



Conference Report

**Reconstruction of Iraq: U.S.-Japan Cooperation and  
Implications for the Future of the Alliance**

May, 2004

Japan Economic Foundation  
Center for Strategic and International Studies

## **Opening Remarks**

Dr. John Hamre's opening remarks linked the inextricable relationship between the reconstruction of Iraq, U.S.-Japan relations, and the future of the alliance. Dr. Hamre noted the urgency and necessity of a successful reconstruction effort in Iraq, a sustainable governance structure being a major focus but the fragile economy and infrastructural damage and neglect as well. Mr. Noboru Hatakeyama's subsequent words mentioned Japan's current reconstruction efforts. He pointed out Japan's official development assistance, debt forgiveness, and dispatch of Self Defense Forces (SDF) to Iraq, thus reaffirming Japan's cooperation with the United States in reconstruction of Iraq.

## **Keynote Speech**

### **The Honorable Alan P. Larson Under Secretary of State for Economic, Business, and Agriculture**

Under Secretary Larson states that Iraq is making progress towards a united sovereign state despite current challenges facing the coalition. Iraq currently possesses an independent central bank as well as a stable currency. Production levels are up; oil is above pre-war levels and electricity has increased four-fold. Larson also mentions educational advances; 5.5 million children are back in school as well as 2600 schools rehabilitated by the coalition. Health care improvements include; three million children are vaccinated against polio and other diseases in addition to health care spending increasing thirty-fold. There are also now 680 democratically elected councils not to mention various individual construction projects around the country.

Under Secretary Larson then cites President Bush's outline to the reconstruction process:

- Transfer of sovereignty at the end of June
- Strengthening of security in the country
- Work to rehabilitate economic infrastructure
- Increase of international support via United National Security Council (UNSC) and economic fora
- Movement toward democratically elected government

Under Secretary Larson commends Prime Minister Koizumi's unwavering political and economic support in post-war Iraq. Japan's commitment became clear initially at the Madrid Donors Conference last year when five billion dollars was pledged to contribute to short and long-term stability. Iraq being a highly indebted nation with external debt of over 120 billion dollars, Japan being the largest creditor with about 8 billion. Under Secretary Larson notes Prime Minister Koizumi's pledge to eliminate a vast majority of claims on Iraq provided that other Paris creditors reached agreement on debt reduction. Japan still lays the leading role on donations to Iraq through World Bank and the UN trust funds.

Under Secretary Larson states that not only Japan's financial contribution but Prime Minister Koizumi's landmark decision of deploying the SDF on humanitarian missions to be particularly significant. A politically bold step, this decision challenged a

post-war taboo of almost 60 years. Now with over 550 SDF troops contributing to reconstruction efforts, Prime Minister Koizumi has repeatedly affirmed his commitment to the international community through adversity, notably the 2 murders of diplomats and the more recent kidnappings.

In conclusion, Under Secretary Larson addressed the shared values between the United States and Japan; respect for democracy, human dignity, and economic liberties. Noting Japan's new approach to foreign aid and willingness to participate in coalitions, Under Secretary Larson anticipates a more strategically assertive Japan on the international stage. The joint efforts in Iraq, he concludes, will only strengthen the US-Japan alliance now in its 50<sup>th</sup> year.

## **Questions and Answers**

The one question from the audience was the impact of involvement in Iran on the US-Japan relationship concerning Iraq. Under Secretary Larson responded that the United States and Japan have deep candid dialogue on many issues. Both countries share a profoundly held view that Iran has an obligation to live up to its obligations to the international community with respect to weapons of mass destruction and International Atomic Energy Agency commitments.

## **SESSION 1**

### **Evolving U.S.-Japan Relationship**

Ambassador Shunji Yanai opened the session by introducing two approaches to viewing the U.S.-Japan alliance. The first being through bilateral efforts to strengthen the alliance such as the Joint Declaration in 1996, the adoption of the new guidelines for defense cooperation in the subsequent year, the conclusion of the Acquisition and Cross-Servicing Agreement and presently the cooperation of the missile defense system. The other approach would be to examine the major crises of the last decade, the major issues, and how Japan reacted to them. Ambassador Yanai refers to three events:

1. The Gulf War

Japan was caught unprepared to take actions with the international community in collective efforts. The absence of Japan's physical presence in Iraq attributed to the lack of appreciation from the international community for its 13 billion dollars of financial assistance.

2. The 50<sup>th</sup> anniversary of the Japan-US Security Treaty and September 11<sup>th</sup>

The terrorist attacks confirmed the necessity to strengthen the US-Japan alliance, established three days previous in San Francisco in which the bilateral partnership was reaffirmed. Ambassador Yanai notes Mr. Koizumi's anti-terrorism measures immediately following September 11th, most notably the dispatch of the SDF for logistical support to the Indian Ocean.

3. The War in Iraq

The Japanese government supported the issue concerning the use of force against Iraq by the United States from a legal standpoint. Due to the North Korean nuclear program, Japan could not overlook the development of Weapons of Mass Destruction (WMD) in Iraq. Currently, Japan's SDF in Samawah is providing assistance rehabilitating infrastructural facilities such as schools and hospitals. However, public opinion in Japan concerning the dispatch of SDF still remains split 50/50.

Ambassador Yanai feels that the awareness of the Japanese people of the need for more active contributions to the maintenance of international peace and security have grown in 4 stages:

1. Japan's attempt to send SDF to the Gulf area but resulting in financial contributions due to heavy resistance from opposition parties.
2. Japan's decision to participate in UN Peace Keeping Operations (PKO) by sending SDF personnel to conflict areas. In 1992, the Diet passed the International Peace Cooperation Law. Since then, Japan has participated in PKO in Cambodia, Mozambique, and Golan Heights.
3. Logistical support given by the MSDF ships to coalition forces in the Indian Ocean.
4. Japan's SDF operations in Iraq, an armed conflict area, for humanitarian and reconstruction assistance.

In conclusion, Ambassador Yanai noted that the government of Japan has decided to review the national defense program outline and adopt a new outline that will be applied next year. Prime Minister Koizumi established an advisory committee to make recommendations as to what capabilities Japan should acquire in order to meet new security challenges.

Ambassador Rust Deming followed Ambassador Yanai by reiterating the contrasting responses of Japan since the first Gulf war, but focusing more on the challenges ahead. He referred back to the first Gulf War and how Japan's generous financial contribution, fell short of US expectations, creating a negative image of Japan in the United States as a taker in the international system. Since then, such events as the 1994 nuclear crisis in Korea, helped initiate a new post cold war justification for the US-Japan alliance and lead eventually to the new guidelines. According to Ambassador Deming, all of which lead to the framework and basis for what happened in 2001 after September 11<sup>th</sup> as well as stimulating debate on collective self-defense in Japan.

Ambassador Deming commended Prime Minister Koizumi's quick and unprecedented response in a very tricky domestic and international political environment. Noting that Japan's reactions post 9/11 could have been very different had there been a different leader. According to Ambassador Deming, Mr. Koizumi's response to the current Iraqi conflict has changed the US-Japan alliance for the better. Japan has stepped up and put its own citizens in harm's way, changing the perception of Japan in the United States and how Japan viewed itself.

Ambassador Deming believes that the US-Japan alliance has never been stronger. The personal relationship between President Bush and Prime Minister Koizumi have never been closer, economic and strategic cooperation has never been deeper, and Japan is moving forward putting its own values on the line in an unprecedented way. However, several challenges must be watched closely.

1. The over-dependency of the personal relationship between the two leaders. There is now a need to broaden personal connections and not to keep them at the very top.
2. The outcome of the Iraq War will impact the future of the alliance and Mr. Koizumi. If efforts prove to be unsuccessful, it could make Japan more cautious of overseas activities on UN sanction.
3. The cooperative efforts on Korea have so far been handled successfully. Ambassador Deming divides the situation into 2 scenarios, good and bad:
  - a. Good-solve nuclear issue, reduction of tensions, movement toward unification. However, it would neutralize the "Korean threat" as the organizing principle for the alliance and eliminate the justification of U.S. troops in Japan.
  - b. Bad- if six-party talks fail, possible North Korean nuclear test would solidify the U.S-Japan defense cooperation. However, it might create delicate political issues of how to respond with the Republic of Korea (ROK) and China.

4. The respective bilateral relations among the United States, Japan, and China are good, but there are still different historical and political elements subsisting, particularly concerning Taiwan.
5. A growing discomfort in Japan with the perception of US unilateralism, although it is still subtle. The UN provides a certain source of legitimacy and is still important to Japan. Japan is not sure about US commitment to UN principles, which could damage the alliance in the future if this perception continues, because this is coupled with growing nationalism in Japan.

The military re-alignment is currently taking place with consultation with Japan. Ambassador Deming noted many opportunities are present in Southeast Asia to reinvigorate regional forums, which could be new area for US-Japan cooperation. Also mentioning the Middle East being important, he stressed that Japan can assert its role there, particularly in resolving the Israeli-Palestinian conflict. Lastly, Ambassador Deming points out the need to improve the understanding of the importance of the alliance in Japan and the United States among younger generations. He concludes by stating that a high profile event in both the US and Japan in the next few years with a lot of exposure could really be effective in conveying the significance of the alliance.

## **Question and Answers**

The first question concerned the response of the SDF if put into a dangerous situation/operation. Ambassador Yanai responded that many would suggest withdrawal if the SDF sustains casualties, however, many members of the Liberal Democratic Party (LDP) think the SDF should remain in Iraq even if casualties are suffered. He believes that the Japanese will eventually come to understand that any such operations run risks. Ambassador Deming followed by referring to the incident in Cambodia in 1993 and the more recent death of Japanese diplomats noting the difference in public attitude.

There was a question, directed to Ambassador Yanai, concerned the connection between the Israeli/Palestinian issue and Iraq. Ambassador Yanai began by stating that he believed that the United States was not waging a war for oil. However, because Japan does not have any influence on Israel or Palestine aside from economic assistance to Palestine, Japan expects the United States to influence Israel to reach an agreement.

In response to a question that involved the situation in Iraq and the implications for North Korea, Ambassador Deming mentioned the general perception in Japan that the reason Japan chose to send troops to Iraq was to secure the alliance in case of trouble on the Korean peninsula. In addition to strengthening the US-Japan alliance, Ambassador Yanai noted that Japan is very dependent on the oil supply from the Gulf region, which may not have been so apparent during the war, is understood now.

## SESSION 2

### Political and Security Challenges in Iraq

Dr. Jon Alterman opened the session by stating the worsening security environment in Iraq, which is prohibiting the understanding of what is happening there. A lack of coordination and research speaks poorly of the Coalition Provisional Authority (CPA) and its efforts. There is a need for a clear understanding of who will assume power after June 30, noted Dr. Alterman. The next 6 months, he added, will involve a wide array of people who don't have a great interest in US success, such as Iran and the Sunni extremists. An idea of a strong central government is not even generally accepted in Iraq, many would prefer more local autonomy. However, according to Dr. Alterman, the surrounding states, while they don't want Iraq to destabilize the region if it were to become a commanding democratic power, also don't want chaos in Iraq that would threaten their interests.

The international consensus to force Saddam out from power has not been matched with the same rapport on post-Saddam Iraq. Dr. Alterman noted that UN involvement, though promising, is not guaranteed to work. Though a successful effort could reassert the UN's ability to mediate and resolve international conflicts, there is a possibility that Lakhdar Brahimi could fail. Brahimi is presently negotiating two deals, one with various parties in Iraq and the other with the United States. Dr. Alterman mentions two things that must happen. First, a greater agreement on what needs to be done in Iraq and secondly, to define what tasks need to be done in Iraq and what can be done to achieve them.

Ms Keiko Sakai followed Dr. Alterman and addressed the issue concerning the representation of local groups in the new government. Ms Sakai began by identifying 3 presuppositions:

1. Perception that all opposed to the coalition are Saddam loyalists

Ms Sakai notes, that many opposed to the occupation are against not only United States but also non-local forces. Military autonomy and the defense mechanism of the tribal society, which diminished after the development of the national armed forces, reemerged after the collapse of the centralized army after the Iraq War to maintain local security.

2. The new notion of the Sunni Triangle as the amalgamation of Tikrit, Fallujah, and Baquba characterized by strong anti-US resistance.

The Sunni triangle has been changed from a sheer geographic notion to a political perception. The original triangle used to be more of a loose coalition among the three major local groups. According to Ms Sakai, the reduction in size reflects the coalition's anticipation that the resistance will not expand beyond the triangle.

3. The preconceived equation of the Shiite identity with political Islam.

Ms Sakai asserts that we must distinguish between the Shiite as a local community and Shiite political thought. One should not simply assume that the Shiites are strongly unified in their policies and prefer the leadership of religious scholars as in the case of Al-Sistani, who has been

critical of political intervention. In the absence of the formal legislative body, notes Ms Sakai, ordinary people have no alternative than to use their religious networks to make demands and have their opinion represented.

Ms Sakai states that the post-war circumstances allowed for the political Islamists to play up their political ability, as well as the local tribal forces. Iraq suffered from the absence of the modern state apparatus, not because of the absence of Islamic or tribal social functions, but because of the war and post-war policy. These social functions became a last resort when the state apparatus ceased to function. Ms Sakai believes, however, traditional ties will gradually lessen once Iraqi nationals obtain the institutional method to express their views. But at the moment there is no other choice but to rely on the mediating function of the local social committees.

The last speaker of session 2, Mr. Hideshi Takesada, addressed the political and security problems of Iraq and the role of the UN and Japan's SDF. Mr. Takesada began by discussing the impact of the situation in Iraq on the Northeast Asia issue, specifically the ROK with the movement of U.S. infantry troops.

Mr. Takesada states that the UN is poised to play a much greater and important role in Iraq, believing that increased UN involvement would lead to greater contributions from Japan and other countries. According to Mr. Takesada, Japan's government and ruling party believe that greater UN participation is essential to prevent coalition partners from pulling out. Prime Minister Koizumi has expressed intention to encourage the United States to provide a better environment for cooperation within the international community.

Mr. Takesada mentioned 3 motives as to why the Japanese government sent the SDF to Iraq:

1. Japan has a natural inclination to achieve prestige as a sovereign state among the international community by sending troops.
2. Japan places top priority on its alliance with the UN and the United States. Particularly with the current issue in North Korea concerning WMD's, Japan feels the need to cooperate with other states and work toward non-proliferation, collaborating especially with the United States.
3. Japan lacks natural resources and must secure access to them.

In closing, Mr. Takesada discussed the growing concern of US unilateralism and Japan's seemingly over-dependence on the United States in Asian countries. He believes in a mixture of multilateralism and bilateralism between the UN and the United States to reconstruct Iraq and help solve the North Korean nuclear issue. Through multilateral cooperation and dialogue, Mr. Takesada states, strengthens the US-Japan security relations.



## Questions and Answers

The first question regarded the reluctance of the international community to help the Bush administration due to possible resentment to US unilateralism. Mr. Takesada responded by stating that there are diverse feelings of US unilateralism in different countries. For example, China has been very critical of the United States since the very beginning and don't want Japan to discuss the role of the UN in Iraq. Korea, who has sent close to 4000 military personnel to Iraq, wants the United States to have more close consultations with allied countries, particularly when it devises the Iraqi policy. European countries want the United States to take more account of the role of the UN.

The second question directed at Dr. Alterman and Ms. Sakai concerned the possibility of distinction between insurgent violence and terrorist violence. Dr. Alterman noted a marriage of convenience between people opposed to American or coalition presence. A majority of Iraqis view the United States as occupiers thus leading to sympathy and passive support for the insurgency. Ms Sakai followed by stating a need to separately address terrorists from local uprisings, focusing primarily on how to prevent terrorist activities in Iraq. Two ways, first is to prevent foreign terrorists from entering Iraq through weak borders particularly the Iraq-Iran border. The second problem deals with the economic problems that have sparked terrorist and insurgent movements.

There was a question, again directed at Dr. Alterman, concerned the possible success of the United States in Iraq and the potential role of Iraq in the region in relation to its neighbors. Dr. Alterman stated the need to define "success," noting that it is now more of a matter of damage control. He states the nature of Iraq's relationship with its neighbors is important and wholly depends on the nature of its neighbors; for instance the regime stability of Syria and Iran. Dr. Alterman assesses that Iraq stands to be a reasonably powerful state in the region, however not an overwhelming one. Concerning the Iran-Iraq relationship, he adds that a different civil-religious relationship structure in Iraq could ultimately affect the role of clerics in Iran.

## **SESSION 3**

### **Challenges for Economic Reform and Development**

Ambassador Richard Fairbanks opened the session by stating that the economic situation in Iraq is complicated. An important consideration in Iraq is how the economic well being of its citizens promotes unity and hope for the future. Though we see very large numbers concerning the US contribution in Iraq, Ambassador Fairbanks noted, the actual amount getting through on the ground is much lower. The CPA is also dealing with a command economy created from the days of Saddam Hussein, with most major corporations still state owned. Many of us think that Iraqi economic recovery lies in oil, but as Bob Ebel will tell us, only 1/3 of the current state budget is derived from oil, Ambassador Fairbanks noted.

Dr. Patrick Cronin followed Ambassador Fairbanks' opening remarks and stated that there had been some advances in Iraqi economic recovery. Saddam Hussein is no longer in power, significant aid from the United States and Japan is entering the country, and tangible accomplishments, such as the construction of schools and provision of utilities (electricity, water, etc.), has taken place despite continuing violence.

Dr. Cronin also stressed that the cooperation in Iraq has served to deepen the US-Japan alliance, and might lead the way for further cooperation in Pakistan, Indonesia, and other areas of importance.

The reconstruction challenges in Iraq have been exacerbated by both security and political realities on the ground, as well as flawed planning and implementation. This included an underestimation of the level and duration of violence after the war. Also, Dr. Cronin noted, shortcomings were observed in the planning and implementation of post-war assistance.

Dr. Cronin discussed that it wasn't a lack of good people that complicate Iraq today, but rather shortcomings in decision-making and a Defense Department perspective and prism on these issues which was always going to subordinate economic issue and security issues, and put them off for the future.

There is a question of whether we can keep expanding oil production and avoid fueling a future autocracy or promoting ethnic tensions. Dr. Cronin said that the United States must make sure that energy success leads to political viability and sustainability in a participatory government. This is the challenge that needs to be worked out over the next 5-10 years. Dr. Cronin does not think that failure in Iraq is inevitable, but there clearly are doubts.

The political vacuum in Iraq is of great concern, Dr. Cronin noted, especially as the CPA head towards the June 30<sup>th</sup> deadline for sovereignty transfer. Dr. Cronin asserted that a successful economy must be predicated on stability and security, and stability and security can only come from a legitimate political entity.

According to Dr. Cronin, challenges to economic recovery can be summarized into 3 points:

1. Economic governance must be developed. Iraqis must come up with viable economic institutions capable of managing a central bank and a

national budget. How we can help them achieve this and move away from a centrally planned economy is not yet to be seen.

2. Get money into the hands of the Iraqi's who need it. This has not been done effectively because of confusing and overlapping decision-making, with U.S. State Department and US Agency for International Development (USAID) poised against U.S. Defense Department and the CPA. The Iraq's debt issue is also critical.
3. Have to think how international support will adapt to greater Iraqi sovereignty. The US, Japan, and Europe have to implement timely assistance, follow through on debt forgiveness, and provide security and political support for Iraq.

The third speaker of session 3, Mr. Robert Ebel first evaluated that Iraqi opposition expected 3 givens after hostilities ceased. They are: 1. No occupying army, 2. Iraqis will govern immediately, and 3. Iraqis get to control oil production. In reality, however, Mr. Ebel said that Iraqi oil sector is in disrepair, as Saddam Hussein's regime over-produced oil and neglected oil production facilities.

Mr. Ebel stressed that what is really holding back Iraqi recovery is the lack of electricity. Lack of power renders oil-refining facilities inoperative and slows down the loading of export tankers. On the ever day side, water, air conditioning, and night illumination are impossible without power. This increases the levels of crime and leads to popular discontent.

Although the early output for oil has been optimistic, with Vice President Cheney saying that Iraq would be exporting 3 million barrels of oil per day by the end of 2003, Mr. Ebel pointed out that post-war destruction from continued looting and sabotage had brought more damage to the oil sector than most people realize. It is estimated that by 2010, even production of 4.5 million barrels per day would be unrealistic. The Iraqi draft budget noted that they expect to produce 2.1 million barrels a day next year, and they currently produce 1.8 million barrels per day. They do not anticipate much growth in exports.

Mr. Ebel also stated that since Iraqi oilfields are in such disrepair, maximizing the "pull" of oil well further damage them. Therefore pressing for higher oil production would not be good for the country. In Mr. Ebel's views, it is apparent that without substantial foreign investment, Iraq cannot be rebuilt. Furthermore, foreign oil companies are unlikely to invest in the oil industry until a stable, popularly elected, and internationally recognized Iraqi government comes into power.

Mr. Ebel laid out a series of questions we need to ask about the future of the Iraqi oil sector:

- Can sabotage be stopped?
- What level of oil production is sustainable?
- Who's right? The pessimists who say we can produce 4 million barrels of oil a day, or those who say we can produce 6 million barrels a day?
- Can pipelines be adequately protected?
- When the Iraqi interim government takes control on July 1, will it be given control over oil revenues?

- Can a means be devised whereby citizens of Iraq will be able to immediately share in the oil wealth of the country?

In closing, Mr. Ebel discussed where Japan fits into all of these issues. He said that for a country like Japan, which is almost totally dependent on oil imports and tries to diversify oil sources, having Iraq as one of the oil sources is not a bad option. Iraq's substantial natural gas resource base could be Japan's interest as well. At the same time, the United States knows that Japan has been thinking Russia as an attractive source of oil import. Mr. Ebel stressed that the US-Japan cooperation in Russia and Iraq, as both Japan and the United States being oil importing countries, should be taken into consideration when Japan thinks about this issue.

The last speaker of session 4, Kazuhiro Morimoto started his presentation by introducing history of Japanese companies' activities in the construction, social and industrial infrastructure in Iraq. Although many of these companies' activities in Iraq discontinued in the late '80s and the early '90s, Japanese and Iraqi engineers have held mutual respect for their high quality of work and professionalism. In addition, many Japanese companies still keep the original plans of factories and plants, which should be very valuable for the rehabilitation of the plants in Iraq. Thus there are many things that Japanese companies can contribute to reconstruct Iraq, Mr. Morimoto pointed out.

Mr. Morimoto explained that current Japanese assistance to Iraq is two-fold; humanitarian activities led by the SDF and economic assistance made available by off-shore development aid. Japan recognizes that smooth recovery of Iraq is imperative for the stability of the Middle East. That's why, Mr. Morimoto stated, Japan implemented humanitarian aid and infrastructure reconstruction programs from the very early stage of the military operation by the coalition forces, although deteriorating security situation on the ground in Iraq forced some of these Japanese efforts to get cut back. Japan has also closely worked with the UN and committed \$1.5 billion grant aid and \$3.5 billion loans.

Mr. Morimoto believes that five elements are important in helping the reconstruction activities in Iraq in the future:

1. improvement of security. Unless security on the ground improves, the international reconstruction efforts cannot progress and Iraqi government would not be able to get support of Iraqi people. Security is crucial to invite foreign investment, which Iraq is in a desperate need.
2. Ownership issue. It is crucial to utilize Iraqi people as much as possible to let them play primary roles to reconstruct their own country and to give them hope for the future. It also serves to let Iraqi people know visibly that Iraqi people are in charge of reconstruction efforts. For this, gradualism is important and sufficient money and time should be allocated for training of Iraqi engineers and bureaucrats to run their country. Mr. Morimoto believes that some government-led efforts to control foreign investment until Iraq's strategic industry sector gains enough competitiveness will be necessary, as it was seen in the cases of Japan, China, and South Korea.
3. Improvement of intersectoral coordination, especially between electricity and petroleum sectors. For instance, Japanese electricity expert together

with UNDP team have been developing a pre-master plan since February 2004. They worked closely with Iraq Ministry of Electricity, but they gathered little information on whether or where they could obtain sufficient oil or gas supply. Thus, Mr. Morimoto believes that inter-governmental coordination at the higher level is necessary.

4. Utilizing the know-how of the UN organizations. The UN had quite intensive operation in Iraq during Oil-for-Food program, although many of its staff left Iraq after termination of this program. But still, these UN organizations have accumulated extensive knowledge and local networks to work with Iraqi people and we have to take full advantage of it.
5. Debt reduction issue. Debt reduction is a crucial issue for Iraq, but the real issue is how Iraq can invite international finance after the debt reduction. Iraq must move on to the stage of full-scale economic reconstruction in the future and foreign investment will play a big part of it. In order to invite foreign investment, Iraq must show investors that the investment in Iraq will pay and the ability to repay in due course. This will be a major challenge for international financial community.

Mr. Morimoto concluded his presentation by stating that he believes we see real emerging economies from the Middle East in the future, although the way to get there will not be easy. The implication of this is a democratization of the Middle East countries, because history of democracy lies in the motivation of human nature. The growth of tax payers will accompany development of democracy.

## **Questions and Answers**

The first of two questions directed at Mr. Morimoto concerned restriction of investment. Mr. Morimoto responded by stating that not restriction, but control of investment which was important, believing that Iraq will need time to develop certain industrial sectors by itself. Morimoto notes that most likely the petroleum industry, the oil fields, will need foreign investment the most. But more importantly, the Iraqis will judge which industries need investment.

The obstacles of foreign firms and NGOs in Iraq was the other issue that was addressed. Mr. Morimoto felt that the issue of security was the greatest concern even though the private companies and NGOs are eager to be present. The Japanese government is currently cooperating with UN organization as well as inviting Iraqi engineers outside of Iraq for training in order to continue economic development aid.

## **Closing Remarks**

In his concluding remarks, Mr. Noboru Hatakeyama firstly addressed the difficulty of debt forgiveness. Not only the current law system, but also the sheer amount of outstanding credit, as high as \$4.1 billion, excluding penalties for late payments, makes it very difficult on the part of Japan. Mr. Hatakeyama notes that Prime Minister Koizumi has committed to eliminate some of Japanese outstanding credit to Iraq if other Paris Club countries will do the same.

The second issue Mr. Hatakeyama discussed concerned the initiative taken by China regarding regional integration. Although the initiative first taken by Japan and Singapore, China has followed promptly by beginning FTA negotiations with ASEAN as a whole. In terms of trade in goods, FTA between China and ASEAN will start July 1<sup>st</sup>. Japan, although a little bit slower, has also begun FTA negotiations with ASEAN and hopes the agreement will come into force by the end of next year. India too, has also expressed interest in having FTA with ASEAN. Mr. Hatakeyama stated China, Japan, India hopes to reach zero tariffs with ASEAN by 2010, 2012, and 2011 respectively.

The last issue and according to Mr. Hatakeyama, the most important issue, regarded the role of the SDF. He asserted that the SDF was better than other countries militaries because they did not harm the Iraqi people, serving strictly a reconstruction role. However, Mr. Hatakeyama believes that the SDF should also play a security role at some point, noting that security, more so than reconstruction is crucial. The reason the SDF was welcomed in Samawah was not because of its current function, but because of its potential future role in attracting Japanese private companies and investment. Mr. Hatakeyama asserts the necessity of Official Development Assistance (ODA), not necessarily provided by the SDF, but by the MOFA and private companies. However, without security to protect the private companies, investment cannot occur. Mr. Hatakeyama believes that we should not betray expectation for Japan of people in Samawah.

Mr. Breer closed the conference by underscoring the importance of the US-Japan relationship. Noting that no international undertaking that the United States can take an interest in and have any success without the support of Japan.