

# Japan and China in the Changing Asia

#### Recommendations –

- 1. Rapidly Resume Leader's Visits and Agree on the Holding of Summit Meetings on a Regular Basis.
- **2.** Strengthen Multi-level Frameworks for Dialogue and Affirm a Wide Range of Common Interests.
- **3.** Actively Participate in Asian Cooperative Frameworks and Promote Japan's Vision for an East Asian Community.
- 4. Indirectly Support Japanese Companies, to Promote Bilateral Trade Ties.
- **5.** Continue to Expand Japan's Grassroots Grant Program and Resolve the Problem of Abandoned Chemical Weapons.
- **6.** Further Promote Educational Exchange Programs, Especially for Foreign Students and Researchers.
- 7. Create Opportunities for Periodic Exchanges of Views among Chinese Opinion Leaders and Japanese Experts.
- 8. Promote Bilateral and Multilateral Historical Research Projects.
- **9.** Establish a Common Awareness of Technical Aspect of the Problem of East China Sea Resources Development.

#### October 2006

THE POLICY COUNCIL THE JAPAN FORUM ON INTERNATIONAL RELATIONS

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Introduction to The Japan Forum on International Relations

### Introduction

Change is now sweeping across Asia, including India and elsewhere in South Asia. The most obvious change is the recent remarkable economic growth in China, where GDP has already surpassed that of the United Kingdom and France and is now fourth in the world, after the United States, Japan and Germany. China has become an economic powerhouse, spurring the growth of the global economy. The discord and division in Asia over the last few decades is now being replaced by a healthy trend toward cooperation and integration. The emergence of China as an economic power is an important factor in this trend. Since the mid-1990s, China has maintained a stance favoring multilateral cooperation in the region, and is now discussing a vision for future regional integration.

This trend toward cooperation and integration, however, could be seriously obstructed by a number of problems, particularly religious and ethnic conflicts, terrorism, crises on the Korean peninsula such as nuclear development by North Korea and the possibility of that country's collapse, and uneasy relations between mainland China and Taiwan, facing each other across the Taiwan Strait. On a more positive note, meetings of the ASEAN + 3 (members of the Association of Southeast Asian Nations, plus Japan, China and South Korea) are held on a regular basis, and the East Asia Summit was held at the end of 2005, earlier than expected. These gatherings have confirmed the will to establish a future "East Asian Community," further spurring the movement toward cooperation and integration in East Asia since the beginning of the 21st century.

It must be admitted that some people in Japan harbor suspicions or

fears about these trends, which they say would be strongly influenced by a rising China that would try to take a leading role to the exclusion of the United States. Accepting such a scenario, they say, could lead to Japan being pulled against its will in the direction wanted by China. But if Japan continues to regard any growing trend toward cooperation and integration with suspicion, it must be prepared to find itself isolated from the rest of Asia. Japan is not so weak that it would be pulled in any direction a rising China might want. People harboring such suspicions or fears do not have a high enough estimation of their own country.

If there is a reason for doubt or fear, it should be because of a lack of determination and strategic thinking to be proactively involved in these trends by setting goals aligned with Japan's national interest, developing measures to achieve those goals, and implementing those measures. During discussion of these issues in Japan, differing opinions have been put forward. We can categorize the opinion holders into two camps: optimists who say Japan should become actively involved in promoting regional cooperation and integration, and pessimists who harbor the suspicions or fears mentioned above.

Asian leaders have come to share a basic understanding on establishing an East Asian Community, but there are still no fundamental principles to guide this future entity, and still no agreement on what exactly it comprises.

One thing that does appear certain is that China, with its growing influence, has joined the United States as a major player in the Asian region. China's rise is seen in a number of sectors. In the economic arena, as mentioned above, its GDP surpassed that of the United Kingdom in 2005, and it is now the fourth highest in the world. In 2004, its total trade surpassed that of Japan, and it is now the third highest. Per-capita GDP in China is still only US\$1,700, far below that of developed countries, but in Beijing, Shanghai, Guangzhou and some other cities on or near the coast it is about US\$6,000. Those parts of China are becoming the world's marketplace and are home to a growing number of affluent people. In the political and diplomatic arenas, China has been hosting six-party talks regarding the Korean peninsula's nuclear crisis, has exhibited leadership on the question of formation of an East Asian Community, and is actively promoting efforts to strengthen the Shanghai Cooperation Organization (SCO). In these and other ways, it has clearly assumed the position of a major power. The international community, especially China's neighbors in the region, is examining how best to deal with the reality of China's rising influence, and the focus of attention often turns to the reaction of Japan, a major Asian country. The purpose of the recommendations in this policy paper is precisely to offer guidelines for, as our paper is entitled, "Japan and China in the Changing Asia."

It is not easy to develop a uniform idea of the implications of China's rise. For one thing, China is a huge and varied country, and the impact of its rising influence and the magnitude of its internal problems are very great. For another thing, China's rising influence is manifested in its active diplomacy, which may create an optimistic view of a responsible stakeholder collaborating with other major powers and its neighbors, or a negative view suspicious of what are regarded as the egotistical designs of a country that has already publicly announced it is dissatisfied with the existing global order, will strive to establish a new international politico-economic order, and aims to restore the greatness of the Chinese people. But putting aside for the moment these conflicting views, what is important for Japan and other countries in a

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changing Asia is that China continues to grow in the economic arena, remains stable in the political arena, and continues to promote collaboration in the diplomatic arena.

Today, Japan and China are major powers occupying by far the most important place in Asia, with the world's superpower, the United States, occupying a position of influence between them. Over the last 160 years of Sino-Japanese relations, there has never been a time when the two were both major countries on an equal footing. It could be that both countries are confused about how to deal with this new situation. This would indicate that former Prime Minister Koizumi Junichiro's visits to Yasukuni Shrine are not the only stumbling block to better relations. We have drawn up these Policy Recommendations in the awareness that they must meet the demands of the new situation described above.

These Policy Recommendations are addressed to Japan's new prime minister, and are predicated on the following.

- (1) Cordial relations with China are important not only for Japan's security and economic wellbeing but also for the peace and prosperity of Asia. For these reasons, Japan should work proactively to build a better relationship, giving this goal a high priority.
- (2) Unlike Japan where freedom of speech is guaranteed in Japan, in China the people's view of Japan tends to be influenced by a nationalistic educational curriculum promoted by the Communist government. Japan needs to stress that the existence of diverse values is essential for a flexible political system, and needs also to urge China to permit differences of opinion, including opinions favoring friendship with Japan.

- (3) Japan shares with another East Asian country, South Korea, respect for such basic values as liberty, democracy and the rule of law, and both countries should work together in urging China to respect these values. For this reason, too, Japan should promote better relations with South Korea and work for policy coordination.
- (4) One stumbling block to better Sino-Japanese relations is that the countries still have different national interpretation of history. Former Prime Ministers Murayama and Koizumi both issued statements on the occasion of the 50th and 60th anniversaries, respectively, of the end of the war, but there is still a need for a more comprehensive, internationally convincing historical perspective on World War II, with regard to the question of what was that war for the Japanese people themselves.
- (5) Japan should develop and promote an East Asian Community vision of a framework that renounces war and promotes the sharing of universal values such as liberty, democracy and the rule of law.

These Policy Recommendations have been drawn up after analyzing how the reality of an Asia in transformation relates to the rise of China. They suggest guidelines for the direction of future Japanese policies regarding China, and for problem resolution.

Based on our perspectives described above, we present our "Analysis" in Part I of this paper, and in Part II, organize and present our "Recommendations."

The "Introduction" and the "Recommendations" parts of the Policy Recommendations are translated in English and, together with the full text of the Policy Recommendations in Japanese, are distributed to various circles of people and made accessible at the website of the Japan Forum on International Relations, <u>http://www.jfir.or.jp/</u>.

The Policy Council of the Japan Forum on International Relations first met to consider the draft of the Policy Recommendations on October 31, 2005, and adopted them in the final form at its fourth meeting on August 1, 2006. During this time the Task Force headed by Prof. KOJIMA Tomoyuki, Keio University, and staffed by Prof. NAKAI Yoshifumi, Gakushuin University, Mr. NAKATSU Yukihisa, Staff Writer, International News Department of the Yomiuri Shimbun, and Mr. MASUDA Masayuki, Research Fellow at the National Institute for Defense Studies, assisted the Policy Council in drafting the final text of the Policy Recommendations.

Once the final text was confirmed, it was sent to all the members of the Policy Council, and the following 78 members of the Council indicated their approval of its contents. Their names appear below as co-signers of the Policy Recommendations.

On this occasion, we would like to thank Prof. SOEYA Yoshihide, Keio University, for his valuable opinions expressed at the second meeting of the Policy Council. We would also like to mention the helpful insights we have received from senior officials of our government, who willingly granted us their precious time to attend our meetings as individuals in their advisory capacity as Policy Council Counselors.

Let us also add that the views expressed in the Policy Recommendations do not represent those of Prof. SOEYA Yoshihide or the ministries and agencies represented by the Policy Council Counselors and that sole responsibility for the contents of the Policy Recommendations lies with those members of the Policy Council who signed them.

October 2006

#### Co-Signed by:

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Vice-Chairman of the Policy CouncilYOSHIDA HarukiPresident, T President, The Yoshida Labo for Economics and Industry, Inc.

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AKIMOTO Kazumine	Representative, Akimoto Ocean Institute
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OHTA Masatoshi	former Ambassador to South Africa
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(In alphabetical order)

#### The Recommendations

As a major Asian country, Japan has the responsibility to contribute actively to the establishment of a new order promoting security and prosperity in the rapidly changing Asia of the future. The following nine recommendations propose ways for Japan to fulfill this responsibility. The recommendations spring from considerations regarding Japan and China in the changing Asia, which are presented in "Part 1: The Analysis".

#### 1. Rapidly Resume Leaders' Visits and Agree on the Holding of Summit Meetings on a Regular Basis

The November 1998 Japan-China Joint Declaration confirmed an annual visit by a leader of either country to the other. This arrangement should be quickly restored, and agreement should be reached on holding summit meetings on a regular basis. The leaders of both countries should reaffirm that the two countries, whose relationship is marked by the fact that both are major countries in Asia, have a solemn responsibility to ensure peace and development in the region. Rapidly following this agreement and reaffirmation, summit meetings should be held regularly to ensure that the two countries resolve bilateral issues and undertake multi-level policy coordination aimed at establishing a new regional order for security and prosperity. In addition, a hotline linking the governments of Japan and China should be established as soon as possible. The top leaders of the United States and China quickly conferred directly with one another by telephone over the issue of North Korea's recent missile tests, but no such talks were held between the leaders of Japan and China. It is important that arrangements be

established to ensure that direct consultations can be conducted through visits or telephone calls whenever required.

# 2. Strengthen Multi-level Frameworks for Dialogue and Affirm a Wide Range of Common Interests

Bilateral communication at levels below summit meetings is also essential — existing frameworks promoting dialogue should be strengthened in all governmental spheres, and new frameworks for should be established. When strengthening dialogue dialogue frameworks in such spheres as politics, diplomacy, security, military affairs and culture, areas of common interest should first be identified and agreed upon at the government level, and ways to coordinate policy should be explored. It is especially important to promote dialogue and exchange in the spheres of security and military affairs. Since the peoples of both countries have views of each other that have deteriorated over time, there is a risk that this situation could spread to security and military issues, eventually leading to a so-called "security dilemma." Reinforcing the bilateral communication capabilities of defense authorities is essential to avoid the possibility of an accidental confrontation. Examples of areas of common interest are anti-terrorist efforts, prevention of the spread of weapons of mass destruction, and maritime security. The possibilities of cooperation in such areas should be explored. In addition, both countries have a solemn responsibility to ensure peace and prosperity in the Asian region. They should therefore promote economic integration in Asia, and share a roadmap designed to prevent another economic crisis. We also recommend exploring the creation of frameworks for dialogue among Japan, China and East Asia, and among Japan, China and Central Asia, to encourage comprehensive

discussions on such issues as promotion of the Asian Development Bank's programs, negotiations within the WTO, establishment of a Japan-China free trade agreement, technical support for currency management mechanisms, and regional collaboration in the political and security spheres.

## **3.** Actively Participate in Asian Cooperative Frameworks and Promote Japan's Vision for an East Asian Community

Japan and China have a common interest in ensuring that the trend toward cooperation and integration in Asia is maintained. Japan should therefore actively participate in the development of a regional cooperative framework. To ensure that these trends are maintained in the region, it must be affirmed that they would bring economic benefits, but it is also essential that one ultimate political goal is the sharing of basic values such as liberty, democracy and the rule of law. Japan should of course energetically participate in existing cooperative frameworks such as the six-party talks, the ASEAN + 3, East Asia Summits, Asia-Pacific Economic Cooperation (APEC) and the ASEAN Regional Forum (ARF). However, Japan's participation should not be oriented solely toward economic benefits, but should include a proactive demonstration of Japan's status as a nation built on fundamental values. Thus, Japan should, as a long-term goal, avoid pessimistic approaches and develop a positive vision of an East Asian Community that shares basic values. This vision must be presented positively to countries in the region, and to US, European and other media through the United Nations and Japan's overseas diplomatic offices. When faced with a China that is skilled at molding public opinion, Japan cannot remain silent, because this would make it impossible to ensure that its positions are understood and supported. Japan needs to communicate to the Chinese people, especially in Beijing, Shanghai, Hong Kong and other major cities, the foundation on which its Asian strategies and its policies vis-à-vis China are based: the promotion of peace and democracy. Effective ways to do this include using media such as the Internet, blogs, television, newspapers and magazines, as well as seminars and round-table discussions involving politicians, journalists, researchers and others, whenever the opportunity arises.

#### 4. Indirectly Support Japanese Companies, to Promote Bilateral Trade Ties

The Japanese government should indirectly support Japanese firms operating in China in order to further promote bilateral economic ties. The anti-Japanese demonstrations in China in April 2005 indicated to Japanese firms operating there that China is still a high-risk country. Companies must take it upon themselves to invest and set up operations in a foreign country, and one thing the Japanese government can do is to try to eliminate obstacles to private-sector business activities. The Japanese government should continue stressing to the government of China the need to develop a favorable business environment for long-term Japanese corporate investment. By "favorable business environment" we mean such factors as the maintenance of conditions promoting the accumulation of capital, the adoption and enforcement of business-friendly legislation, the training of a high-caliber labor force, the protection of intellectual property, a stable political system, and social harmony. Since the Chinese government has yet to ensure these conditions adequately, it would be effective for the government of Japan to provide Japanese companies not only technical and financial support but also information on central and local government policies in China, the application of relevant laws and regulations, Chinese corporate trends, current conditions in the country's various regions, and other information they may need.

#### 5. Continue to Expand Japan's Grassroots Grant Program and Resolve the Problem of Abandoned Chemical Weapons

Japan's grassroots grant program for China should be expanded, not just continued. Since 1979, Japan has provided China with official development assistance (ODA) in the form of low-interest yen loans, grants and technical support totaling more than 3 trillion yen. In the November 1998 Japan-China Joint Declaration, China expressed its "gratitude" for Japan's ODA and other forms of economic cooperation. It has been agreed that the yen loan program for China will terminate in 2008, and subsequently it would be advisable for both governments to work together to enumerate the results of Japan's ODA for China, and to identify future challenges. Grassroots grants, each valued at about 10 million yen and administered by Japan's embassy and consulates general in China, should continue to be expanded. Recipient projects should not be those requiring huge amounts of capital, but those promoting environmental protection, primary education, medical care, the alleviation of poverty, etc., in disadvantaged regions such as the interior and farming villages. Another issue, that of the so-called abandoned chemical weapons left by the former Japanese military, involves chemical weapons turned over to the Chinese side as part of the disarmament process. It has been indicated that the problem of Japan's "abandoned chemical weapons" has not been raised by any country other than China. In any event, it is important that the weapons are disposed of in a way that meets with the approval of the Japanese people. In addition, scientists in both South Korea and Japan have identified the source of acid rain in both countries as being atmospheric emissions in China's industrial northeast. Japan should offer long-term technical and financial support for environmental protection measures in that part of China.

#### 6. Further Promote Educational Exchange Programs, Especially for Foreign Students and Researchers

There is a need to raise the quality of exchange programs for Chinese students and researchers in Japan. More than half of all foreign students currently studying in Japan are Chinese, and it is thought that about 100,000 people from China have studied in Japan. Unfortunately, at the present time it cannot always be said that they are treated well. Universities outside major urban areas in Japan are losing Japanese students, so many of them accept foreign students from China even when they assume the students are coming to Japan under student visas not to study but to work. This, too, indicates a need to raise the quality of Japan-China educational exchange programs. The governments of both countries should work together to design a better overseas student system which enables Chinese experts who have studied in Japan to use their elite skills in Chinese society. Meanwhile, many Japanese people studying in China face difficulties. There is a need to make educational exchange programs linking the two countries more attractive, and this can be done through the expertise and know-how available in the public and private sectors. The Japanese government could also promote the exchange of researchers through strong ODA financial support for joint projects researching such issues as questions of a historical interpretation and the prevention of infectious diseases, for human

resource exchanges in many fields, such as law and medicine, and for research tie-ups among universities and research institutes.

#### 7. Create Opportunities for Periodic Exchanges of Views among Chinese Opinion Leaders and Japanese Experts

Opportunities should be given to Chinese opinion leaders and Japanese experts to exchange views on a regular basis. The information age is penetrating China as well — cellular phones and Internet use are remarkably common in urban areas, and the government is now finding it difficult to control the transfer of some restricted information. For example, news of the 2003 SARS epidemic surfaced after a whistleblower gave information to the foreign media. Journalists and academics in China are gradually gaining the ability to strongly criticize the arbitrary information management practices of the Communist Party's communications division. Japan should welcome this expansion of free speech in China, and should perhaps even welcome the expression of an even wider range of views by, for example, inviting not only pro-Japan people but also responsible people who have criticized Japan in word and deed. Conversely, opportunities could also be created for Japanese experts known for their anti-Chinese stance to speak in China and exchange views frankly with counterparts there. This type of grassroots exchange would be most worthwhile, although it is practically impossible at the present time because of China's strict censorship. In the meantime, an exchange of opinions should begin with programs for the above-mentioned exchanges among Chinese opinion leaders and Japanese experts. Japan should also consider establishing Sino-Japanese and multilateral youth forums, in addition to using existing forums for such purposes.

#### 8. Promote Bilateral and Multilateral Historical Research Projects

The governments of both countries have already reached basic agreement on government support for joint research projects examining historical issues over which there is disagreement. It is naturally difficult for people from countries with different cultures, historical backgrounds, political systems and stages of development to share the same interpretation of history. Even so, government support for the above-mentioned joint research projects can be positive, because it has the possibility of resulting in a shared agreement on the historical facts, or at least a mutual understanding of the different interpretations. China has announced a campaign to discover the truth, and a revision of exaggerated numbers of victims of the Sino-Japanese war and a reevaluation of the role of the Nationalist Party have begun. Japan should urge China to jointly initiate research projects examining historical issues over which there is basic agreement. And in the future, Japan should propose to China the establishment in East Asia of multilateral research projects as well, involving the participation of Southeast Asia nations, South Korea, Taiwan, the United States and other countries.

#### 9. Establish a Common Awareness of Technical Aspect of the Problem of East China Sea Resources Development

The development of resources under the East China Sea is an issue involving sovereign rights, such as the right to establish an exclusive economic zone (EEZ). It is also a political issue. The government of Japan should clearly announce its intention to protect Japanese sovereignty and the national interest, and should then explain its position in a way that receives international understanding. On the other hand, if attention turns to joint resource development, this could result in a major common interest for both countries. Ensuring this common interest would certainly advance Japan's national interest. With regard to the possibility of joint development, during Japan-China consultations in July 2006, agreement was reached on holding meetings that bring together people with technical expertise in undersea resource development. Japan should continue to promote discussions among experts and others regarding the technical aspects of joint development, should work to build a consensus on those technical aspects, and should explore the possibilities of achieving a common interest in this area.

### Appendix

#### Introduction to The Japan Forum on International Relations

#### [History]

The Japan Forum on International Relations, Inc. (JFIR or The Forum) was founded on March 12, 1987 in Tokyo on the private initiative of Dr. Okita Saburo, Mr. Hattori Ichiro and 61 other independent citizens from business, academic, political and mass media circles of Japan. They agreed that a policy oriented research institution in the field of international affairs independent from the government was most urgently looked for in Japan because the world now wanted to know not only what the Japanese government spoke about but also what the Japanese people thought about. They were also convinced that Japan was now expected not only to think about its own role in the international community but also to contribute to breaking new ground in the search for a new world order.

#### [Purpose]

The Forum is a nonprofit and nonpartisan membership organization dedicated to improved understanding of Japanese foreign policy and international relations. The Forum takes no institutional position on issues of foreign policy, though its members are encouraged not only to analyze but to propose alternatives on matters of foreign policy. Though the Forum helps its members to formulate policy recommendations on matters of public policy, the views expressed in such recommendations represent in no way those of the Forum as an institution and the responsibility for the contents of the recommendations is that of those members of the Forum who sign them alone.

#### [Organization]

The Japan Forum on International Relations is a membership organization. There are four categories of membership in the Forum; corporate membership, associate corporate membership, individual membership and associate individual membership. The Forum as a whole is governed by the Board of Directors, which is in charge of the management, and is supervised by the Board of Trustees, which is a consultative body. The Board of Trustees elects Directors and Auditors and advises the Board of Directors on such important issues as the adoption of an annual budget and an annual work program. Chairman, Vice Chairmen, President and Executive Director, are elected for a term of two years by the Board of Directors and are eligible for reelection.

#### [Activities]

The Japan Forum on International Relations conducts a variety of activities hosting conferences, organizing research programs, and publishing research reports and policy recommendations. The most significant of such activities of the Forum is carried out by the Policy Council, which is engaged in policy research and helps its members to produce Policy Recommendations. A list of the 27 sets of Policy Recommendations which have so far been adopted by the Policy Council, presented to the Prime Minister of Japan and published is as follows;

- "The Structural Adjustment of Economies of Japan, U.S. and Asian NICs" drafted by the Task Force headed by Prof. Watanabe Toshio (March 3, 1988)
- (2) "Long-term Political Vision for Stabilization and Cooperation in Northeast Asia" by the Task Force headed by Prof. Kamiya Fuji (March 15, 1989)
- (3) "How to Best Utilize Economic Resources of Japan for Development of World Economy" by the Task Force headed by Mr. Kanamori Hisao (July 25, 1989)
- (4) "Japan, the United States and Global Responsibilities" by the Task Force headed by Prof. Inoguchi Takashi (April 5, 1990)
- (5) "Stabilization of the International Monetary and Trade Systems" by the Task Force headed by Mr. Mano Teruhiko (August 14, 1990)
- (6) "Japan's Response to the Changing Soviet Union" by the Task Force headed by Prof. Takubo Tadae (April 10, 1991)
- (7) "For a More Open Market in Japan" by the Task Force headed by Mr. Takenaka Ichio (failing to be adopted by the Policy Council on February 27, 1992)
- (8) "The Strengthening of the U.N. Peace Function and Japan's Role" by the Task Force headed by Prof. Sato Seizaburo (October 7, 1992)
- (9) "Japan's Response to the Transformation of Socialist Economies in Asia" by the Task Force headed by Prof. Sato Tsuneaki (June 8, 1993)
- (10) "Political Cooperation with Europe: Japan's Agenda for 21<sup>st</sup> Century" by the Task Force headed by Prof. Nakanishi Terumasa (November 16, 1993)
- (11) "*The Future of Regionalism and Japan*" by the Task Force headed by Mr. Kobayashi Minoru (June 17, 1994)
- (12) "The Future of China in the Context of Asian Security" by the Task Force headed by Prof. Kojima Tomoyuki (January 25, 1995)
- (13) "The Essence of U.S.-Japan Economic Conflicts and Japan's Response" by the Task Force headed by Prof. Shimada Haruo

(August 3, 1995)

- (14) *"The Perspective of Security Regimes in Asia-Pacific Region"* by the Task Force headed by Prof. Watanabe Akio (June 5, 1996)
- (15) *"The WTO System and Japan"* by the Task Force headed by Prof. Sakamoto Masahiro (November 27, 1997)
- (16) "Japan's ODA in the 21<sup>st</sup> Century" by the Task Force headed by Prof. Kusano Atsushi (March 5, 1998)
- (17) "Japan and International Society in the Age of Information Revolution" by the Task Force headed by Prof. Kumon Shunpei (August 24, 1998)
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