add that I know about Mehriban Aliyeva's activities for the development and introduction of Azerbaijani culture. Azerbaijanis, alike Japanese, can both preserve and develop their culture.

What do you think are there any similar features between Japanese and Azeri people?

As I have mentioned before, there are a lot of similarities between Japanese and Azeri people. I became convinced of it after I had come here. Both in Japan and in Azerbaijan elder people are respected and honored, they are treated with great care. Besides, for both peoples family is considered very important. It is true that in modern Japanese families the number of children has decreased. Besides, one more thing in common between Japanese and Azeri people is that the elder son, daughter, generally children, live with their parents after they get married. One of common characteristics for both peoples is the dedication to their traditions, past and values. Generally speaking, there are lots in common between the two peoples.

Have you made friends with Azerbaijanis during your stay in Baku?

I certainly have. I have acquaintances among spouses of ambassadors working in Azerbaijan, and among Azeri women too. As you know there is the International Women 's Club in Baku. We also meet here.

Do you have hobbies?

I like arranging a tea ceremony. And I love flower arrangement, ikebana, very much. One of my hobbies is golf playing. When we have time, we play tennis with my husband.

Which regions of Azerbaijan, except Baku, have you visited?

I was very busy last year. For this reason I didn't have chance to visit the regions of Azerbaijan. This year I am planning to visit Guba and Sheki. But I was in some places around Baku, in Gobustan, in Ateshgah. Some weeks ago together with our colleagues, we went to the Agsu pass. It is a very nice place. Spring makes this place especially beautiful. Everywhere was green; the land was covered with yellow and violet flowers. I saw sheep and other animals there. The mountains and scenery reminded me Austria and Switzerland. There are many mountains in Japan too. The Agsu pass also resembles Japan. I would like to tell you that I have heard a lot about beauties of Goy-gol. I want to go and see this lake.

I know that you are fond of culture. It will be interesting to know what you think of Azerbaijani culture.

The diversity of Azerbaijani culture attracts me greatly. I like your mugams. Listening to mugams positively influences me. I like your musical instrument, the tar. I have visited Shirvanshahlar Palace three times. This historic building is very interesting. What attracts my interest is the material, which it is built of - the stone. For ancient buildings, in Japan are built of wood.

(NB: While I was in Japan one of miracles that surprised me was wooden temples and palaces built with human wits and hands. Besides, these wooden temples were preserved from the past to the present day as a result of deep love of Japanese to their history)

Do you believe in God, fate and destiny?

There are a lot of things in the world that are beyond of human power, things that humans cannot even prevent. And people cannot even explain such things scientifically. For instance, typhoons cause numerous damaged; earthquakes kill thousands of people. Japan is also subjected to such kinds of natural disasters. But it is not possible to predict the exact time when they happen. We know a scientist in Japan who is a researcher of natural calamities. He always says that it is possible to predict earthquake but it is not possible to predict its exact time. A human being is just a small creature inside the nature. Therefore, people should live in peace and equality. When I walk in the forest, I feel its friendliness, its kindness, and sincerity. Nature and all surroundings charge me with positive energy. I believe that there is God; there are spirits and some extra natural power.

What are the features you appreciate most of all in people?

I think that it is not wealth, money, or social status that should be considered. The

most significant things are morality, purity, and kindness. Which people are respected by society? I think those who are sincere, honest, hard working, conscientious, and modest.

What can't you forgive?

I cannot forgive characters opposite to those I appreciate in people.

What are the highest qualities for Japanese people?

Japan is a small country. That is why we strive for harmony to keep on living side by side. As I have already told for Japanese the highest qualities are sincerity, conscientiousness, moral purity, modesty, diligence, and honesty.

What is your attitude to fashion, trend and make up?

I have a positive attitude to fashion, as any other woman does. I think that one should wear what becomes her or him well. The way a person dresses affects his or her appearance. I think that the way of dressing shows the character of a person. One should dress in such a manner so that not to disturb others. We should know what suits us, at the same time we feel good in it. I am not interested in a sporty fashion, but prefer dressy style.

*Journalist: Aganisa Sultanova
"Yeni Azerbaijan" newspaper*

2.8 Azerbaijan plays an important role in maintaining peace in South Caucasus

(Newspaper “Yeni Azerbaijan”, March 2005)

H.E. Mr. Tadahiro Abe:

Settlement of Karabagh conflict will lead to establishment of stability in the region.

For many years Japanese miracle has been astonishing whole the World and all humanity. Actually, the reason of this miracle is hard-working, modest and committed to continuous development the Japanese people. During our interview with Ambassador of Japan to Azerbaijan H.E. Mr. Tadahiro Abe we had an opportunity to discuss current state of Japan-Azerbaijan bilateral relations and their development perspectives. It is worth noting that this is Mr. Ambassador’s first interview to Azerbaijan’s Media.

Your Excellency, how do you evaluate current Japan-Azerbaijan relations? Generally speaking, what is the role of Azerbaijan in the foreign policy of Japan?

First of all, I would like to note that at the end of XX Century, conditions in the international relations stepped to such a stage where special manners between East and West emerged. At the end of 1990, relations between East and West became more aggravated. Subsequently it was realized that the existing relations should be based on good will. It is well realized in my country that Global peace, friendship, stability are fundamental and the most important factors. In this regard, Japan wishes peace for all the countries and peoples of the World and wants establishment of peace and stability in each part of the planet

The peace and stability factors play fundamental role in strengthening and improvement of relations between Japan and Azerbaijan. Economic development has the topmost priority in establishment of peace and stability. Japan has also passed through this path during its history. We observed that in order to maintain stability the country had to be economically developed. Therefore, we render our assistance in sphere of economy to many countries. In 1991, Japan recognized the independence of Azerbaijan and diplomatic relations between the two countries were established. It is well known that Azerbaijan acts as a bridge between East and West. At the same time, Azerbaijan is a very important place country for establishment of peace in South Caucasus. In general, Caucasus is a very important region from geo-political point of view. This region is the bridge between the Europe, Middle Asia and Near East. I would reiterate that while charactering the relations in the region we see that Azerbaijan plays significant role in maintenance of peace in Caucasus. Therefore, Japan attaches great importance to its friendly relations and improvement of our cooperation in various in fields.

I am quite sure that current relations between Japan and Azerbaijan are stronger than ever. Japan-Azerbaijan relationship is smoothly developing and our bilateral relations attain many successes in various spheres. The official visit of the late President H.E. Mr. Heydar Aliyev to Japan in 1998 opened new stage in relations between the two countries. Presently, we are very happy that Japan and Azerbaijan are friendly countries and there is no problem in development of our relations.

When it comes to the second part of your question, I would like to note that South Caucasus has a special position in the foreign policy of Japan, including Azerbaijan as well. Following establishment of diplomatic relations between Japan and Azerbaijan, Japan started rendering Azerbaijan its assistances covering various fields. In this respect, Japanese assistances covered reconstruction of power plants, provision of hospitals with equipment, construction of schools as well as dispatch of specialist of various fields for participation in training courses. 350 million US Dollars have been rendered for reconstruction of energy infrastructure, 50 million US Dollars for grant assistances, and 4 million US Dollars for Grass-Root and Human Security assistances.

Today, Japan astonishes the entire World with its tremendous development in almost all spheres. Is it truth that “the country of the rising sun” could attain all these results by attaching due importance to education?

Yes, that is truth. As you are aware, Japan has no natural resources. I mean we have no oil, gas or other mineral resources. The main natural resource of Japan is its high-quality education. Yes, if we look back at the history, we will see that Japan has always attached great importance to education and made efforts for its continuous improvement. This is also a priority of our policy.

Even in the periods when Japan was not as developed as today, parents tried to provide their children with higher education. They did really understand that education is the main factor for development of a county and nation. The Japanese people understand it very well. A country that does not pay due attention to education has no future.

In XIX Century Japan reformed and further improved its policy, economy, social spheres and governmental system. We could achieve these results owing to knowledge of highly educated people. Since Japan attached due importance to education, it could become one of the highly developed countries within very short period of time. By the time when Azerbaijan started extracting its first oil, Japan had joined to the group of developed countries. By year 1968, Japan became the World’s largest economical power center.

As I have mentioned above, my country is exerting its best efforts for maintenance of Global peace and stability and considers higher-education and economic development play vital role in attainment of peace and stability. Therefore, we render our economic assistance to other countries. We materialize our assistances mainly through Official Development Assistance (ODA). With respect to this program, I would say that Japan is the top donor country in the World.

Presently, Japan is known as a country supporting peace and making efforts for its maintenance. In this context, I would like to know about your opinion as a diplomat on the current developments in the World.

Since the last century, globalization process has been proceeding in the World. In its turn, it leads to increase in the interdependency between countries. Many of the countries have encountered with problems and we can resolve these problems together.

Currently, we live in the World where transformation of the international community is going on. The International Community is re-built within the context of democratic values, free trade, market-oriented economy and open political-economical system. This format guarantees Global stability and development. Japan as an active participant of the World processes makes its best efforts for development of this open political-economical system.

In this respect, I would like to emphasize one fact. After fragmentation of USSR at the end of XX Century, newly independent states forming Commonwealth of Independent States emerged. Each of these states as an independent state exerts their efforts for closer integration into the World. While integrating into the international community these countries, first of all need to change their old political systems. Currently, most of these countries are in that stage. I hope that the countries will pass that stage. And as I have mentioned Japan is always ready to render its assistance to these countries and support them in developing their political-economical system.

After declaration of independence by Azerbaijan, Japan not only established its diplomatic relations with Azerbaijan but also started providing its assistance in very huge amounts and today, the assistances are being provided. Could you kindly explain the reason of it?

Japan-Azerbaijan relations have deep roots. The exchange of cultures started many centuries ago. Though, both Japan and Azerbaijan are located far from each other, there are a lot of affinities between our cultures.

I would like to reiterate that after Azerbaijan declared its independence, Japan recognized its independence is a short period of time and diplomatic relations were established between our countries. The Embassy of Japan in Azerbaijan was opened. Certainly, all these facts evidence that Japan is highly interested in Azerbaijan. As I have already mentioned, Azerbaijan plays a great role in maintenance of peace and stability in South Caucasus and Japan supports all the efforts of Azerbaijan in this regard.

Indeed, development of Azerbaijan is extremely satisfying factor not only for Azerbaijan itself, the region but also for Japan. My country desires further improvement of such an important country as Azerbaijan and supports this process. Japan wants Azerbaijan to continue contributing to maintenance of peace. In our turn, we help Azerbaijan and will continue helping in development of this country playing a very important role in preservation peace and provision of sustainable development the region.

Your Excellency, recently when H.E. Vice Foreign Minister of Japan paid an official visit to Azerbaijan has revealed the position of Japan with respect to Karabagh conflict. In general, what is the position of Official Tokyo in this regard?

As I have already stated, at the end of XX Century when Soviet Union collapsed, new independent states emerged in the region. That time some processes were launched in the World and regional conflicts occurred in some regions. For example in Balkans region Bosnia-Herzegovina and Kosovo conflicts emerged. Unfortunately, South Caucasus also became the region of such conflicts. I consider this as a tragedy. UN, OSCE and some other organizations endeavor for resolution of this conflict and make some steps towards this end. Japan also supports these endeavors and hopes that the efforts exerted by OSCE Minsk Group will lead to successful results as peaceful resolution of Karabagh conflict. Resolution of Karabagh conflict will lead to establishment of peace and stability in South Caucasus. Japan cherishes great hope that OSCE Minsk Group's functions will be successful.

At the same time we highly appreciate the meeting of the Presidents of Azerbaijan and Armenia for settlement of the conflict by means of negotiations.

Japan also fully understands that as the result of the conflict many people have become refugee and internally displaced person and live in extremely harsh conditions. Our country has implemented some work in this regard and rendered assistance to these people for alleviation of their living conditions. I would also like to note that Japan renders its assistance directly as well as through international organizations. At the present, we are continuing implementation of assistance programs.

How do you assess the cultural relations existing between our two countries?

A special events schedule has been prepared for year 2005. Also, I would like to inform you on one important cultural event. From March 25 to September 25 of this year, a very important international exhibition will be held in Aichi prefecture of Japan. This exhibition titled "Aichi -2005 Japan" is a world famous exhibition. 122 countries and 5 international organizations will participate in the exhibition. Azerbaijan will join to it as well. During negotiations, we have agreed that on July 17 within the framework of this exhibition we will hold Japan-Azerbaijan Cultural Days and Azerbaijan's eminent artists will introduce Azerbaijan's culture to Japan. I think this is a very important event. Year 2005 will be the year of introduction of the two countries' cultures to each other. There is a lot of work to be implemented for the future sake.

We would like to know your opinion with regard to Japan-Azerbaijan economic relations. Presently, economic cooperation between Japan and Azerbaijan comprises only oil sector. Is it expected that Japan will cooperate with Azerbaijan in non-oil sector?

I agree with you. As you are well aware, Japan is currently cooperating with Azerbaijan in oil sector and the Japanese companies are participating in “Azeri-Chirag-Guneshli” (ACG) oil extraction and “Baku-Tbilisi-Jeyhan” (BTC) pipeline projects. However, cooperation in sphere of oil between our two countries is not limited only by these agreements.

It will be much appropriate for Azerbaijan if it could establish balanced economy based on oil and non-oil sectors. Japan is always ready to work with Azerbaijan for attainment of this result. In order to provide Azerbaijan with flow of foreign capital, it is necessary to establish a transparent environment for investments. Also, relevant infrastructure must be established at an appropriate level. Especially, there must be transparent and working legislation and tax supervision.

I think our economic relations will continue improving and strengthening and Japan and Azerbaijan will cooperate in non-oil sector as well.

2.9 If Azerbaijan could utilize the experience of Japan

(Newspaper “Observer” June 2006)

Your Excellency, How long have you been working in Azerbaijan?

It is only a year and half, I have been in Azerbaijan. Actually, it is my first time I have been posted to your region. I used to work mainly in USA, in the domain of Japan-US bilateral relations. That time, I worked in Los-Angeles Washington D.C., Boston and Seattle. I also worked in Geneva to participate in the Uruguay-Round of Trade Negotiations leading to the establishment of the WTO, in Vienna, Austria and Hanoi in Asia. As you know, the HQ of OSCE is located in Vienna. Working there, I had an opportunity to observe the functioning of this organization in various regions including Caucasus. Before my assignment to Azerbaijan, I was a Consul General of Japan in Seattle. I am very happy that I have been appointed to the post of Ambassador of Japan to Azerbaijan. I am determined to further promote and improve our bilateral relations. I would like to note that since Azerbaijan declared its independence, in 1991, Azerbaijan has been confidently making progress toward realization of democracy and market oriented economy. I admire all those endeavors in this country. Azerbaijan is not only improving its statehood but also contributing to maintenance of peace and stability in the South Caucasus region. I would like to emphasize that your country has been making tremendous economic development in a short time period reaching 26.4% of annual economic growth in 2005. Azerbaijan is aspiring to enter into the WTO, which HQ is located in Geneva. I worked in Geneva also and participated in Uruguay-Round Trade Negotiations which led to the establishment of the WTO as I said. Through my experience of working in Geneva, Vienna , USA and in Asia, I could have comprehensive idea about global diplomacy covering both economy and security: in the US for Japan-US bilateral relations, in Vienna for the sphere of security in Europe, in Geneva for global trade negotiations in Geneva, and in Hanoi for Asian economy and security. I may say that I have tried to accumulate various experiences wherever I was posted. I think that my experience will become of some help to enhance our relations with Azerbaijan.

Azerbaijan is really an important country geopolitically and economically contributing to maintenance of peace and stability in this region.

Which aspects is Japan-Azerbaijan relations based on?

As you are well aware, Japan is a peace-oriented country. We renounced the use of force in settlement of international dispute and our endeavors are directed to stabilization and maintenance of peace in the World. Adhering to this policy i.e. materializing economic development and improving the living standards of the people, we believe that we can solve lots of problems prevailing in the today's global society. From this point of view, I clearly see that Azerbaijan is also trying to adhere to this course i.e. improves its own economy and upgrades the living standards of its population as well as contributing to the process of regional and global stabilization and peace. Certainly, the population becomes the beneficiary of all such endeavors implemented. Respecting to our policy, we work together with the Government and people of Azerbaijan to enable your country to attain economic development. In general, our bilateral relations are based on bilateral economic relations i.e. not military or political relations. Since Azerbaijan declared its independence, we have been developing diplomatic relations between our two countries and succeeded in establishing our mutual trust. If Azerbaijan utilizes the experience of Japan, then you can get a short cut Azerbaijan in the spheres of democratization and improvement of domestic economy as well as upgrading people's living standards. Based on this belief, Japan has been extending the Official Development Assistance to Azerbaijan such as financial assistance and technical assistance. We also have an invitation program for Azerbaijani students. Through these means, we are trying to work together with the people and the Government of Azerbaijan. Japanese assistance to Azerbaijan reached the total amount of some 700 million USD as of today and we hope that those efforts really help to develop Azerbaijan's economy.

How the said 700 million USD assistance was allocated to Azerbaijan? Was it allocated to particular targets or given to the Government's disposal?

For the development of a country, it is necessary to render a comprehensive assistance and to develop various sectors of economy. If you want to develop industry, then you need to develop economic infrastructure first. For instance, it is necessary to improve power supply, rehabilitate the roads and enhance cargo transportation. We have rendered our financial assistance for improvement of infrastructures. We also render our assistance to social sector in order to upgrade the level of people's living, we build hospitals, schools in Azerbaijan. We have provided 72 projects on school, hospital construction and reconstruction in various regions of the Republic.

We also extend our assistance to meet basic human needs of Azerbaijan. Considering the fact that 40% of Azerbaijan labor force is allocated in agricultural sphere, we think that it is important to improve agricultural sector of Azerbaijan too. Therefore, as I have already noted, the assistance of Japan to Azerbaijan is comprehensive, and includes various projects to improve economic infrastructure, social sector, agriculture and so on. We receive technical experts from Azerbaijan to share our knowledge and experience in the sphere of technology. Also, we receive Azeri students to Japan and provide them with education opportunities in the Japanese Universities.

How many specialists and students have been sent to Japan for recruitment and education?

Approximately 200-300 people. They have even established their organization, namely JAAZ (Japan Azerbaijan Alumni Association)

Your Excellency Mr. Abe, Japan is very famous with its qualitative cars, home appliances technologies, such as TV, video, DVD and computers. Azerbaijan is located in a geo-politically and geo-economically important place. In this connection, won't it be profitable for large Japanese Corporations to utilize this historical moment and to open its affiliates and factories in the territory of Azerbaijan. It will eliminate the unemployment to some extent and alleviate the economic difficulties. As you know, there is a huge unemployment in Azerbaijan and in other hand, it will be very advantageous for Japanese Companies as there is a cheap but qualified labor-force and the marketing outlets such as Russia, Iran, Turkey, Georgia and Central Asia are very close to Azerbaijan?

I would like to note that you have everything for your development in Azerbaijan. You have both human and natural resources. If you succeed to combine these resources, you will be able to be developed industrially in various fields of economy. It is also important for Azerbaijan to create a favorable business environment for serious investments by conducting reforms in legal system and governmental structures. In other words, if you want to have a flow-in of investments, then you, need to create necessary conditions for it.

What does hinder the serious Japanese Companies to come to Azerbaijan? Mr. Ambassador, please speak more openly. Our newspaper is read by the persons who work at the Presidential Administration as well.

As I am not a businessman, I cannot precisely tell you about specific reasons. However, when H.E. President Ilham Aliyev visited Japan in March this year, he participated in the Investment Seminar and made speech about Azerbaijan economic policy, which was helpful for Japanese businessmen to deepen their understanding about Azerbaijan. We together could revitalize the Joint Japan-Azerbaijan Economic Committee then it will be appropriate for both of us to talk about concrete aspects of business and investment through this Committee. Various matters related to the Japanese investments to Azerbaijan will be discussed there.

In the International Survey on the most corrupted states, Azerbaijan unfortunately takes one of the leading places. Have you ever encountered with corruption in Azerbaijan and dose it hinder your work here.

No, I have never encountered such a situation I do not exactly know, however, about the experience of Japanese businessmen here in this regard.

Your Excellency, How do you evaluate the recent visit of the President Ilham Aliyev to Japan?

It was our honor and great pleasure to have been able to materialize Mr. President's visit to our country. As the Embassy of Japan in Azerbaijan, we did our best in arranging various meetings between high-ranked officials of Japan and Mr. President. As you know, His Excellency Ilham Aliyev and Mme. Mehriban Aliyeva were received by the Emperor and Empress of Japan. There was also a summit meeting between Mr. President and Prime Minister Koizumi. Also, Mr. President had an important meeting with Mr. Aso, Minister for Foreign Affairs of Japan. I would like to note that there are fortunately excellent bilateral relations between our two countries. Japan believes that Azerbaijan is one of the important partners in the International Affairs. Trough its development, Azerbaijan can contribute to maintenance of peace and stability in the Caucasian region. All the meetings were held at the highest level. I would like to note that favorable bilateral Japan-Azerbaijan relations are indispensable for the development of Azerbaijan's economy as well as maintenance of peace and stability in this region as a whole. During their stay in Tokyo, Mr. President together with Madam Mehriban Aliyeva was warmly welcomed by the people of Japan. Also, I would like to note that successful Presidential Visit of Mr. Ilham Aliyev gave us an opportunity to further strengthen our bilateral relations.

Which steps are being taken for direction of Japanese investments to Azerbaijan?

I have briefly touched upon this topic at the beginning of our conversation. Indeed, it is a matter of concern of private sector and it is at their disposal. I think, the more opportunities the Japanese and Azerbaijani businessmen will have to discuss the matters related to investments, the more ideas will emerge in this regard. All the more because of this, we have to maintain amicable bilateral relations. I would like to note that the oil sector plays a vital role in the development of Azerbaijan, about a half of Azerbaijan's GDP is derived from this sector. Upon our experience, we believe that in order to make Azerbaijan economically developed, it is necessary to have a leading sector such as oil extraction, and to maintain a balance between oil and non-oil sectors at the same time. It is indispensable for maintaining sustainable development in Azerbaijan. With this view, we send our Japanese experts to Azerbaijan to share our experience in promoting non-oil sector as well as finance market, small and medium size industry. Therefore, we have already started to extend Azerbaijan with such kind of assistance in order to promote non-oil sector.

Your country has faced terrible tragedy - nuclear bombardment. Each of us grieves on innocent victims, peaceful inhabitants of Hiroshima and Nagasaki, the victims of this awful tragedy. How did Japan revive after the WWII and become one of the leading countries of the world?

Japan, as well as Azerbaijan, has very long history, for more than 2000 years. Japan became modern state relatively recently. It is reformation to a modern state started in year 1868, from the second half of the XIX century. As you know from history, the colonialism of the western countries prevailed main part of the world in the 19th century. And when Japan embarked upon its development, it tried to avoid colonization of the western states and to cope with possible western colonizers. Japan decided to strengthen its economy and military power to defend its own country after restoration in 1868. Therefore, we tried to attain a level of development that equaled to the development level of the western states. 36 years after Restoration started, we could even defeat Russia during the Russo-Japanese war of 1904. Within these 36 years, we made tremendous efforts for the development of our economy and that of human resources at the same time. As you know, there are no natural resources in Japan, contrary to Azerbaijan,

we have only human resources through education that we can rely on. Then we caught up with other developed countries and attention was paid to the high quality of manufactured products and our production became well known to the World for its quality. The Japanese domestic market was saturated. Therefore, we tried to find markets abroad for our products through these economic development, we became a leading industrial country by mid 1900's. After we had an unfortunate experience of WWII, Japan restarted its economic development out of nothing, just except for human resources, and their accumulated knowledge about highly sophisticated technology. In 1968, we eventually became the second ranking economic leader in the International Economy. Japan could achieve these results after 23 years from the end of the WWII. All that we have achieved were due to the combination of high education, diligence and sincere ethic of the Japanese people.

I think the character of Japanese people as diligence, assiduity and others positive spirits have played an important role in this process.

Yes, you are correct. As you know, business is based on trust, and, everlasting efforts exerted for improvement of the quality of production. The appropriate combination of the Japanese people's hard-working ethic and sincerity, backed up with high education, certainly helped Japanese economy develop so smoothly in difficult circumstances. Therefore, there are a lot of advantages in Azerbaijan in comparison with Japan. You have both good human resources, and natural resources. However, there is one difficult point in Azerbaijan in that you have been under the Soviet's planning economy, which eventually failed and annihilated. In the Soviet, economy for long period, there was no incentive for development. But as you became an independent state in 1991, you are making excellent efforts for the development

But all the same, the corruption strongly prevents our development. If it were not spread in such scale as we have today, probably, the Japanese businessmen would come in our country with the even greater confidence. I say it, because in my heart I am a patriot of my native land, my soul and heart hurt for this country. I love the country and people, and I want our life to be better...

In Japan, starting from early years at schools, we are taught that you should be sincere, fair, honest and trustful. That is what we are taught since the early stage of our lives. And it is our main principle in our code of conduct. Honesty and feeling of validity are incorporated deeply in our soul. When Japanese see a friend, they completely trust him or her, and they trust that your friend never will betray them. Moreover, those who betray other people never deserve respect. This is our moral and ethical sentiment, which is deeply incorporated in us. For us - Japanese, it is considered to be most disgraceful and the most offensive, if the person will be named as "liar", "traitor".

It is probably, takes deep roots from the history of Japan, your people originate from the code of honour of Samurais.

Yes to some extent. It is usually said that Japanese people's way of lives are more or less influenced by the code of conduct observed by samurai warriors, who lived to their principles.

Your evaluation of the growing factor of geopolitical influence of such countries, as China, Vietnam, India.

At the end of 20 century, there were big changes in the International security system. The Cold war regime has ended and not only Russia, but also China found it necessary to change their economic and social system. As I have noticed in the beginning of the conversation, the main policy of Japan is to seek for a global peace. In this context, we naturally welcome development of China, Vietnam and India, and to become a respectable member of the International community. It is necessary for them to observe the international laws and order. With regard to China, for example it should be noted that Chinese economy is based on the foreign capital, and foreign technologies. They do not have energy-saving or resource-saving facilities and the technologies they use the resources in a massive volumes in a quite wasteful manner. For

example, to make one product, China spends 5 liters of fuel when other, developed states spend 1 liter of the same fuel, for manufacturing of the same quantity of product. If China continues to grow economically at current rate, global energy resources will fall into a critical situation, leaving environmental degradation and environmental contamination at the same time. To improve policy transparency there is also very important in order to become a fair member of the International Community.

In this connection, I have the following question. Today Russia and USA, as well as China declare the whole world that they adhere to preservation of the world peace. However, all of them are the world's largest manufacturers and exporters of weaponry. Russia exports it basically to the Asian countries, China in particular, African regions, and also to the countries of the Arabian world, America - practically to all countries. China to Iran, Pakistan and Libya even to North Korea. What do you think, are they carrying out the policy of double standards: on the one hand make and sell weaponry, and on the other hand declare the adherence to the world peace. May they bluff, speaking about the peace? Actually, the manufacturer of weaponry is very interested in its marketing and sale i.e. in military conflicts.

I can understand what you say. Existence of armed conflicts may be a kind of market for a manufacturer of arms. US, Russia and China are three major users of military expense. I hope that on one hand, they will be able to control the manufacturing of weaponry, and on the other hand the non-distribution of it. I think, however, we cannot stop them in manufacturing of weaponry in any way. So, it is necessary and it is important to put their weapon production and transaction under the control of international regulations or international community as appropriate.

For example, Russia concludes contracts on delivery of weaponry to India valued at billions dollars, including the newest fighters and bombers, and in the meantime it sells the newest means of air defense to Pakistan to force down the same planes and it also provide China with majority part of military arms and equipments. In the end, only Russia is a winner, and the population of India and Pakistan will die, if military actions taken by these countries become reality . And huge financial resources of these countries' budgets are spent for defense.

It is necessary for international community to observe manufacturing and sale of weaponry in those countries. The United Nations has taken very good steps with this end in view, and Japan takes initiative in this regard. We support all efforts of the United Nations in this regard, and we hope, that all states of the world will sign the agreement on non-proliferation of massive-destructive weapons, and will also participate in the control and sale of the military weapon within the framework the United Nations so that we shall attain the world peace.

Mr. Ambassador, you know, that Azerbaijan is at war. Over 20 % of our territory has been annexed, above 1 million people are refugees. It is a very big number, taking into account the 8-million population of our Republic. In this connection, how do you see « the Karabagh conflict »?

I properly understand this situation concerned I believe that this issue be settled in the peaceful manner within the framework of the United Nations which has put forward four resolutions concerning this problem Japan supported all these resolutions. I think that, within the framework of the Minsk group of OSCE many efforts have been made for the settlement of this problem. As you know, by means of Prague channels the meetings of the Ministers for Foreign Affairs of Azerbaijan and Armenia are going on. Summit meetings by the Presidents of the tow countries have been held several times. So, we hope, that this conflict will be resolved by peaceful manner As you have properly mentioned, you have more than 1 million refugees or Internally Displaced People (IDP), and we are trying to help these people. I think that these people are living in very harsh conditions. Adhering to the humanitarian consideration to refugees, Japan has been providing assistance to the IDPs as well.

Excellency, the Minsk group and the United Nations have been working to resolve this conflict by peaceful means, but no of the areas occupied by Armenia has been returned so far. Thus, we do

not see any seen results of this long-term work. In this connection, Azerbaijan has the legitimate right to release the annexed territories in by military way if the present peaceful method will not manage to solve this issue. Do you think, whether it will be possible to solve «the Karabagh conflict» by peaceful means?

Certainly, we believe in it. All such conflicts should be resolved only by peaceful ways.

How does ordinary Japanese see Azerbaijan? Do they have some idea of this country?

When I was a student of a University, we learnt in a study of history about the Great Silk Road that connected East to West. As you know, Japan and Azerbaijan are a part of the Silk Road Exchange Channel. From history, we know, that since the ancient times there have been strong cultural connections between us. Though we are different externally, I think, internally we have something similar each other. In addition, there are many similar moments in our cultural history. However, remote Japan and Azerbaijan are located geographically, we feel spiritually the big affinity with Azerbaijan. And even when I arrived at your country for the first time , I did not feel myself here as a stranger, but as a people in my homeland Azerbaijan people are very kind to me.

Is Azerbaijan pleasant to you?

As I have already noticed, you are in a process of steady development, and I think that this country has a very big future. I am very pleasant here in Azerbaijan.

Is our nature is pleasant to you?

Yes, you have an excellent nature and natural resources. Recently I have visited Aghsu, and natural environment over there was splendid. I had a pleasant time here in Azerbaijan.

And how about Azeri cuisine?

It is very diverse in kind. Meat, particularly lamb meat in Azerbaijan is very good. When we were in Aghsu, I enjoyed your *kebab*. In addition, I like such dishes, as *dolma*, and, certainly, sturgeon and black caviar. To be honest, now caviar is rather expensive.

Does Japan feel the bad consequences of the terrible nuclear bombardments in Hiroshima and Nagasaki on descendants of that terrible tragedy now?

Because of the unfortunate experience in the past history as you mentioned, Japanese people are determined to seek the way to a peace –oriented country.

Japan renounced war as a sovereign right of the nation and threat or use of force as a means of settling international disputes, which is clearly stipulated in its Constitution.

Under the new, current security environment, Japan continues to lead the international community with a view to strengthening international disarmament and the non-proliferation regime in order to ensure global peace and security through such means as submitting draft resolution on nuclear disarmament to the UN General Assembly and urging the international community to promote the entry into force of the comprehensive Nuclear-Test-Ban Treaty. We are really hoping that the people in the whole world can live together in peace.

What the current conditions in negotiations with Russia with regard to return of Kurile Islands lawfully belonging to Japan?

It has been and is going to be the basic position of Japan in accordance with the facts as described below that returning what Japan calls “Northern Territories” from Russia to Japan is the just and correct course of action:

1. The Yalta Agreement was once cited by the Soviet Union as a basis for their possession of Sakhalin Islands, the Kurile Islands, and the Northern Territories. But, Japan, which is not a party to the Yalta Agreement, is neither legally nor politically bound by it.

2. The Soviet inclusion of the Sakhalin Islands, the Kurile Islands, and the Northern Territories into its territory could not receive recognition by international society and was not included in the San Francisco Peace Treaty in 1951.

3. The “Kurile Islands” that Japan renounced, in accordance with San Francisco Peace Treaties signed in 1951, do not include what Japan calls the Northern Territories i.e. Etorofu, Kunashiri, Shikotan or Habomai Islands, which had always been Japanese territories as the US clearly mentioned.

4. So, in terms of the San Francisco Peace Treaty, it is quite natural for Japan to maintain that the Northern Territories are Japanese territory.

Thank you very much for an interesting interview.

The interview with

His Excellency Ambassador Tadahiro Abe

by Enver Fataliyev and Sevinge Fataliyeva

2.10 Diligence and the code of conduct of a traditional warrior

(Newspaper “Zerkalo” July 2006)

Your Excellency, How long have you been working in Azerbaijan?

It is only a year and half, I have been in Azerbaijan. Actually, it is my first time I have been posted to this region of the world. I used to work in my past career as being mainly in charge of Japan-US bilateral relations. During that time, I was posted to Los-Angeles, Washington D.C., Boston, and Seattle in the US. I also worked in the Permanent Mission of the Government of Japan in Geneva to participate in the Uruguay-Round of Trade Negotiations leading to the establishment of the WTO. Other countries I was posted to were Austria (Vienna) and Vietnam (Hanoi). While I was in Vienna, where the HQ of the OSCE is located, I had an opportunity to become a part of the OSCE function covering various regions including Caucasus. Prior to my assignment in Azerbaijan, I was a Consul General of Japan in Seattle. I am very happy that I have been appointed to the post of Ambassador of Japan to Azerbaijan; constructing a friendly and meaningful relationship between us is so important since Azerbaijan is playing a vital role for materializing peace and stability in this region of the World. I am determined to further promote and enhance our bilateral relations.

I would like to note that since Azerbaijan declared its independence, in 1991, Azerbaijan has been confidently making progress toward realization of democracy and market oriented economy. I admire all those achievements that your country has reached. Azerbaijan is not only improving its statehood but also contributing to maintenance of peace and stability in the South Caucasus region. I would like to emphasize that your country has been making tremendous economic development in a short time period, reaching 26.4% of annual economic growth in 2005. Azerbaijan is aspiring to enter into the WTO, which HQ is located in Geneva. I worked in Geneva as I said, and participated in Uruguay-Round Trade Negotiations, which led to the establishment of the WTO. Through my experience of working in Geneva, Vienna, USA and in Asia, I could have comprehensive idea about global diplomacy covering both economic and security fields: in the US for Japan-US bilateral relations, in Vienna for the sphere of security in Europe, in Geneva for global trade negotiations in Geneva, and in Hanoi for Asian economy and security relations. I may say that I have tried to accumulate various experiences wherever I was posted to. I think that my experience will become of some help to enhance our relations with Azerbaijan. Azerbaijan is really an important country geopolitically and economically, contributing to maintenance of peace and stability in this region as well as in the world as a whole.

Which aspects is Japan-Azerbaijan relations based on?

As you are well aware, Japan is a peace-oriented country. We renounced the use of force in settlement of international dispute and our endeavors are directed to stabilization and maintenance of peace in the World. Adhering to our peaceful policy, we believe that we can solve lots of problems prevailing in the today's global society in a peaceful manner. From this point of view, I clearly see that Azerbaijan is also trying to adhere to this course i.e. improves its own economy and upgrades the living standards of its people as well as contributing to the process of regional and global stabilization and peace. Certainly, the people become the beneficiary of all such endeavors implemented. Respecting to our policy, we work together with the Government and people of Azerbaijan to enable your country to attain economic development. In general, our bilateral relations are based on bilateral economic relations not on military or political relations. Since Azerbaijan declared its independence, we have been developing diplomatic relations between our two countries and succeeded in establishing our mutual trust. If Azerbaijan could utilize the experience of Japan, then you can get a short cut in the spheres of democratization and development of domestic economy as well as upgrading people's living standards. Therefore, Japan has been extending the Official Development Assistance (ODA) to Azerbaijan such as financial assistance and technical assistance based on this belief. We also have an invitation program for

Azerbaijani students as well as an exchange program of a leader in the various fields of our two countries. Through these means, we are trying to work together with the people and the Government of Azerbaijan in order to attain our goal. Japanese assistance to Azerbaijan has reached the total amount of some 700 million USD as of today and we hope that those efforts really help to develop Azerbaijan's economy.

How was 700 million USD assistance rendered to Azerbaijan? Was it allocated to particular targets or given to the Government's disposal?

For a country to develop economically, it is necessary to render a comprehensive assistance and to develop various sectors of economy almost simultaneously. If you want to develop industry, then you need to develop related economic infrastructure as well; it is necessary to improve power supply, rehabilitate the roads and enhance cargo transportation. We have rendered our financial assistance for improvement of these infrastructures. We also render our assistance to social sector in order to upgrade the level of people's life; we built hospitals, schools in Azerbaijan. We have provided 72 projects on school, hospital for construction and reconstruction in various regions of the Republic.

We have also extended our assistance to meet basic human needs of Azerbaijan. Considering the fact that 40% of Azerbaijan's labor force belong to an agricultural sphere, we think that it is important to improve agricultural sector of Azerbaijan too. Therefore, as I have already noted, the assistance of Japan to Azerbaijan is made in a various fields in a comprehensive manner, including various projects to improve economic infrastructure, social sector, and agriculture and so on. We also receive technical experts from Azerbaijan to share our knowledge and experience in the sphere of technology and economic development. Also, we receive Azeri students to Japan and provide them with education opportunities in the Japanese universities.

How many specialists and students have been sent to Japan for recruitment and education?

Approximately 200-300 people so far. Some of them have even established their organization, namely JAAZ (Japan Azerbaijan Alumni Association), where they can keep contact each other after coming back to Azerbaijan for their communication and various other activities.

How do you evaluate the recent visit of the President Ilham Aliyev to Japan?

It was our honor and great pleasure to have been able to materialize Mr. President's visit to our country. Since I took the current post of Ambassador of Japan in Azerbaijan, I have been endeavoring with all my soul to make this program reality. As the Embassy of Japan in Azerbaijan, we did our best in arranging various important meetings between high-ranking officials of Japan and Mr. President after my government agreed to invite Mr. and Mme. President to Japan. As you know, His Excellency Ilham Aliyev and Mme. Mehriban Aliyeva were received by His Majesty the Emperor and Empress of Japan. There was also a summit meeting between Mr. President and Prime Minister Koizumi. Also, Mr. President had an important meeting with Mr. Aso, Minister for Foreign Affairs of Japan. I would like to note that we have established a basic foundation on which we can construct our excellent bilateral relations between our two countries. Japan believes that Azerbaijan is one of the important partners in our Foreign Policy. Through its development, Azerbaijan can contribute to maintenance of peace and stability in this region of South Caucasus as well. All the meetings were held at the highest level. We shared the same sentiment that favorable bilateral Japan-Azerbaijan relations are indispensable for the development of Azerbaijan's economy and people's life as well as maintenance of peace and stability in this region as a whole. During their stay in Tokyo, Mr. President together with Madam Mehriban Aliyeva was warmly welcomed by the people of Japan. Also, I would like to note, in particular, that successful Presidential Visit of Mr. Ilham Aliyev provided us with a good opportunity to further strengthen our bilateral relations in the future.

Which steps are being taken for direction of Japanese investments to Azerbaijan?

Indeed, it is a matter of concern of private sector and it is at their disposal. I think, the more opportunities the Japanese and Azerbaijani businessmen will have to discuss the matters related to investments, the more ideas will emerge in this regard. All the more because of this, we have to maintain amicable bilateral relations. I would like to note that the oil sector plays a vital role in the development of Azerbaijan, about a half of Azerbaijan's GDP is derived from this sector. Upon our experience, we believe that in order to make Azerbaijan economically developed, it is necessary to have a leading sector such as oil extraction, and to maintain a balance between oil and non-oil sectors at the same time. It is indispensable for maintaining sustainable development in Azerbaijan. With this view, we send our Japanese experts to Azerbaijan to share our experience in promoting non-oil sector as well. Those experts were covering the field of financial market, small and medium size industry and so on. Therefore, we have already accumulating our experience of extending Azerbaijan with various new assistance in order to promote non-oil sector as well.

What does hinder the serious Japanese Companies to invest in Azerbaijan? Mr. Ambassador, please speak more openly. Our newspaper is read by the persons who work at the Presidential Administration as well.

As I am not a businessman, I cannot precisely tell you about specific reasons. However, when H.E. President Ilham Aliyev visited Japan in March this year, he participated in the Investment Seminar and made an excellent speech about Azerbaijan economic policy, which was helpful for Japanese businessmen to deepen their understanding about Azerbaijan. We together could revitalize the Joint Japan-Azerbaijan Economic Committee then it will be appropriate for both of us to talk about concrete aspects of business and investment through this Committee. Various matters related to the Japanese investments to Azerbaijan will be discussed there.

Your country has faced terrible tragedy - nuclear bombardment. Each of us grieves on innocent victims, peaceful inhabitants of Hiroshima and Nagasaki, the victims of this awful tragedy. How did Japan revive after the WWII and become one of the leading countries of the world?

Japan, as well as Azerbaijan, has very long history, for more than 2000 years. Japan became modern state relatively recently. It is reformation to a modern state started in year 1868, from the second half of the XIX century. As you know from a world history, the colonialism of the western countries prevailed over the main part of the world in the XIX century. And when Japan embarked upon its development for modern society, it recognized the necessity to keep independent state, and avoid to be colonized by the western states. In order to cope with possible western colonizers, Japan decided to take policy to strengthen its economy and military power to defend its own country after its Restoration in 1868. Therefore, we tried to attain a level of development that equaled to the development level of the western states. Thirty-six years after Restoration started, we could even defeat Russia during the Russo-Japanese war of 1904. Within these 36 years, we made tremendous efforts for the development of our economy and that of human resources at the same time. As you know, there are substantially no natural resources in Japan, contrary to Azerbaijan, we have only human resources that we can rely on. Then we successfully caught up with other developed countries. Attention was paid to achieve a high quality of manufactured products and our production became well known to the World for its high quality. The Japanese domestic market was saturated. Therefore, we tried to find markets abroad for our products in the process of this economic development, and we became a leading industrial country by mid 1900's. After we had an unfortunate experience of WWII, Japan restarted its economic development out of nothing, except for human resources and their accumulated knowledge about highly sophisticated technology. In 1968, we eventually became the second ranking economic leader in the International Economy. Japan could achieve these results after 23 years from the end of the WWII. All that we have achieved were due to the combination of high education, diligence and sincere ethic of the Japanese people.

In the International Survey on the most corrupted states, Azerbaijan unfortunately takes one of the leading places. Have you ever encountered with corruption in Azerbaijan and dose it hinder your work here.

No, I have never encountered such a situation. I do not exactly know, however, about the experience of Japanese businessmen here in this regard.

But all the same, the corruption strongly prevents our development. If it were not spread in such scale as we have today, probably, the Japanese businessmen would come in our country with the even greater confidence. I say it, because in my heart I am a patriot of my native land, my soul and heart hurt for this country. I love the country and people, and I want our life to be better...

In Japan, starting from early years at schools, we are taught that you should be sincere, fair, honest, trustful and respected person. That is what we are taught since the early stage of our lives. And it is our main principle of our code of conduct in this respect. Honesty and sincerity are deeply embedded in our soul. When a Japanese people associate with a friend, he completely trusts him or her, and he trusts that your friend never will betray him just as you never betray him or her. Moreover, they think those who betray other people never deserve respect. This is our moral and ethical sentiment, which is deeply incorporated in us. For us - Japanese, it is considered to be most disgraceful and the most offensive, if the person will be named as "liar", "traitor".

It is probably, takes deep roots from the history of Japan, your people originate from the code of honour of traditional warriors.

Yes to some extent. It is usually said that Japanese people's way of lives are more or less influenced by the code of conduct observed by traditional warriors, who lived to their principles.

In this connection, I have the following question. Today Russia and USA, as well as China declare the whole world that they adhere to preservation of the world peace. However, all of them are the world's largest manufacturers and exporters of weaponry. Russia exports it basically to the Asian countries, China in particular, African regions, and also to the countries of the Arabian world, America - practically to all countries. China to Iran, Pakistan and Libya even to North Korea. What do you think, are they carrying out the policy of double standards: on the one hand make and sell weaponry, and on the other hand declare the adherence to the world peace. May they bluff, speaking about the peace? Actually, the manufacturer of weaponry is very interested in its marketing and sale i.e. in military conflicts.

I can fully understand what you say. Existence of armed conflicts may mean a possible market for manufactured arms. US, Russia and China are three major users or producers of military arms. I hope that on one hand, they will be able to control the manufacturing of weaponry, and on the other hand, they will be able to control distribution of those weaponry. I think, however, we cannot stop them in manufacturing of weaponry in any way. So, it will be appropriate to put their weapon production and transaction under the engagement of international community or international regulations as appropriate.

Mr. Ambassador, you know, that Azerbaijan is at war. Over 20 % of our territory has been annexed, above 1 million people are refugees. It is a very big number, taking into account the 8-million population of our Republic. In this connection, how do you see « the Karabagh conflict »?

I properly understand this situation concerned. I believe that this issue be settled in the peaceful manner within the framework of the United Nations which has put forward four resolutions concerning the solution of this problem. Japan supported all these resolutions. I think that, within the framework of the Minsk group of OSCE, ceaseless efforts have been made for the settlement of this problem. As you know, by means of Prague process, the meetings of the Ministers for Foreign Affairs of Azerbaijan and Armenia are going on. Summit meetings by the Presidents of the two countries have been held several

times. So, we hope, that this conflict will be resolved by peaceful manner. As you have properly mentioned, you have more than 1 million refugees or Internally Displaced People (IDP) in Azerbaijan, and we are trying to help these people. I think that these people are living in very harsh conditions. Adhering to the humanitarian consideration to refugees, Japan has been providing assistance to the IDPs as well.

Excellency, the Minsk group and the United Nations have been working to resolve this conflict by peaceful means, but no of the areas occupied by Armenia has been returned so far. Thus, we do not see any seen results of this long-term work. In this connection, Azerbaijan has the legitimate right to release the annexed territories in by military way if the present peaceful method will not manage to solve this issue. Do you think, whether it will be possible to solve « the Karabagh conflict » by peaceful means?

Certainly, we believe in it. All such conflicts should be resolved only by peaceful ways.

How does ordinary Japanese see Azerbaijan? Do they have some idea of this country?

When I was a student of a University, we learnt in a study of history about the Great Silk Road that connected East to West. As you know, Japan and Azerbaijan are a part of the Silk Road Exchange Channel. From history, we know, that since the ancient times there have been strong cultural connections between us. Though we have different features, I think, internally we have something similar each other. In addition, there are many similar occasions we experienced in our cultural history. However remote Japan and Azerbaijan are located geographically, we feel spiritually the big affinity with Azerbaijan. And even when I arrived at your country for the first time , I did not feel myself here as a stranger, but as a people in my homeland. Azerbaijan people are very kind to me.

How about Azeri cuisine?

It is very diverse in kind. Meat, particularly lamb meat in Azerbaijan is very good. When we were in Aghsu, I enjoyed your *kebab*. In addition, I like such dishes, as *dolma*, and, certainly, sturgeon and black caviar. To be honest, now caviar is rather expensive.

2.11 Foreign Policy of Japan and Japan-Azerbaijan Bilateral Relations

**H.E. Mr. Tadahiro ABE
Ambassador of Japan
Azerbaijan**

(Lecture at State Economic University, Baku, October 25, 2006)

I. Contemporary Japanese Economy

1. Review of the Recent Japanese Economy

The Japanese economy is the world's second largest economy since 1968 next to the United States. Japan's real gross domestic product (GDP) was \$4.7 trillion in 2004, and its per capita GDP ranked third in the global economy in 2003. Although, it has been characterized primarily by its solid, long-lasting economic growth for more than three decades, Japan's economy entered into recessional process in the 1990s. The extended stagnation of the economy made it necessary for Japan to reform its economic structural foundation fabricated through its 50 years of postwar economic experience. The standardized mass production practices refined by Japanese industry have enabled Japan to produce high value-added products such as automobiles, electronics, and many other products that are highly competitive in the international market. However, as the world's economic focus shifts to diversification covering software, information, and other sector of economic activities, Japan was required to respond to the changing economic needs and trends prevailing internally and internationally. In order to promote economic recovery and facilitate growth in the 21st Century, the government has launched a new endeavor of reforming its economic structure through such measures as administrative operations, deregulation of the economy, and liberalization of the financial system, along with the efforts being made by the private sectors.

2. Current state of the Japanese Economy

(1) In 1991, shortly after Japan's speculative bubbles in its economic activities were blown up, the economy plunged into a recession. This marked the start of what is commonly called a "decade-long economic slump." Actually, this was not a period of totally unrelieved gloom, since it was interrupted by some short-lived recoveries, such as those of

1993 and 1999. But these upturns were heavily dependent on stepped-up public works expenditures, tax cuts, and other pump priming measures and they fizzled out when the effects of the government stimulus wore off.

After languishing in a protracted slump for about a decade, the Japanese economy has been groping around for the way toward a new pattern of economic growth. The recovery began in 2002 and has proceeded uninterrupted since then. In February 2006, the upturn entered into its fifth year, and if continues to the year's end, it will become the longest phase of economic expansion since World War II. The upturn that began in 2002 is different in nature. It has been propelled by the unaided private sector, and it has continued despite cuts in public works spending by the government. In other words, the economy has managed to go on growing even though the government's measures to facilitate economic growth through fiscal policy have been negligible.

(2) In the background of this somewhat miraculous turn-around was a belated sense of urgency toward economic reformation in the Japanese society. When the bubble economy blown out in the early 1990s, the Japanese succumbed to a severe mood of pessimism. A pessimistic mental attitude works, we may say, negatively toward self-reform. It tends to justify a course of inaction at times when action is needed, and it persuades people to rely on others rather than making efforts themselves. After economic bubbles popped, many executive leaders in the private sectors decided to wait for government measures and postponed painful reforms of their own companies. The government, for its part, did everything it could to get the economy back on its development track again. Starting with a set of emergency measures unveiled in March 1992, it put together more than 10 stimulus packages.

This fiscal stimulus kept a prop in place in the economy, and it certainly worked effectively in some recovery periods. But none of the upturns lasted for long and drastic reforms remained to be carried over to the future. Little was done to remedy the three excess problems – superfluous employment, facilities and debts – in the corporate sector, and to reduce the tremendous volume of nonperforming loans in the banking sector. Because of the pump priming and deficit spending, Japan's public debt went on mushrooming –but without any expected improvement in the economic conditions or in the financial sector.

(3) Ever since its birth in April 2001, the administration of the then Prime Minister Koizumi Jun'ichiro(succeeded by the present Prime Minister Shinzou ABE on Sept.26,2006) has been putting less importance on stimulative fiscal policy including public works spending under the banner of “no growth without reform.” Business circles have stopped expecting the government to step in with relief measures as a result. By giving up their habit of dependence on the authorities, managements have contrived to work out internal reforms for survival of their business. For those firms with excessive facilities and debts to handle on their own, mergers and acquisitions steps have been taken. There have been cases of mergers between traditionally antagonistic rivals and firms in different corporate groups. Financial institutions in particular have gone through a sweeping process of mergers and acquisitions.

While the government has refrained from taking direct action to stimulate businesses, it has provided other sorts of measures. It has facilitated corporate realignment by means of legal reforms supporting mergers, acquisitions, and spin-offs; accelerated the writing off of bad debts owned by banks, and relaxed the regulations on hiring workers in the labor market.

Exports have been one of the major props in the current phase of economic expansion. Fortunately, the global economy grew at an accelerated pace in 2003 and 2004. This provided Japanese manufacturers with a favorable background for their development. Corporations dealing with global business have benefited from expanding exports as well as swelling receipts from their overseas operations. A number of firms have succeeded in enhancing their earning power by integrating their operations into the global economy.

(4) The result of analyses on the Japanese economy carried in the *Economist* used to be relatively pessimistic for the past years. However, in 2004, the British magazine changed its tone in its cover story of the February 14 “Asia Pacific Region” edition, which proclaimed that “At Last, Japan Is Flying Again.” Then, on October 8, 2005, it offered another positive cover story, “The Sun Also Rises,” which begins with comment by Editor Bill Emmot saying that Japan is at last ready to surprise the world by how well it does, not how badly it does. An editorial in the same issue informs us: “It has taken an extraordinarily long time, but Japan really is now recovering from its debt-and deflation-riddled stagnation of the past 15 years. Proper jobs are being created, wages are rising and economists’ are raising their forecasts of economic growth.”

As a result of the stern economic reform, Japan has finally succeeded to strengthen its economic foundation so that it can be better integrated into the new global economic circumstances and revitalized its economic capabilities again.

3. Japanese economy in historical perspective

(1) Period of Higher Economic Growth

At the end of the Allied Occupation in 1952, Japan ranked as a less-developed country, with per capita consumption a mere one-fifth that of the United States. During the period 1953-1973, the economy grew with unprecedented rapidity (the average growth rate was 8.0% per annum overall and 10.6% during the 1950s). Real output per person in 1970 was 2.5 times higher than in 1960, and, Japan became the world’s second largest economy in 1968. This rapid growth resulted in significant changes to Japan’s industrial structure. Production system shifted from a reliance on agriculture and light manufacturing to a focus on heavy industry, machineries and, gradually, service sector. Urbanization also progressed rapidly.

The first major economic expansion, the Iwato Boom (1959-1961, average growth 12.2%), touched off an investment occurred in 1963-1964(average growth 11%), 1966-1970 (the Izanagi Boom, average growth 11.6%), and 1972-1973 (the Tanaka expansion, average growth 8.9%).

Many factors contributed to rapid growth, including the shift in employment from a low-productivity primary sector to a high-productivity manufacturing sector, combined with a high technical knowledge and a skilled and educated labor force with a strong commitment to work. In addition, macroeconomic policies were conducive to growth, the international environment was blessed with stable commodity prices and expanding trade and investment was high in magnitude. Together with introduction of a better and innovative technology, productivity of the industry increased rapidly.

Japan became a member of the International Monetary Fund (IMF) in 1952 and the General Agreement on Tariffs and Trade (GATT) in 1955. Around 1960, Japan committed itself to trade liberalization by seeking IMF article 8 status and deciding to join the OECD, both of which were realized in 1964. Tariffs and quantitative controls on most tradable goods were removed by 1970, and, with the exception of agriculture and some high technology products, most non-tariff barriers were eliminated by the 1980s.

Indirect government assistance came in the form of tax breaks, treasury investment and loans, and the policy of administrative guidance of the Ministry concerned. Most industries obtained some government favours, and it is unclear that any industry was effectively promoted relative to its rival industries. However, domestic policies did result in a minimal presence by foreign firms in most sectors.

From the 1950s, the banking system was gradually rebuilt. The stock exchange was reopened in 1949, but it did not develop into a major source of new funds until the 1980s. Corporate finance depended on bank financing as the major sources of outside funds, giving rise to a capital structure dominated by debt. To prevent takeovers, enterprise groups, or keiretsu, actively sought cross-shareholdings with a variety of firms, including major financial institutions. Small and medium-sized enterprises remained relatively important during this period, employing nearly three-quarters of the labor force.

During the 1950s, the major exporters and thus the leading firms were in textiles and other light industries, whose products were marketed by general trading companies and government promotion. However, focus was gradually shifted to a heavy manufacturing industry located in major coastal industrial complexes: During the 1960s, the iron and steel industry and the shipbuilding industry came to the fore, followed by the chemical industry and in the early 1970s the electronics industry; the automotive industry rose to prominence in the late 1970s. Exports were important, especially for textiles and shipbuilding, which were aided by a rapid increase in world trade throughout the 1960s.

Rapid growth was not without its problems. Until the late 1960s, Japan faced chronic balance-of-payments difficulties. Inflation also proved to be problematic, at least comparatively. The spread of pollution and pollution-related diseases went unchecked until the late 1960s.

(2) Period of Stable Economic Growth after attainment of a dynamic growth

(a) By 1973, many of the factors that supported rapid growth lost their strength. First, Japanese industry had caught up with the best practices abroad; improving productivity required more resources than in the past. This in turn reduced the profitability of new investment, which fell to a lower level after 1974. The international environment also became less favorable, due mainly to the revaluation of the yen and trade frictions with the United States. The Japan-United States textile talks of 1969, a worldwide commodity price boom that culminated in the quadrupling of oil prices during the oil crisis of 1973, and the movement of the yen to a floating rate in 1973, all these factors worked to slow Japanese economic growth.

Even before the October 1973 oil crisis, the government had started to slow the economy in response to rising inflation. Combined with the impact of a quadrupling of oil

prices, gross national product (GDP) fell 1.4 percent in 1974, the first actual decline since the 1950s. Growth slowed from the 10 percent level to an average of 3.6 percent during 1974-1979.

(b) After the 1985 Plaza Accord, the yen rose sharply in value, reaching Yen 120 to a US dollar in 1988, twice its average 1984 value and three times its 1971 value. As a result after 1986 the trade surplus gradually shrank. Nevertheless, this time around, domestic demand increased to pick up the slack. Monetary policy was eased four times during 1986, as the Bank of Japan lowered the discount rate from 5.0 percent to 2.5 percent, the lowest level since World War II. Consumption began increasing in 1986, and investment took over during 1978-1990; in fact, corporate investment rose to 19.6 percent of GNP in 1988 and 21.7 percent in 1989, exceeding total investment in plant and equipment in 1989 for the entire United States in both percentage and value.

With higher stock prices, new equity issues skyrocketed, becoming a significant source of finance for corporations for the first time since the crash of the Tokyo market in 1961. Banks found a new outlet for funds in real estate development. In turn, corporations attempted to maximize the productivity of their assets using real estate holdings as collateral for stock market speculations. The ensuing speculative binge (1986-1989) resulted in the so-called "bubble economy" in which land prices doubled and the Tokyo Nikkei stock market index rose 2.7 times.

Japan tightened monetary policy beginning in May 1989, and higher interest rates touched off a collapse of stock prices.

(c) According to the Economic Planning Agency (now part of the Cabinet Office), the Heisei Recession began in April 1991 and bottomed out in October 1993. The recovery since then, however, has been extremely slow. Subsequent upward momentum was undermined by negative factors such as the Asian economic crisis in 1996 and the bankruptcy of several large financial institutions, and the Japanese economy turned downward again in 1997, suffering a negative growth rate of -1.1 percent in 1998. Aided by emergency government spending measures, increasing IT-product demand, and external demand growth caused by the economic recovery in the World economy, Japan in 1999 showed signs of recovery and started a positive economic growth period. However, those upturns were heavily depend upon stepped-up external stimulus, and fizzled out when those effects wore off.

(d). Another economic recovery began in 2002 and has proceed uninterrupted since then. In February 2006, the upturn entered its fifth year, and if it continues to the year's end, it will become the longest phase of expansion since WW II. This upturn that began in 2002 is different from the previous one. It has been propelled by the private sector such as investment and private consumption.

4. Industrial Structure of Japan

The industrial structure of a country is divided into three sectors: primary industries (agriculture, forestry, and fisheries), secondary industries (mining, manufacturing, and construction,) and tertiary industries (power and water utilities, transportation,

communications, retail and wholesale trade, banking, finance, real estate, business and personal services, and public administration).

From the 1950s through the 1980s, economic growth in Japan was powered by industries manufacturing such products as iron and steel, ships, automobiles, and electrical goods. After the drastic rise in the value of the yen that began in 1985, however, industries such as shipbuilding contracted greatly due to a loss of international competitiveness, and companies producing automobiles, electrical goods, and many other products were forced to shift production overseas. Beginning in the 1990s, technological innovation in the electronics and information communications fields led to the expansion of information system use in many industries (finance, distribution, etc.) and to the development of information itself as a commodity. The resulting “service revolution” has significantly changed Japan’s industrial structure, further increasing the weight of the tertiary sector as a percentage of gross domestic product (GDP) and reducing the weight of the secondary sector.

In March 2000, the Government of Japan presented a final report of the Industrial Structure Council concerning Japan’s economic and industrial policy for the first quarter of the 21st century. This report touched on the need to decrease the size of government and utilize information technology to remodel the industrial structure. As fruitful areas for future development, the report also focused on “third-ware” industries fusing hardware and software, frontier industries such as aerospace, and industries that will help society deal with population aging and environmental problems.

The most recent stage in the development of national economies has been called post industrialism, which is marked by a decrease in the employment share of the secondary sector and a shift from production of goods to services. This “service revolution” brings the continuous growth of tertiary industries; it seems to have begun in Japan in the mid-1970s, when manufacturing employment started to decline. In 2004, the tertiary sector accounted for more than 70 percent of total output and employed 72 percent, including public services, of the national labor force.

II. Basic Diplomacy of Japan

1. International Situations

(1) In the last decade of the 20th Century, the world was shaken by major upheavals such as the end of the Cold War regime, acceleration of economic globalization, and revolutionary advances in information technology. With the international community facing new waves of change in the 21st century, interdependence between countries can only continue to increase. To address the many growing problems that transcend national boundaries –security issues, terrorism, economic issues, environmental degradation, illegal drugs, refugees, etc. –the extensive cooperation of all countries involved is becoming increasingly critical. While effectively addressing those problems deriving from the changes taking place, Japan’s foreign policy in the new century seeks to actively promote the security and prosperity of the entire international community, in the recognition that this is inseparable from the security and prosperity of Japan itself.

(2) Since its admission to the United Nations in 1956, Japan has regarded its commitment to the United Nations as one of the main pillars of its foreign policy, and has been contributing to the UN budget for 19.5%, next to the US, which has the largest shares of 22 % of the total budget. Japan has been working for the international peace and security. It works for resolution of regional disputes through personnel and financial support provided to United Nations peacekeeping operations and other international efforts. It is actively supporting international endeavors for conflict prevention and active promotion of arms control and non-proliferation, and fight against terrorism and to solve problems in areas such as environmental degradation, illegal drugs, and population growth as well.

(3) The significance of economic issues as a component of international relations has also been increased in recent years, making a global economic stability a critical issue in Japanese diplomacy. Recognizing the responsibilities of a country as a world’s second largest economy, Japan has been making sincere efforts to promote healthy economic development worldwide through bilateral relations as well as its relation with international organizations such as the IMF, the WTO, and the OECD. Japan has also been providing financial and technical assistance to developing countries via official development assistance (ODA) program in order to contribute to their economic development as well as improvement of people’s welfare. Japan was the world’s largest aid donor all through 1990s, and now the second largest global donor in 2005 just next to the US.

2. Main target of the Japanese diplomacy

(1) Japan is a peace-oriented country, as its Constitution clearly stipulates as described below (a), and it is reflected upon its pursuance of the foreign diplomacy including the Governmental policy as described below (b):

(a) Article 9 of the Japanese Constitution.

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as a means of setting international disputes.

(b) The three Non-Nuclear Principles and NPT.

Japan has been firmly upholding its self-imposed “three non-nuclear principles of not possessing, manufacturing, and permitting the entry into Japan of nuclear weapons. Japan is also a party to the Nuclear Non-Proliferation Treaty (NPT).

(2) In the international environment marked by economic globalization and ever-increasing interdependence among the member countries of the international community, Japan’s economic growth and security are intertwined to, and dependent on, the peace and stability of both Asia-Pacific region and the rest of the world. In order to ensure its security as well as regional peace and stability, Japan is engaging in an active diplomacy at various levels of international affairs. These efforts include: (i) attempts to resolve individual conflicts and confrontations, bilateral and multilateral dialogues and cooperation to promote regional stability; (ii) political and security-related dialogues and cooperation, aimed at increasing the policy transparency of Asia-Pacific countries and building trust between them; and (iii) the achievement of greater social stability in various regions through a support for and cooperation in the regional and individual economic development.

(3) On September 26, 2006, a new Prime Minister Shinzou Abe was elected in accordance with the parliamentary rule, after the former Prime Minister Koizumi completed his two terms of office of Prime Minister in a successful manner. Prime Minister Abe officially announced that he would respect the policy taken by Mr. Koizumi domestically and internationally. There will be a firm consistency in the Japanese internal and foreign policy in substance between the former Prime Minister and the present Prime Minister as a whole.

III. Recent developments in the Azerbaijan-Japan bilateral relations.

After a transformation of a global security framework in 1989, CIS countries became independent of the former Soviet Union. Japan recognized the independence of Azerbaijan soon after its declaration in 1991, and established diplomatic relation between the two countries. Since Japan is a peace-oriented country and targeting the materialization of global peace as an important part of its foreign policy. Development of Azerbaijan is very important from this point of view. Because it makes Azerbaijan possible to materialize peace and prosperity domestically, and to contribute to the regional peace and stability in the South Caucasian Region which constitutes an important part for realization of the global peace. That is why the Embassy of Japan in Azerbaijan has been making its best efforts, since its establishment, to promote mutual understanding between our two countries and to provide Official Development Assistance in various aspects of Azerbaijan’s efforts toward social and economical reforms. The Government and the people of Japan are hoping to construct a real friendship between our two nations. As for the year of 2005 and thereafter, in particular, we have succeeded in materializing numbers of achievements between us from the viewpoint of promoting our meaningful relations as follows:

1. Conclusion of an Agreement between Azerbaijan and Japan on “ Succession of the Treaties inherited from the previous regime of the Japan- USSR Treaties ”.

Since we established our diplomatic relations in the year 1992, the Government of Japan and the Government of Azerbaijan have been discussing “ Succession of the Treaties which were concluded in the previous regime of the Japan-USSR Treaties ” in order to realign legal foundation for our new bilateral relations between Japan and Azerbaijan. As a result of revitalizing our special efforts to finalize this issue from the end of 2004, we have finally succeeded in reaching agreement on this important issue in May 2005, after 13 years of interval, between Embassy of Japan and the Ministry of Foreign Affairs of the Republic of Azerbaijan. We believe that we can construct a more meaningful relationship in various fields between us as a result of resolution of this issue.

2. The further facilitation of the economic cooperation, including large-scale assistance to the improvement of economic infrastructure.

(1) With regard to the Official Development Assistance (ODA) of the Government of Japan to Azerbaijan, we have been rendering our assistance mainly through grant assistance, small-scaled Grass Roots grant assistance to Azerbaijan until recently. However, we found that there are diversified needs for this Development Assistance in Azerbaijan. With a view to facilitating better conditions for economic development and improvement of the people’s welfare in Azerbaijan, the Embassy of Japan in Baku discussed with various Ministries concerned and decided to extend a large-scale financial assistance to Azerbaijan in the field of improvement of economic infrastructure, in addition to the traditional small-scale grant assistance programs, namely, “Shimal Gas Cycle Power Plant” Project : the total cost of the project is \$ 274 million US Dollars. We had a signing ceremony on the Exchange of Note in this regard between Ambassador of Japan, Tadahiro ABE and Deputy Prime Minister, Abid SHARIFOV in May last year. We are hoping that this project will become of some help to increase the supply of electricity to the people of Azerbaijan and contribute to the development of economic activities of this country as well. As a result of all the efforts being done in the year 2005 and thereafter, the total amount of Official Development Assistance of Japan to Azerbaijan, covering a large-scale economic infrastructure project and various grass-root Grant Assistance, reached the highest amount ever materialized in Azerbaijan for the amount of more than \$ 280 million US dollars during the past one and a half year.

After the calendar turns into year 2006, continuous efforts have been made by the Embassy of Japan to extend further assistance to various projects in Azerbaijan including such projects as school constructions and IDP assistances.

(2) A provision of another Grant Assistance from Japan to Azerbaijan was agreed in July 2006. This assistance of US\$8 million was to be used for the improvement of Electric Power Plant in Mushvik enabling it to supply more electric power to the people of Azerbaijan living in Baku and its neighboring area.

3. Opening of BTC Pipeline.

We were pleased to see that ACG Oil Extraction Program proceeded smoothly and the opening ceremony of BTC pipeline was held successfully last year in Sangachal terminal, and it officially started actual shipment of oil from Jeyhan port in July this year.

Currently, nearly 300,000 bpd of oil is transported from Baku to Jeyhan via Tbilisi through this BTC Pipeline, contributing to the improvement of supply and demand situation in the Global Oil Market. As it is well known, Japan became a stakeholder of these projects by participation of the Japanese Companies such as “INPEX” and “ITOCHU” Oil Company.

4. Opening of the Embassy of Azerbaijan in Japan.

As mentioned above it is vitally important for both Japan and Azerbaijan to have closer relations in order to develop and maintain friendly relations between our countries and work together for maintenance to the maintenance of the global peace and stability. From this perspective, it was expected to have Embassies both in Baku and in Tokyo. We were pleased that the Government of Azerbaijan finally decided to appoint a new Ambassador to Japan and to establish the Embassy of Azerbaijan in Japan in October last year. Since, we have Embassy of Japan in Baku and Embassy of Azerbaijan in Tokyo, we can start our diplomatic relations through Embassy in order to deal with our official communications in a more efficient way. This certainly is beneficial for both of us to have constructive relation between us.

5. Exchange Programs of the eminent people, facilitating mutual understanding between our two countries.

(1) It is vitally important to promote mutual understanding through exchange of the peoples of our countries through various channels such as acceptance of trainees, dispatch of experts and acceptance of students. In the year of 2005, we have also increased this opportunities by sending eminent governmental officials and parliamentarians. We had a visit of Vice Foreign Minister Mr. Aizawa and Chairman of the Foreign Relations committee Mr. Harada of the Parliament of Japan respectively in 2005, and for the Azerbaijan side, you dispatched Deputy Prime Minister Mr. Sharifov to Japan also in 2005. We have succeeded in utilizing various channels to promote mutual exchange of the people for the purpose of facilitating mutual understanding between us.

(2) The most important program of welcoming H.E. President Ilham Aliyev and Mme. Mehriban Aliyeva to Japan was carried out under the initiative of Ambassador ABE from March 7 to March 10, 2006, in Tokyo. Representing a good relationship between Japan and Azerbaijan, the visit of Mr. President and Mme. Aliyeva became a meaningful opportunity to further promote our friendship to a more meaningful stage of our mutual relationship.

H.E. President Ilham Aliyev and Mme. Mehriban Aliyeva were received by His Majesty Emperor and Empress of Japan. Besides, Mr. President has had meeting with Prime Minister Junichiro Koizumi, and Foreign Minister Taro Aso respectively. In addition, Mr. President made Policy Statement at the Investment Seminar and at the Research Institute’s Seminar.

(3). H.E. Ms. Yamanaka, Vice Foreign Minister of Japan, visited Baku on July 7, 2006 and met with Prime Minister Rasizade, Deputy Prime Minister Sharifov and Foreign Minister Mammedyarov as a follow-up of Mr. President’s visit to Japan made in March the same year. During the meeting, they agreed that current bilateral relation between Japan and Azerbaijan to be the most desirable one and confirmed the importance of our bilateral relationship for maintaining peace and stability in the global world. They also agreed to

make continuous efforts to maintain our bilateral friendly relation in every aspect of our international diplomacy.

(4) As a follow-up of the President Aliyev's visit to Japan in March this year, it was agreed to have the 4th Japan-Azerbaijan Joint Economic Committee in Baku, after 5 years' interval, on November 22, 2006. We are expecting to have the visit of eminent business leaders and Government officials of Japan to become a part of the Japanese delegation. There will be a meaningful discussion to be held between the Azerbaijan delegation and the Japanese delegation.

2.12 Azerbaijan is a strategic country for Japan

(Newspaper “Hafta Ichi”, April 2005)

“Achievements in sphere of economy will strengthen political piles of your nation” –

H.E. Ambassador Tadahiro Abe

For 14 years of independence, Azerbaijan has established close diplomatic and economic relations with many countries of the World. These relations have been developed at different levels with different countries. There are countries, which aspire to establish sincere friendship and unfortunately there are some other countries that pursue only their own ambitions. Japan is our sincere friend. Tokyo Government always supports Azerbaijan in political affairs and renders irreplaceable assistances for development of our country undergoing economic, social, scientific and cultural transitions. The Diplomatic Mission of Japan in Azerbaijan plays exceptional role in implementation of the aforementioned works. Therefore, in order to shed light upon existing bilateral relations between our countries we went to the Embassy. H.E. Mr. Tadahiro ABE who had stated that the independence of Azerbaijan is the justice of History welcomed us at the Embassy and sincerely answered our questions.

Azerbaijan is guarantor of stability in Caucasus.

Tremendous changes occurred in the World in the last decades of XXth Century. Cold War was stopped and numbers of contradictions appeared in West-East relations. The Soviet Union collapsed and fragmented into many independent countries. Simultaneously, Azerbaijan could establish its independence having saved itself from the Soviet hegemony lasted over 70 years. We know that in year 1920 Bolsheviks occupied Azerbaijan under the pretext of rescuing this country by means of spreading communism here. Nevertheless, Azerbaijan could overtake the long colonial period and started developing intensively.

Now, Azerbaijan is passing through transitions and the country not having strong economy can hardly survive...

Japan does realize that Azerbaijan is a very important country for it. Because strengthening of this country means establishment and preservation of peace and stability in Caucasus Region. Since 1991, Tokyo Government together with Japanese businessmen have been rendering financial, technical assistances and doing their best for improvement of scientific, educational, medical and other potential of Azerbaijan. Achievements in sphere of economy will strengthen political piles of your nation. Then, your nation will live in prosperity. By the way, Azerbaijan has gained positive progress for recent 14 years. Japan is satisfied with such a rapid development of Azerbaijan. In my turn, as the Ambassador, I will try to encourage Japanese assistance to Azerbaijan in order to foster good conditions for latter's intensive development. I am very happy that I have been assigned to Azerbaijan. I realize that I am a bridge between our two states and I bear serious responsibility. Japan is making serious attempts for the development of Azerbaijan.

I would like to emphasize an interesting fact: all the countries investing Azerbaijan primarily put their money into the Oil Sector. However, Japanese contribution is seen in almost all spheres of our Republic.

If the people want their country to be developed they have to improve not only the economy but also social spheres. If there is a lack of any of the aforementioned, then the progress won't be achieved. That's why Japan aspires to develop these spheres in Azerbaijan concurrently. The process of establishment of economical infrastructure must be held simultaneously with the process of upgrading people's living standards. There must be reforms in spheres of science, education, medicine and etc. In general, human resources must be improved. The purpose of Japan is to share its successful experience with Azerbaijan and to assist the latter in developing of the oil sector and in restoration of Power Plants, roads,

transportation structure, drinking water supply facilities, in improvement of ecological, educational and medical systems. As you see we are not interested only in the oil sector.

Which project is the most significant among all the projects implemented by you?

We have allocated in total \$350 million US for improvement of Electrical Energy System of Azerbaijan. If Azerbaijan satisfies its needs for energy, it will be able to improve its economy and social security. Therefore, these projects are very important. In addition, we have allocated \$53 million US for construction and reconstruction of schools, kindergartens, hospitals, restoration of roads, enhancement of water supply and elaboration of food programs. I would like to note that it is quite pleasurable for us that new schools being built for refugees and IDPs.

Japan is the world second industrial centre. Is there a possibility that such industrial facilities will be built by Japan in Azerbaijan?

I think it is better to ask this question to private companies. However, I should note beforehand that there must be favourable condition for prospective investments. Azerbaijan is adhering to free market economy policy and it is most important stipulation for investments attraction. But it is not a secret that Azerbaijan has been an integral part of Soviet Union. I think that there are some vestiges of Soviet Economic System. It is necessary to eliminate them in order to enable businessmen to be sure in investing the country.

Could you please provide the information about total volume of economical and trade relations between Japan and Azerbaijan and the spheres where the relations are more intensive?

Unfortunately, for now, the sphere of Oil Productions is in the first place. The main parts of pipes for BTC pipeline have been provided by Japan. However, as I have already noticed, we have close relations in all spheres of economy and I believe that the percentages of our cooperation will rise.

Only way to peace is negotiations.

Azerbaijan has Karabagh problem and considerable part of our territories has been seized by Armenia.

When the cold war ended everybody thought that the problems existing in the World would be resolved. However, the collapse of the Soviet Union aggravated the situation in the World. Besides the old disputes, new disputes aroused. International ethnic disputes aroused even in the centre of Europe, in Bosnia, Kosovo, Macedonia and Albania. Azerbaijan faced Karabagh problem. If the country challenged by the dispute is unable to resolve then International Community has to assist it. I am sure that settlement of Karabagh dispute will lead to peace and stability in the Caucasus region. UN, OSCE and other organization are striving to resolve this dispute. Also, Minsk group was created within the framework of OSCE by International Treaty. I believe that this dispute will be resolved. In general, Tokyo supports all the peaceful attempts for resolution of Karabagh problem. This dispute has caused severe hardships for thousand-hundred people. The people have lost their homes and properties. Since the very beginning, Japan has been providing these people with humanitarian assistances in order to alleviate their sufferings to some extent. The assistances have been provided directly and via International Organizations. Though we are geographically far from Azerbaijan, we are morally close to you.

By the way, Japan has its own territorial problem in the North. I mean, Kuril Islands.

For long years, we have been trying to retrieve our lands. With respect to this dispute, we started negotiations with the Soviet Government and now, we are continuing it with the Government of Russia. We have struggled for decades in order to be close to the anticipated results. Anyway, the negotiations must go on because this is a sole way to gain peace.

It is a bit strange. We have witnessed the use of force in settlement of the disputes in Bosnia and Kosovo. However, in case of Azerbaijan negotiations are recommended. Even, a Norwegian diplomat stated that due to more closeness of Balkans to Europe, war had been prevented there rapidly.

Regrettably yes. Nevertheless, the periodical meetings conducted by Foreign Ministers of Azerbaijan and Armenia as well as by Presidents of these countries are encouraged. I hope that these meetings will yield positive results with help of international organizations and foreign states.

There must be new reforms in UN

Japan aspires to be a permanent member of Security Council. Can we hope that as soon as this aspiration is realized Tokyo will render its close assistance to Azerbaijan in resolving Karabagh problem?

The 100 countries of 191 countries of the World have supported this desire of Japan. Also, Azerbaijan has defended our position and we are very grateful to your country. If Japan becomes a permanent member of SC it will obtain large powers. In this case it will have effective influence on the decisions made, particularly it will be able to closely participate in resolving the disputes persisting in the World including Karabagh problem. By the way, Tokyo would like to increase the number of temporary members of SC and expects Azerbaijan's support in this matter as well.

Why is this issue actual now?

It is necessary to conduct structural reforms in this Organization. UN was established in 1945. The world situation that time was quite different than the present one. Sixteen years has passed since then and there have been fundamental changes in the international political system. Within these 60 years Japan has participated in resolving of many problems in the World and it has rendered big amount of humanitarian assistance.

2.13 We will have further opportunities for cooperation in sphere of power sector

(Newspaper “Azerbaijan’s Lights”, October 2006)

Since attainment of an access to the World as the result of gaining independence, the Republic of Azerbaijan has been making expedient efforts for establishing political as well as economical ties with various countries of the international community. One of the countries Azerbaijan succeeded to establish excellent relations is Japan which differs from many others with its higher and comprehensive development. This time we have had an opportunity of holding an interesting interview with His Excellency Ambassador Tadahiro Abe.

Excellency, What had you known about our country before you were posted as Ambassador of Japan to Azerbaijan?

First of all, I would like to express my gratitude to you and to the staff of the newspaper represented by you for this interview. In general, I always appreciate such opportunities. Because I think that an Ambassador has to provide the public of the country where he posted with information about his particular works implemented, initiatives made and perspective projects to be materialized in future. Therefore, I accepted your proposal and agreed for this interview. With regard to your question, I would like to inform you that I had known a lot about your country long before I was posted here as Ambassador of Japan. I have known Azerbaijan since I was 11 years old. When I was studying World Geography, I become acquainted with the name “Baku” and I knew that this part of the world is very rich with oil.

Approximately after how many years since then you have been posted to Azerbaijan? In general, are you happy with your post?

On the basis of my observation since the first day of my arrival, I would like to confirm that I am absolutely happy with my post here in Azerbaijan. Considering that Azerbaijan is a relatively young state, I did not expect such achievements in sphere of economy and politics at that level. Fortunately, it appeared contrary to my estimations. Indeed, for recent 5-6 years the importance of Azerbaijan in sphere of global politics and economy has raised tremendously. I fully understand that your country is a young state. The matters concerning economic, political and security issues are at the attention of the international community. Japan is a very peaceful country. Our main goal is to attain global peace. Our constitution envisages settlement of all international disputes through peaceful means and we sincerely wish all the countries to coexist in peace and stability. Establishment of peace in South Caucasus region is also very significant task. Our Government’s main policy is to contribute to promotion of peace and stability in this region. At the same time, Azerbaijan’s expedient policy for preservation of peace and stability in the region and its real efforts in this regard prove that the positions of our governments just correspond to each other. In this regard, I can sincerely state that I am not disappointed that I was posted to Azerbaijan.

We request you to share your first impressions. What attracted you firstly?

Hospitality and likeableness of your nation has impressed me very much. Other factor is that as in my country, people here in Azerbaijan are very diligent and demonstrate continuous effort. Azeri people are endeavoring to promote the development of their own country. I would like to note that Japanese people highly respect and appreciate the diligent nations demonstrating continuous efforts for development. The history of modern Japan takes its beginning from 1868. Since then, our Government has two basic tasks: (1) enhancement of economy and (2) improvement of people’s life standards.

Japan is one of the leading countries in sphere of highly sophisticated technologies. How did Japan achieve this?

If we take a look at the World's history, during the time when Japan had embarked upon its development, the rest of the world was being undergone through colonial policy of Western European countries. Those countries were expanding their powers occupying beyond their borders over to the other countries and practising aggressive policy. Japan made its best efforts in order to become developed enough to stand on its own "feet" in line with other developed countries. If we could not have attained our aimed development, then it might have been inevitable for us to be put under the control of others. As you are well aware, Japan has no natural resources substantially. Instead, we have reliable and comprehensively well educated human resources. All through its history the families in Japan have been putting importance on education and providing their children with higher education. We are destined to develop ourselves mainly based upon human resources. Through such an aspiration, the development of the country was attained relatively in a short time. The Government has also prioritized the main sphere of economy for their rapid development. Those spheres for example are: machine production, shipbuilding, power industry, auto industry, production of home electrical appliances, etc. All those industries have one thing in common – i.e. they have extensive range of related industry along with them. It was obvious that the development of the aforementioned spheres of economy could provide stimulus for the development of the country as a whole. Besides, plenty of small and medium sized industries related to the abovementioned industries were developed under the umbrella of the comprehensive development. We have efficiently utilized human and financial resources to achieve our development goal.

How would you evaluate the current political economic relations between Japan and Azerbaijan?

Azerbaijan's pursuit of democratization has also taken the route of establishment of a market oriented economy. Japan has its unique experience of economic development. We think that our experience will become of some use for the development of Azerbaijan. Six years have passed since opening of the Embassy of Japan in Azerbaijan. During these years our Embassy has been making its best efforts for promoting our bilateral relations covering a wide range of activities including economic cooperation. It is almost two years since I have been posted here as Ambassador of Japan in Azerbaijan, and I would like to note that during my term we have succeeded to attain more achievements than in previous years. As an example, I have materialized our Official Development Assistance (ODA) to the construction of the 400 Mega Watt Second Unit for Shimal Gas Cycle Power Plant. In May 2005, an agreement on allocation of 300 million USD for this project was signed. Along with large-scale projects like this, we have implemented our assistance for the improvement of social sector as well. Construction or renovation of schools or hospitals comes under this example. In general, during my term of office, I have materialized our assistance to Azerbaijan for the total amount of 330 million US Dollars. I have no doubt that this assistance will serve to improve Azeri people's lives, and for support of development of Azerbaijan. Besides, I can observe the necessity to promote mutual understanding between our countries. Therefore, human exchange programs have been launched our bilateral relations. I would like to emphasize the recent visit of His Excellency President Ilham Aliyev to Japan as an example of mutual effort between us for attainment of the highest level of mutual exchange. At the same time, the visits of members of high ranking officials from the Ministry of Foreign Affairs of Japan and Japanese parliamentarians to Azerbaijan during this year are also noteworthy. After the visit of Mr. President to Japan, I have made another efforts provide grant assistance to Azerbaijan. In particular, provision of 8 million USD assistance for reconstruction of Mushviq Power Substation from the viewpoint of energy supply improvement was decided in this regard. We support development of not only oil-sector but also non-oil sector economy. Comprehensive efforts to improve economic infrastructure, social sector and human resources are required. In order to share our experience in this regard, we have adopted technical assistance covering dispatch of Japanese experts to Azerbaijan and acceptance of Azeri trainees to Japan. In addition, as a youth education, we receive students from Azerbaijan to study at Japanese Universities. Our main goal is to attain mutual understanding and friendship. From the viewpoint of global diplomacy, we can confidently state that the most desirable bilateral relations have been established between our two countries.

Excellency, as we know the Ambassadors preceding you were mainly Azeri-speaking. Are you learning Azeri or do you have any plans to learn this language?

When the Embassy of Japan first established here in 2000, it was necessary to find a common language with the local population. They were forming the basic foundation of the Embassy. However, we have now moved into the second phase of our bilateral relations – construction of the substantial relationship between us where language only plays a marginal role: speaking the native language is one thing, but making substantial achievement in our bilateral relation is another thing. I believe. I am quite confident that I have implemented more assistance for Azeri development and also promoted our mutual understanding between Azerbaijan and Japan in comparison with my predecessors even without being able to speak Azeri language myself. When it comes to our communication, by referring to my English-speaking employees for interpretation to Azeri language I can eliminate language barriers.

As it is well known, owing to your country's financial assistance the 400 Mega Watt "Shimal" Gas Cycle Power Plant was built and started to be utilized and eventually the foundation of cooperation between our countries in sphere of power industry was established. What steps are being taken for further promoting the cooperation in this sphere?

As you are well aware that the construction of the second analog unit of Shimal Power Plant has been implemented as planned. With regard to Mushviq Power Plant Project, I would like to note that our assistance to the project was agreed upon in May this year and is going ahead in accordance with our schedule. Our future participation in other projects regarding power sector will be considered as necessary. Presently, we are exploring various possibilities to extend our assistance to other projects in different sectors as well. Our main goal is the eventual development of this country. In this regard, we are always ready to work with the Government and People of Azerbaijan. Therefore, we are ready to consider on how to work out projects that can lead your country to further development. The projects will be mainly dedicated to improvement of economic infrastructures, social sector as well as the important human resources development. This should be understood as demonstration of our sincere dedication to your country and your people. I personally wish the people of this country to live tranquilly in conditions of higher life standards. In order to enjoy happy life the health condition is also important. Therefore we attach importance to the improvement of health sector. As you know the season is changing and the weather is becoming colder and it can create conditions for rapid spread of very dangerous bird flu. Apparently, Azerbaijan makes its best efforts to avoid recurrence of this dangerous pandemic. In this respect, Japan has been already rendering various assistance to Azerbaijan with training opportunity and equipments. We have accepted experts from Azerbaijan for participation in the bird flu prevention trainings. Presently, there is a group of experts participating in the trainings in Tokyo.

Mr. Ambassador, what differences are there between the energy systems of Azerbaijan and Japan? In general, how the energy management is organized in your country? Can Azerbaijan utilize your country's experience in this regard?

The saying "Power Industry is the backbone of economic development and people's lives" is absolute truth. Therefore, relevant policy is our priority in this regard. The main affinity between our countries is that both of the countries attach great importance to the promotion of the Power Industry. We have various Ministries in charge of planning various industrial promotions. They forecast the volume of energy to be consumed in future in accordance with economic development. We use all sources of energy: thermoelectric power stations, hydro power plants, nuclear power plants and try to preserve balance in utilizing these sources. In general, 52% of energy consumption is supplied by thermoelectric power stations, 18% by coal, 13% percent by natural gas, 12% by nuclear power stations, 3% by hydro power plants and 1.3% by alternative energy sources in Japan

Azerbaijan is heavily dependent upon thermal power generation. We can share our experience during the course of economic development. Major difference, however, do exist between us that Azerbaijan is abundant in oil and natural resources, Japan is not.

Could kindly inform us about recent developments in construction of the second unit of Shimal Power Plant?

In this regard, I am pleased to note that the relevant works are being performed satisfactorily in both sides. I am confident that our assistance to this project is sure to contribute to strengthening Azeri economy and to improvement of Azeri people's living conditions. As a result of this project, Azeri people will be able to enjoy continuous supply of electricity. I am sure that we will have further opportunities for cooperation in sphere of power sector.

2.14 I wish Azeri People to live in peace and prosperity

(Newspaper “Military Oath” October 2005)

*H.E. Mr. Tadahiro ABE Ambassador Extraordinary and Plenipotentiary of Japan to Azerbaijan:
“There are a lot of affinities between the Japanese and Azeri people”.*

H.E. Mr. Tadahiro ABE, Ambassador Extraordinary and Plenipotentiary of Japan to Azerbaijan, has been representing his country in Azerbaijan for ten months. During this period of time, he has got acquainted with our country and our people. We would like to present the recent interview with Mr. Ambassador to the kind attention of our readers.

What is your impression about Azerbaijan?

Though the preceding diplomats were basically Turkish-speaking, I do not speak neither Turkish nor Russian. Therefore, I had not expected that it would be so pleasant for me to serve in this country until I came here. The nature of the country is wonderful and the people are very courteous. I do not regret that I have been appointed to Azerbaijan. Indeed, it is the first time I have been assigned to a Post-Soviet country. With regard to development of Azerbaijan, I would say that it is apparent that Azerbaijan has achieved tremendous results within the recent ten years.

What works have been performed during your service in Azerbaijan?

As you see the time passes very quickly. During my service here I have tried to strengthen friendly bilateral relations and to extend the areas of cooperation between Japan and Azerbaijan. I have established excellent relations with the Government of Azerbaijan and I have performed numbers of works for Economical development of Azerbaijan.

When people were trying to establish relationships between West and East in the last century, everybody thought that it would surely lead to peace. Unfortunately, it appeared contrary and numbers of disputes aroused in the World. These disputes are more complicated and serious now. Both Japan and Azerbaijan aspire to maintain peace and stability in the World. Therefore, development of Azerbaijan is extremely important for us. With that end in view, Japan renders pecuniary aids to the Government of Azerbaijan. The total sum of the aids rendered within the framework of Official Development Assistance (ODA) equals to 690 million USD. This was done for the development of Azerbaijan. The rendered assistances included improvement of economic infrastructure, grant aids, development of local production, reconstruction of schools and other facilities. Please, do not regard as immodesty for my part but in spite of the fact that I have served less than the preceding ambassadors in Azerbaijan, during this 10 months period the rendered assistances of Japan equaled to 280 million USD and this is really a big amount. This was gained as a result of my exertions. Our main purpose is to improve people’s living conditions. I am doing my best in order to strengthen our bilateral relations and to raise the amounts of the assistances being rendered.

In what other spheres the relations between our states can be developed?

The relationship between our two states was being maintained even 1500 years ago by means of Great Silk Way. Nowadays, we maintain excellent relationships between our countries as we have done a great amount of work in spheres of development of cultural relations, development of economy and human exchange. With regard to human exchange, I think it is worth noting that in January of the present year the delegation from Japan headed by Mr. Aisawa, First Deputy of the Minister for Foreign Affairs of Japan, visited Azerbaijan. Also, in May, the Azeri delegation headed by Mr. Abid Sharifov, Deputy Prime Minister of the Republic of Azerbaijan, visited Japan. I am sure that such visits lead to development of bilateral relations between our countries.

Which relations with Azerbaijan are more significant for Japan, economical or political?

Japan is a peacekeeper and this is a provision of our Constitution. We are ready for cooperation with any other peacekeeping state. Unfortunately, there are some disputes in the different parts of the World including South Caucasus. Azerbaijan plays an important role in the foreign policy of Japan as it takes great steps towards maintaining peace in the region. We are striving to assist Azerbaijan by supporting the development of its economy. It is a pleasurable fact that Azerbaijan has recently opened its Embassy in Japan. Doubtless, it will foster condition for further development of our relations.

How do you envisage the future of Azerbaijan?

Azerbaijan possesses great potential. The main conditions for development of the country are its natural and human resources as well as financial support. All of these components exist in Azerbaijan. Including the technical matters, it is possible to coordinate them and to gain higher industrial development. The coordination process is being held in Azerbaijan. The successful accomplishment of this process requires time. I believe that Azerbaijan will be one of the industrially developed states and I would predict positive prospects for the future of Azerbaijan.

How many Japanese Oil Companies are operating in Azerbaijan?

There are two Japanese Oil Companies in Azerbaijan and they are participants of Azeri-Chirag-Guneshli Project. Our share in this Project is 13.9%, however we do not import the produced oil to Japan. We sell it in European markets instead we purchase and import other sort of oil, which is more appropriate for us. I would like to inform you that daily consumption of Oil in Japan is 5.45 million barrels.

Why does Japan allocate so many grants for Azerbaijan?

We sincerely aspire to create favorable conditions for Economic development of Azerbaijan. As our country possesses great experience in sphere of economy, we want to share our experience with Azerbaijan. Our assistance to Azerbaijan basically encompasses restoration and development of economical infrastructure and cooperation in sphere of engineering. Since I started my service in Azerbaijan, 274 million US Dollars have been allocated for reconstruction of Northern (Shimal) Natural Gas Power Station. Moreover, 2 million US Dollars have been allocated for food production. Also, numbers of humanitarian assistances have been rendered to IDPs and refugees in the framework of Grass Roots and Human Security Program.

Excellency, as I know, in the signing ceremony of the agreement on implementation of the project for reconstruction of Children's Orphanage# 1 in the City of Gandja, you mentioned that 4 million US Dollars were allocated for this purpose. Is the Government of Japan going to continue performing such benevolent works in future?

Yes of course. Currently, we are elaborating more grandiose plans for development of education in Azerbaijan. As the works have not been accomplished yet, I am not able to provide you with full information in this respect. I think, projects dedicated to the development of education will always be continued as you are well aware that the development of Japan is connected with Education. As you know there are no resources in Japan except human recourses. Therefore, our people have always considered education as a kernel of development. Education is a sole way for development and upgrading of the living standards.

What is the position of Japan with respect to Karabagh problem?

In general, territorial conflict is rather complicated dispute. Japan has also the same problem with Kurile Islands. For 60 years, Japan has been negotiating this issue. The negotiations are very important in such cases. Japan appreciates the negotiations held within the framework OSCE Minsk Group. Azerbaijan has many refugees and IDPs therefore Japan is assisting Azerbaijan to alleviate their living conditions. I hope that this conflict will be resolved by peaceful means and I wish Azeri people to live in peace and prosperity.

What are your expectations with regard to upcoming Parliamentary Elections? Will there be Japanese supervisors in the elections?

I expect a lot of things from the Parliamentary Elections. I hope that the elections will be held democratically and people will elect the worthy candidates. Democratic elections are the essence of democratic state. International Organizations has already dispatched their supervisors and Japan is cooperating with these Organizations and in the case of respective requests our supervisors will join these groups.

What else should we perform for intimacy of our countries?

Our countries have rich culture and ancient history. There are many affinities between Japanese and Azeri people. For instance, both the Japanese and Azeries try to preserve their tradition, history; they also aspire to give their children good education. I think we should start learning the culture of each other. Azeri side has taken some important steps towards this. In this connection, I would like to congratulate the Government of Azerbaijan for opening the Embassy in Japan. This act of the Government will lead to further enhancement of bilateral relations between our countries. We also have our plans for promoting Japanese culture in Azerbaijan.

What will be your cordial words to the readers?

First of all, I would like to congratulate H.E. Mr. Ilham Aliyev for taking the right course towards the economical development of Azerbaijan. I wish Azerbaijan to be a fully democratic state. The elections scheduled for November will foster good conditions for the people willing to vote for the desired candidates. I think you should demonstrate free and fair elections to all the countries of the World. This will increase the sympathy of International Community to Azerbaijan. I wish friendly Azerbaijani people successes in all their endeavors.

STATISTICS AND CHARTS

APPENDIX I

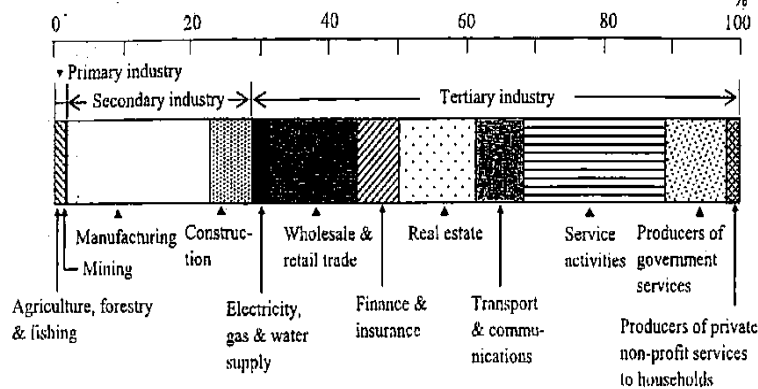
GDP of Major Countries

	2000		2003		2004		2005	
	Total (US\$ billion)	Per capita (US\$ billion)	Total (US\$ billion)	Per capita (US\$ billion)	Total (US\$ billion)	Per capita (US\$ billion)	Total (US\$ billion)	Per capita (US\$ billion)
USA	9 817	34 775	10 985	37 756	11 734	39 935	12 452	41 976
Japan	4 749	37 436	4 302	33 720	4 671	36 596	4 672	36 599
Netherlands	372	23 425	513	31 660	608	37 326	623	38 180
UK	1 442	24 593	1 799	30 156	2 133	35 548	2 197	36 429
Germany	1 875	22 816	2 409	29 201	2 755	33 390	2 800	33 785
France	1 313	21 673	1 754	28 536	2 046	32 911	2 113	33 855
Canada	724	23 629	867	27 442	993	31 134	1 106	34 375
Italy	1 078	18 728	1 471	25 589	1 680	29 014	1 719	29 635
Australia	379	19 776	508	25 429	618	30 682	684	33 526
Hong-Kong	165	24 638	159	23 038	164	23 608	174	24 715
Spain	563	14 092	840	20 844	1 041	25 320	1 124	27 175
Korea (ROK)	512	10 885	605	12 499	680	14 151	800	16 493
Mexico	581	5 957	626	6 112	675	6 494	758	7 183
Russia	260	1 779	434	3 030	582	4 087	772	5 459
Brazil	600	3 604	498	2 870	604	3 325	789	4 297
China	1 081	853	1 410	1 087	1 654	1 272	1 910	1 462

Source: International Monetary Fund, The

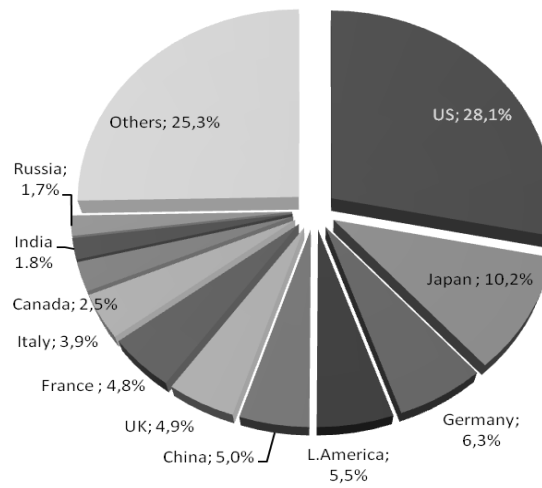
World Economic Outlook Database, September 2005

Gross Domestic Product of Japan by Type of Economic Activity (2004) (Constant prices in 2000)

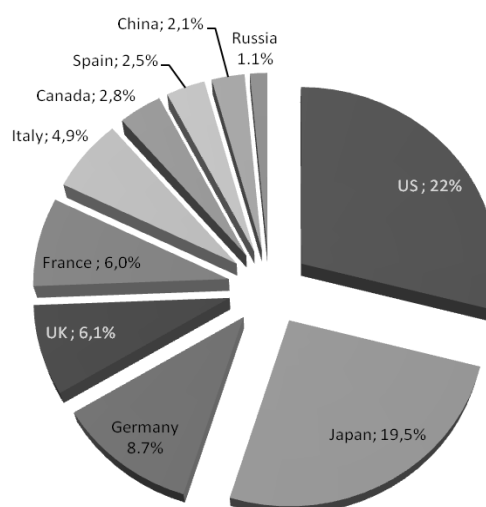


Source: Cabinet Office

Total GDP of Major Countries as of 2005



Scale of contribution to the to the Regular UN Budget as of 2006 (country base)



APPENDIX II

Total Exports and Imports of Japan (Customs Clearance Basis)

	Exports		Imports		Balance (Yen billion)
	Value (Yen billion)	Annual Growth (%)	Value (Yen billion)	Annual Growth (%)	
1995	41 531	2.6	31 549	12.3	9 982
1996	44 731	7.7	37 993	20.4	6 738
1997	50 938	13.9	40 956	7.8	9 982
1998	50 645	-0.6	36 654	-10.5	13 991
1999	47 654	-6.1	35 268	-3.8	12 280
2000	51 654	8.6	40 938	16.1	10 716
2001	48 979	-5.2	42 416	3.6	6 564
2002	52 109	6.4	42 228	-0.4	9 881
2003	54 548	4.7	44 362	5.1	10 186
2004	61 170	12.1	49 217	10.9	11 953
2005	65 657	7.3	56 949	15.7	8 707

Trends in Exports and Imports by Country/Region

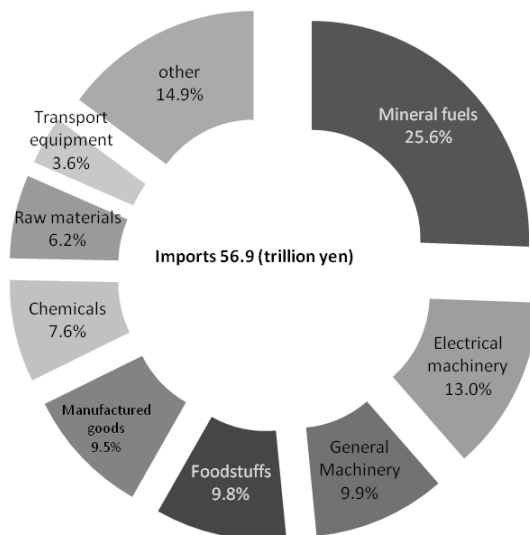
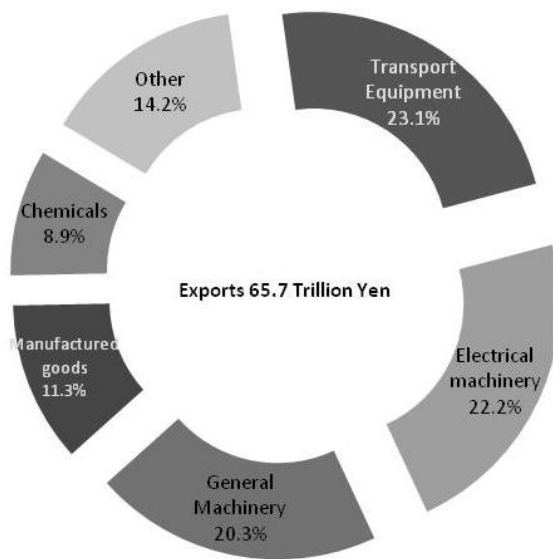
Year	(Billion Yen)								
	Total	Asia	China	Korea, Rep. of	Taiwan	U.S.A.	EU	Middle East	Oceania
Exports from Japan									
2001	48 979	19 732	3 764	3,072	2 942	14 711	7 810	1,277	1 131
2002	52 109	22 439	4 980	3,572	3 281	14 873	7 663	1,423	1 278
2003	54 548	25 318	6 635	4,022	3 610	13 412	8 351	1,489	1 416
2004	61 170	29 637	7 994	4,785	4 542	13 731	a)9,462	1,565	1 603
2005	65 657	31 796	8 837	5,146	4 809	14 805	a)9,652	1,823	1 714
Imports to Japan									
2001	42 416	17 987	7 027	2 088	1 723	7 671	5 412	5,384	2 090
2002	42 228	18 358	7 728	1 937	1 699	7 237	5 482	5,095	2 074
2003	44 362	19 727	8 731	2 071	1 656	6 825	5 670	5,928	2 068
2004	49 217	22 224	10 199	2 383	1 805	6 763	a)6,209	6 782	2 457
2005	56 949	25 279	11 975	2 695	1 994	7 074	a)6,470	9 664	3 098

a) In May 2004, the EU was enlarged from 15 to 25 member countries.

Figures after May 2004 are totals of 25 members

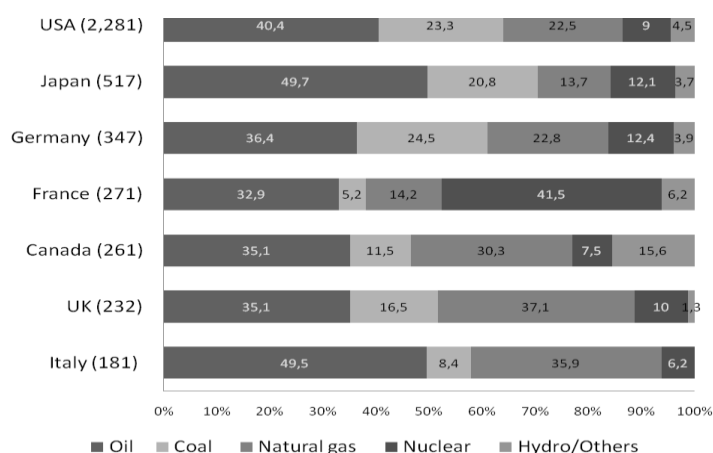
Source: Ministry of Finance

Component Ratios of Foreign Trade of Japan by Commodity (2005)



Source: Ministry of Finance

International Comparison of Energy Sources Used, 2003



Source: Organization for Economic Cooperation and Development /International Energy Agency, Energy Balances of OECD Countries (2002-2003) Note: Figures in parentheses are total energy consumption (million tons of equivalent)

Energy Consumption and Dependence on Imports, 2007

	Consumption	Per capita consumption	Dependence on imports (%)	
			Total	Oil
USA	2 299	7,8	28,4	61,9
Japan	505	4,1	83,6	99,7
Germany	332	4,2	61,2	96,5
France	260	4,4	49,8	98,5
UK	225	3,9	-6,2	-36,0

Source: Agency for Natural Resources and Energy, Organization for Economic Cooperation and Development / International Energy Agency, Energy Balances of OECD Countries (2002-2003), BP Amoco, Statistical review of World Energy 2004. Note: Calculated on a primary energy basis. Negative figures for dependence on imports indicate exports

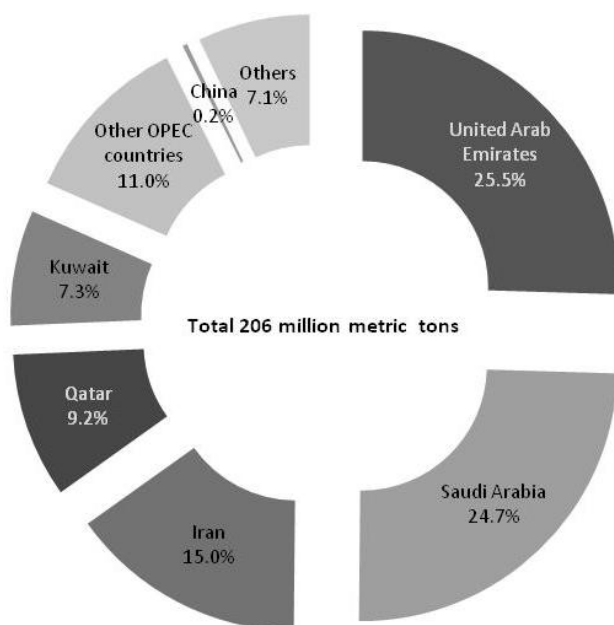
Import of Oil into Japan

(million tons of oil equivalent)

FY	Crude oil		Imports of oil products
	Imports	Consumption	
1990	198.53	199.54	64.91
1995	232.15	230.41	52.24
1996	229.07	228.52	58.90
1997	236.16	233.63	52.88
1998	221.85	225.72	45.49
1999	220.08	223.49	53.51
2000	220.36	220.72	54.29
2001	212.12	213.41	49.37
2002	209.76	210.24	52.04
2003	212.64	213.61	51.84

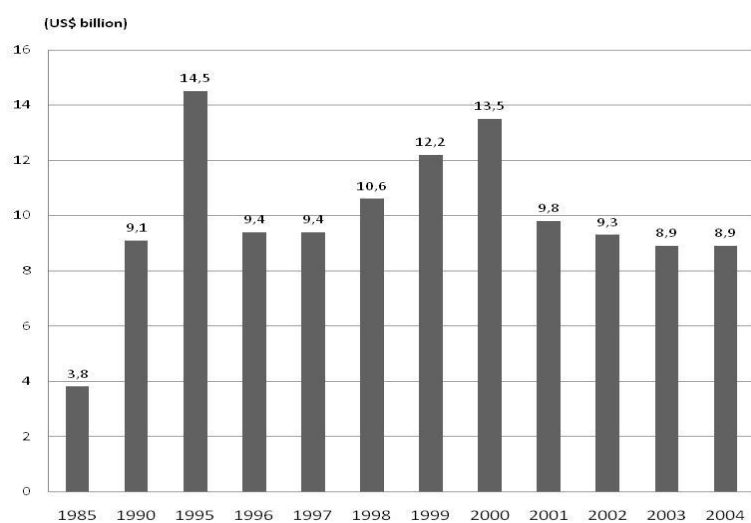
Source: Organization for Economic Cooperation and Development/International Energy Agency, *Energy Balances of OECD Countries (2002-2003)*

Sources of Crude Oil Imports, 2004



Source: International Energy Agency, Oil, Gas, Coal & Electricity, Third Quarter, 2008

Trends in Japan's Official Development Assistance



Source: Ministry of Foreign Affairs, Seifu kaihatsu enjo hakusho(ODA White Paper), 2005

Note: Excludes Assistance to East European countries 2004: Calculated from a provisional figure

Official Development Assistance Disbursed by Major Countries, 2003

	Amount disbursed (US\$ million)	Share of Total (%)	Ration to GNP (%)	Per capita amount b) (US\$)
USA	18 999	24.3	1.16	56
Japan	8 906	11.4	0.19	70
France	8 475	10.8	0.42	121
UK	7 836	10.0	0.36	106
Germany	7 497	9.6	0.28	82
Netherlands	4 235	5.5	0.74	245
Sweden	2 704	3.4	0.77	267
Spain	2 547	3.2	0.26	46
Others	17 417	22.3	—	—
Total /Average a)	78 616	100.1	0.26	67.6

Source: Ministry of Foreign Affairs, *Seifu kaihatu enjo hakusho* (ODA White Paper), 2005.

Note: Provisional figures except for Japan.

Excludes assistance to East European countries and ODA graduates a. Total/Average of the 22 member countries of the OECD Development Assistance Committee b. 2003

Major Recipients of Bilateral Official Development Assistance from

2002		2003		2004	
Amount disbursed (US\$ million)	(Share of total (%))	Amount disbursed (US\$ million)	(Share of total (%))	Amount disbursed (US\$ million)	(Share of total (%))
China	829 (12.32)	Indonesia	1,142 (18.99)	China	965 (16.20)
Indonesia	538 (8.00)	China	760 (12.63)	Iraq	662 (11.12)
India	494 (7.34)	Philippines	529 (8.79)	Vietnam	615 (10.33)
Vietnam	375 (5.57)	Vietnam	484 (8.05)	Malaysia	257 (4.31)
Philippines	318 (4.73)	India	326 (5.42)	Philippines	211 (3.55)
Pakistan	301 (4.48)	Pakistan	266 (4.43)	Sri Lanka	180 (3.02)
Thailand	222 (3.31)	Sri Lanka	172 (2.86)	Afghanistan	173 (2.90)
Azerbaijan	142 (2.11)	Kazakhstan	136 (2.27)	Pakistan	134 (2.25)
Bangladesh	123 (1.82)	Afghanistan	134 (2.24)	Kazakhstan	131 (2.20)
Peru	120 (1.78)	Cambodia	126 (2.09)	Cambodia	115 (1.94)

Japan Source: Ministry of Foreign Affairs, *Seifu kaihatu enjo hakusho* (ODA White Paper), 2005

Trends in Research and Development

Year	Researchers 1) (1,000)	Females (%)	Fiscal Year	R&D expenditures (bil. Yen)	GDP 2) (bil Yen)	Ratio of R&D expenditures to GDP (%)
1996	698	9.3	1995	14,408	500,003	2.88
1997	a)721	a)9.8	1996	a) 15,079	514,269	a)2.93
1998	731	10.2	1997	15,742	520,812	3.02
1999	757	10.1	1998	16,140	512,784	3.15
2000	762	10.6	1999	16,011	508,283	3.15
2001	751	10.9	2000	16,289	513,478	3.17
2002	756	a)10.7	2001	a) 16,528	501,281	a)3.30
2003	757	11.2	2002	16,675	497,530	3.35
2004	787	11.6	2003	16,804	501,649	3.35
2005	791	11.9	2004	16,938	505,428	3.35

1) In full time equivalent, with the number of researchers partly engaged in R&D recalculated based on the real R&D hours consumed by them. 2) Chained 200

a) The coverage was expanded
Source: Statistics Bureau, MIC

Government's Science and Technology Budget

FY	Science and	Increase over	Share of
1994	2358,5	4,1	3,2
1995	2499,5	6,0	3,5
1996	2810,5	n/a	3,7
1997	3002,6	6,8	3,9
1998	3032,2	1,0	3,9
1999	3156,7	4,1	3,9
2000	3286,0	4,1	3,9
2001	3468,5	n/a	4,2
2002	3544,4	2,2	4,4
2003	3597,4	1,5	4,4
2004	3608,4	0,3	4,4
2005	3578,5	-0,8	4,4

Source: Ministry of Education, Culture, Sports, Science and Technology, *Kagaku gijutsu yoran* (Indicators of Science and Technology), 2005.

Note: With the implementation of the Science and Technology Basic Plan in 1996 and 2001, enlarged from those years the items covered by the science and technology budget have been enlarged from those years
a. initial budget

