

Possibilities and Limitations
of
Japanese Migration Policy
in the context of
Economic Partnership in East
Asia

New York, 6 July 2005

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A Introduction

- Among East Asian countries and regions, the reality of economic interdependence is **far beyond “FTA (free trade agreement)”**.
- The economic interdependence is promoted not only by trade but **by foreign direct investment as well as by international migration**.
- Institutionally speaking, the migration system in Asia should have to catch up with the reality.
- **New legislations in connection with bilateral agreement have been introduced in some countries like Korea, Malaysia, Indonesia and Thailand for the past two years.**

- **Japan has been maintaining its basic principles of migration policy for the past 15 years** and legislations can be regarded as “**fine tunings**”.
- The discrepancies between ①**the system for temporary migration and the tendency of long-term stay of foreigners**, ②**the restrictive policy towards low and semi skilled labor and decreasing youth population**, ③**regional economic integration and non-discriminatory immigration system** have become remarkable.
- Since November 2002, **Japan, Korea, China and ASEAN countries (ASEAN+3)** have started the process for establishing free trade agreement or “**Economic Partnership Agreement**”.

Therefore, we are going to examine

- 1) interdependence of the countries and regions in East Asia in terms of temporary migration
- 2) the relationship between temporary and permanent migration,
- 3) composition of international migrants accepted by Japan according to skill and sex ,
- 4) intraregional movement of intra-corporate transferees through the networking of Japanese multinationals.
- 5) we would like to talk about possibilities and limitations of Japanese migration policy.

**Table 1 International Labor Migration in East Asia
(2003) (thousand)**

	Labor Force	Flow		Stock	
		Inflow of Foreign workers	Outflow of National workers	Foreigners Working Inland	Nationals Working Abroad
Japan	66,666	142(130)	[55]	790(760)	218(197)
Korea	22,916	-	-	373(363)	-
China	760,750	-	770*(650)*	[315]*	-
Hong Kong China	3,500	(83)[84]	-	(237)[235]	[50]
Taipei China	10,076	-	-	304(300)	[120]
Singapore	2,150	-	-	590(590)	(44)
Malaysia	10,240	[259]	-	1163 [880]	[200]
Thailand	35,310	-	(158)[160]	1007*[1028]	[550]
Indonesia	100,316	20(15)	(480)[339]	(33)	2,000
Philippines	35,120	-	868 (892)	(11)	5,000
Vietnam	41,900	473	[32]	(3)	[300]

Source: By the author in reliance upon national data and estimates.

Notes: () stands for 2002. [] stands for a year other than 2003 and 2002.

B Temporary labor migration in East Asia

- 1) Japan, Korea, Singapore, Hong Kong China and Taipei China are sending many expatriates or corporate transferees to China and ASEAN for technology transfer mainly through foreign direct investment.
- 2) ASEAN countries especially the Philippines, Indonesia, Thailand and Vietnam are sending low skilled (and semi-skilled) labor not only to the Middle East but also to Japan, Korea Singapore, Hong Kong China and Taipei China including house maids, care givers and entertainers.

- 3) Unskilled labor migration has been growing enormously **between neighboring countries of ASEAN**, especially between Malaysia and Indonesia as well as Thailand and Myanmar. etc.

- 4) The presence of China in terms of international migration has been growing **rapidly**, especially through **labor export schemes** to neighboring countries including trainees as well as **migration of students**, who are not workers but are **candidates for the highly skilled**.

C Trends in International Migration in Japan

1 Relationship between temporary and permanent migration

- It has long been said that migration policy in Japan as well as East Asia only relates to temporary migration and not permanent migration.
- It is true that East Asian countries including Japan are not “immigration countries” in the sense that they do not accept people for the purpose of permanent settlement.

- However, those foreigners who are working temporarily are able to apply for permanent resident status. The adjustment of status has become an important means for countries which is attracting skilled or highly skilled workers and their families.
- In reality, we are able to verify that when temporary migration increases, the permanent residents also increases in Japan or in several regions in the world.

Table 2 Development of Permanent and Non-Permanent Residents

	Foreign residents in Japan			Japanese Nationals staying abroad		
	Total	Non-Permanent	Permanent	Total	Long-term	permanent
1990	1,075,317	429,879	645,438	620,174	374,044	246,130
1995	1,362,371	736,331	626,040	728,268	460,522	267,746
2000	1,686,444	1,028,839	657,605	811,712	526,685	285,027
2003	1,915,030	1,172,067	742,963	911,062	619,269	291,793

Source: Ministry of Foreign Affairs and Ministry of Justice

Table 3 Geographical Distribution of Permanent and Non-Permanent Residents

	Foreign residents in Japan			Japanese Nationals staying abroad		
	Total	Non-Permanent	Permanent	Total	Long-term	permanent
Total	1,915,030	1,172,067	742,963	911,062	619,269	291,793
Asia	1,422,979	761,960	661,019	206,520	199,122	7,399
Oceania	160,726	15,045	1,031	63,018	35,152	27,866
North America	63,271	53,111	10,160	369,639	240,033	129,606
Latin America	343,635	281,699	61,936	101,894	10,547	91,347
Europe	57,163	50,302	6,861	158,548	124,553	33,955
Africa*	10,060	8,571	1,489	11,398	9,818	1,580
Other	1,846	1,379	467	44	44	0

Source; Ministry of Foreign Affairs and Ministry of Justice

Note: * includes middle east.

Table 4 Changing Composition of Permanent Residents

	1999	2000	2001	2002	2003
Permanent residents	635,715	657,605	684,852	713,775	742,963
Ordinary permanent residents (new comer)	113,038	145,336	184,071	223,875	267,011
: China	37,960	48,809	58,778	70,599	83,321
Brazil	28,766	31,955	34,624	37,121	39,807
N+S Korea	14,884	20,933	26,967	32,796	39,733
Philippines	4,592	9,062	20,277	31,203	41,771
Peru	4,756	7,496	11,059	13,975	17,213
Others	22,080	27,082	32,366	38,181	45,166
Special Permanent Residents (old comer)	522,677	512,269	500,782	489,900	475,952

Source; Ministry of Justice

2 Composition of foreigners according to skill

- In addition to **the ban on accepting unskilled workers**, the basic policy actively to accept the **highly-skilled foreigners** has been inaugurated since 1990, which might have been one of the most advanced practices of migration policy at that time.
- The Government of Japan stressed **the importance of mobilizing the highly skilled related to trade in services during the Uruguay Round negotiation on the movement of natural persons** and contributed to standard setting of such commitments.

- The status of residence “Specialist in Humanities” and “Engineer” may be issued also to foreign students who graduated from universities in Japan.
- Such adjustment of statuses from foreign students to workers has been enabled already since 1980’s. But, the number of foreign students started to increase drastically from 2000 achieving the national goal of accepting 100 thousands foreign student in 2003.
- The number of students who changed their status from students to working purposes after graduating universities amounted to almost 3,700 per year.

- Japan has **not permitted entries of “skilled workers” in general**, with the exception of those who have status of residence **“entertainers” and “skilled labor”**, whose entry, stay and work were justified by their skills specific to foreigners.
- The skills specific to foreigners are **difficult to obtain from domestic labor market** and it is impossible for Japanese to acquire these skills.

- Japan has developed its foreign traineeship programs and opened the ways to trainees to become “**Technical intern trainees**” who are able to work in Japan for three years in total.
- This program has started since 1993 and targeted at technology transfer to developing country and based upon **the principle of “rotation system”**.
- Trainees should be accepted in principle with **the quota of 5% of regular employees** of a company, so as not to damage employment opportunity for Japanese. (15% in three years)
- This channel has been particularly expanding in the 1990s between **Japan and China or Indonesia**.

- Japan has been closing its labor market in principle to the unskilled foreigners principally because
 - 1) their entries may be damaging labor market of the old aged,
 - 2) they may create segmentation of labor market, hinder improvement of working conditions and changes in industrial structure,
 - 3) they may be easily unemployed during the recession,
 - 4) they may entail more social cost (such as education, medical care, welfare and housing etc.) and
 - 5) bring about “brain waste” and difficulties for foreigners themselves. (MHLW 2004).

It is also important to remember that Japanese foreign direct investment directly created almost 2.6 million jobs in developing countries in Asia

- **Foreigners of Japanese descendants**, especially those who come from Latin American countries, as well as **foreign students who should have to earn money for stay and study with permission to non-designated activities** etc. has been growing with the tendency of growing irregular but flexible employment opportunities under the deflation since the late 1990s.
- Especially, the Japanese **Brazilians working in Japan** may have reached almost 23 thousand. They are living in the prefectures like Aichi and Shizuoka, where **automobile industry** is concentrated and where subcontracting or worker dispatching undertakings get together

- There are foreigners who have been **overstaying** with the status of residence “temporary stay” etc. and working particularly at unskilled jobs.
- Some of them have been staying in Japan since the end of the 1980s and have got married with Japanese or have been raising children.
- The number of **those foreigners who get “special permission to stay” by the Ministry of Justice from humanitarian reasons** has been remarkably growing for the past several years.

Table 5 Skill Composition of Foreign Workers in Japan (Estimated)

	Classification of workers	1990	1995	2000	2002	2003
A	Highly skilled workers	43,823	64,672	89,552	108,758	107,831
B	Workers with Foreigner specific skills	24,110	23,324	65,196	70,881	77,725
	(Entertainer)	21,138	15,967	53,847	58,359	64,642
A + B	Status for working purposes	67,933	87,996	154,748	179,639	185,556
C	Designated activities (including: Technical Intern, Internship, Working holiday etc.)	3,260	6,558	29,749	46,455	53,503
D	Part-time work of students	10,935	32,366	59,435	83,340	98,006
	Worker of Japanese descendant	71,803	193,748	220,458	239,744	230,866
	Overstaying foreigners	106,497	284,744	233,187	232,121	219,428
	Non-designated activities	Unknown	Unknown	Unknown	Unknown	Unknown
	Low- or Unskilled workers	189,255	510,858	513,080	555,205	548,300
A+B+C+D	Total Temporary workers	260,000	600,000	710,000	760,000	790,000
E	Worker with Ordinary Permanent Resident status	—	17,412	39,154	71,090	86,942
A+B+C+D+E	Foreign workers without Special Permanent Residents Status	—	620,000 + α	750,000 + α	830,000 + α	870,000 + α

**Table 6 Inflow of foreigners by status
of residence**

Status of Residence		1998	1999	2000	2002	2003
Diplomat		8,313	8,305	9,408	9,339	9,681
Official		8,164	9,824	11,767	14,060	13,552
Working Purposes	Highly Skilled	25,089	22,358	21,997	19,983	21,136
	Foreigner-specific skill	76,802	85,680	119,957	125,114	134,695
	(Entertainer)	73,778	82,305	117,839	123,322	133,103
	Sub-total	101,891	108,038	141,954	145,097	155,831
Cultural activities		3,733	3,693	3,210	3,084	3,108
Temporary visitor		3,402,358	3,677,732	3,910,624	4,302,429	4,259,974
College student		13,478	14,446	19,503	24,730	25,460
Pre-college student		14,540	19,426	22,404	25,948	27,362
Trainee		49,797	47,985	54,049	58,534	64,817
Dependent		16,134	16,695	17,617	13,888	13,472
Designated activities		2,979	2,934	4,364	4,890	5,876
Spouse/Child of Japanese		24,572	26,737	33,167	20,857	23,398
Spouse/Child of Perm resident		352	341	389	473	581
Long-term resident		21,501	23,465	40,033	22,905	30,780
Total		3,667,813	3,959,621	4,256,403	4,646,240	4,633, 892

**Table 7 Estimated number of Overstaying foreigners
by status of residence**

	Jan. 1999	Jan. 2000	Jan 2001	Jan 2002	Jan 2003	Jan 2004
Total	271,048	251,697	232,121	224,067	220,552	219,418
Temporary visitor	206,193	189,847	173,051	163,271	155,498	150,326
Entertainer	13,610	12,552	11,029	11,154	11,770	11,974
Pre-college student	12,931	11,359	10,025	9,953	9,779	9,511
Student	5,914	5,100	4,401	4,442	5,450	6,672
Trainee	3,115	3,055	3,004	3,264	3,409	3,959
Others	29,285	29,784	30,611	31,983	34,646	36,976

Source: Ministry of Justice

Table 8 Trainees accepted by the support of JITCO according to sector (2003)

Sector	Foreign trainees			
			Composition among total	Comparison with the last year
Total	43,457	(13,303)	100.0	+9.4
Textile and garment	11,988	(3,682)	27.6	+4.4
Food and drink	6,427	(1,814)	14.8	+10.3
Transport machinery	3,593	(656)	8.3	+15.2
Electric and electronic	2,936	(595)	7.2	+11.5
Construction	2,213	(1,759)	6.4	+16.0
Metal	2,334	(811)	5.4	+19.7
Agriculture	2,768	(811)	5.1	+3.8
Plastic	1,606	(461)	3.7	+43.5
General machinery	1,022	(331)	2.4	+40.4
Steel	1,004	(332)	2.3	+34.8
The others	7,388	(2,051)	17.0	-0.7

Table 9 Brazilian nationals as descendants of Japanese according to prefecture (2003)

Top-10 Prefecture	Child/Spouse of Japanese	Long-term residents	Permanent resident	Total
Total	85,482	140,552	41,711	267,745
Aichi	14,032	28,615	13,473	56,120
Shizuoka	11,853	22,166	6,527	40,546
Nagano	6,185	10,429	939	17,553
Mie	5,167	10,169	1,850	17,186
Gifu	4,226	8,919	2,970	16,115
Gunma	4,740	8,593	2,025	15,358
Saitama	5,499	6,712	1,447	13,658
Shiga	3,610	6,516	636	10,762
Ibaraki	4,196	5,674	806	10,676
Tochigi	2,988	4,167	1,361	8,516

Source: Ministry of Justice

**Table 10 Number of special permission to stay
by the Minister of Justice (legalization of status)**

Year	1999	2000	2001	2002	2003
Number	4,318	6,930	5,306	6,995	10,327
Korea	653	1,337	1,110	1,198	1,671
China	511	789	566	802	1,464
Others	3,154	4,804	3,640	4,955	7,192

3 Composition of foreigners according to sex

- When we look at the entry and stay of foreigners according to nationality and sex, **almost 80 % of those from the Philippines are occupied by female, while 74% of those Thai nationals who stay** in Japan are female. This may mean that certain networking exists between Japan and the Philippines or Thailand.
- On the contrary, **the people from Bangladesh, Iran and India are dominated by men**, which is reflecting cultural differences between countries.

Table 11 Entry (reentry) and stay of foreign nationals according to their country of origin (2003)

	Entry			Stay		
		Female	Ratio(%)		Female	Ratio(%)
Total	5,727,240	2,592,571	45.3	1,915,030	1,031,006	53.8
Asia	3,793,793	1,920,832	50.6	1,422,979	815,401	57.3
Korea	1,621,903	763,557	47.0	613,791	326,750	53.2
China	537,700	266,197	49.5	462,396	266,538	57.6
Hong Kong	163,254	89,104	54.6	-	-	-
Taipei	816,692	455,219	55.7	-	-	-
Singapore	78,215	Unknown	-	2,161	1,342	62.1
Malaysia	67,515	Unknown	-	9,008	3,819	42.3
Thailand	95,018	50,296	52.9	34,825	25,834	74.1
Indonesia	51,160	20,162	39.4	22,862	7,223	31.6
Philippines	209,525	171,786	82.0	185,237	153,862	83.1
Vietnam	20,768	Unknown	-	23,853	12,109	50.8
India	45,450	9,339	20.5	14,234	3,932	27.6
Bangladesh	7,229	Unknown	-	9,707	1,922	19.8
Iran	6,038	Unknown	-	5,621	693	12.3

4 Intraregional movement of Japanese as corporate transferee

- **Intra-corporate transfer** is the most popular form of the highly skilled migration in East Asia.
- Intra-corporate transfer plays an important role within East Asia **to realize transfer of technology not only for manufacturing sector but also for service sector.**

- It can be clearly said that number of **intra-company transferees does not always grow in Asia in parallel with local employment**, but they will be reallocated to the other affiliated companies within the same region or to the other regions.
- It is also interesting that those intra-company transferees who has good experience in managing local commercial presence in Asia or North America are also dispatched to Europe.
- **It is important to note that Japanese MNE have more difficulties in securing managerial staffs and try to recruit more foreign students especially from China.**

Table 12 Employees in Japanese affiliated companies

	Oct.1999	Oct.2000	Oct. 2001	Oct. 2002	Oct. 2003
Asia Total	1,962,572 (26,560)	2,064,795 (25,461)	2,220,483 (25,455)	2,224,931 (26,231)	2,407,209 (25,395)
Korea	79,365 (478)	79,974 (524)	77,181 (643)	72,437 (871)	68,857 (639)
China Mainland	530,705 (5,612)	566,728 (5,224)	639,100 (5,587)	683,914 (6,678)	830,309 (7,097)
Hong Kong China	136,526 (3,298)	144,259 (3,077)	109,648 (3,052)	111,344 (3,066)	117,677 (2,736)
Taipei China	115,435 (2,093)	107,912 (2,040)	111,925 (1,951)	102,756 (1,846)	101,889 (1,779)
Malaysia	212,630 (2,495)	226,431 (2,327)	258,280 (2,268)	229,776 (2,239)	214,241 (1,781)
Thailand	337,034 (4,682)	344,918 (4,451)	381,560 (4,380)	388,357 (4,322)	412,827 (4,650)
Indonesia	230,299 (2,251)	253,474 (2,335)	274,003 (2,191)	268,942 (2,105)	279,849 (2,076)
Singapore	76,634 (3,669)	78,315 (3,530)	83,246 (3,344)	77,508 (3,145)	73,887 (2,799)
Philippines	134,913 (1,261)	147,083 (1,235)	140,400 (1,315)	160,011 (1,231)	160,888 (1,102)
Vietnam	24,687 (329)	34,009 (348)	38,690 (339)	46,465 (359)	59,926 (386)

Source: *Toyokeizai Shinpo Sha(2005)* Note:() stands for Japanese employees dispatched

**Table 13 Determinants of Corporate Transfer
and relation to business traveler**

	Intra-regional Movement		To Europe		To North America	
	Coefficient	T-value	Coefficient	T-value	Coefficient	T-value
FDI flows	0.03139	0.344	0.03687	5.100***	-198.092	-0.583
Exchange rate	-1.82286	-1.843*	- 1.4990	-0.813	-0.05946	-4.494***
Employees in affiliates	- 0.005094	-5.830***	0.002806	1.938*	- 0.003610	-1.979**
Transferees in affiliates	0.007677	9.631***				
Business travelers	0.973	17.025***	0.009672	6.530***	0.01812	10.912***
Constant	-300.875	-1.663	-1.550	-0.700	-198.092	-0.583
Adjusted R	0.851		0.977		0.989	
D.W	0.946		1.974		1.150	
Sample	100		50		30	

Source: By the author using the pool of Japanese statistics from 1991 to 2000.

Note: See Iguchi(2004) * is statistically significant with 10% level, ** is 5% level and *** is 1% level.

D Migration Policy in Japan and for East Asia

1 Limitation of migration policy

There have been no basic changes in Japanese migration policy for the past 15 years. Many kinds of changes in Immigration and Refugee Recognition Act could be regarded as “fine tunings”.

The effects of employment policy for foreigners were still marginal and there were **no linkages between local immigration bureau and public employment offices or municipalities.**

- What has been attracting public attention recently is crack-down of foreigners in irregular situation especially overstaying foreigners these days.

① The fundamental problem of the Japanese migration policy lies in the fact that there is only “immigration control policy”, and no concept of “integration policy” of foreigners

- The 15 municipalities with high density of foreign population have been intensifying their demands for regulatory reform.

- Employment policy for foreigners was not effective enough and **working condition of foreign unskilled workers especially has been deteriorating since the late 1990s**, as deflation continued and irregular employment has been growing.
- For example, many **foreigners of Japanese descendant are working for subcontracting or dispatching company with the contract only for a few months** and their wages have been in declining tendency.
- Their **children have problems of integration (language, unemployment, crimes etc.)**

- Under the context of bilateral negotiation on FTA, diplomats are interested in “requests and offers”. They have no capacity to change the basic policy or legislation for just one negotiation partner.

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② Bilateral negotiation has its own limitation. It is expected that regional multilateral negotiation between ASEAN and Japan may create more constructive outcomes in the field of migration policy.

2 Possibility of migration policy

- Japan should think about **regional economic integration under the constraints of fertility decline**. We should reexamine the relationship between **migration policy and fertility decline**.
- Basically, we have **no illusion on migration policy that migration can compensate for distortion of demographic structure as well as absolute population decline**. It is too risky and unrealistic if mass migration is accepted in Japan.

- According to the estimate by the author, the decline of labor force in Japan can be around 200 to 300 thousand persons per year until 2020 and it will be larger than 400 thousand by 2030 and even 500 thousand by 2050, under the assumption that people are able to work by 70 years old and if there is no problem between child-bearing and occupational career.
- This estimate shows that fertility decline now may bring about gradual decline in labor force for 20 years and its rapid decline almost 20 years later.

Table 14 Estimates of Population and Labor Force Decline (in thousand)

Year	Population estimates 1997	Labor Force (A)		Labor Force (B)		Population Estimates 2002	Labor Force (C)	
			Per Year		Per Year			Per Year
2000	126,892	66,160	—	66,160	—	126,926	66,160	—
2010	127,623	64,700	-146	61,880	-428	127,473	64,650	-249
2020	124,133	59,920	-478	56,680	-480	124,107	60,780	-387
2030	117,149	55,930	-399	52,290	-461	117,580	56,530	-424
2040	108,964	50,700	-523	46,800	-451	109,338	51,060	-548
2050	100,496	45,850	-486	42,500	-430	100,593	45,520	-554

Source: Population projections are made by Institute for Population and Social Security Estimates of labor force is made by Economic Planning Agency(Estimates (A) (B)) and by Iguchi (Estimate (C))

- **Some economists** argue that it is not necessary to maintain the size of the Japanese economy and there will be no problem even if the Japanese economy shrinks.
- **The author thinks** this kind of argument is totally unrealistic and risky. **Such country will lose capital, human resource and competitiveness and it will not be able to finance the credit of old-aged pension pay public debts.** This might lead to devaluation of currency and Japan cannot maintain its prosperity because its standard of living is much dependent upon importation from the world.

The “Human Resource Development and Human Circulation Strategy”

Asia has long been **the source region of the highly skilled** to North America and Europe.

With the declining fertility, North America and Europe need more human resources from Asia.

Now, **Asia should be able to develop its human resources within the region, circulate them within the region and encourage Asian people back to Asia too.**

Measures of “HRD+HC” Strategy

- 1) **Harmonizing immigration regulations for corporate transferees** as well as corporate trainees in East Asia, based on commitments on movement of natural persons related to trade in services in the Uruguay Round. Priority of liberalizing movement of persons is necessary for executives, senior managers and specialists.
- 2) **Encouraging intra-regional study abroad** by creating more recognition of study results at Asian universities, introducing “double credit” systems and “East Asian scholarship” as well as deregulation of immigration regulations for students.

- 3) **Enlarging universities and institutions especially for science and technology, encouraging multinational companies to establish R&D centers as well as HRD centers in the region** , so that countries in the region are able to accept more experts from other regions and provide more facilities to educate and train experts within the region.
- 4) **Reinforcing human resources development programs to create more skilled workers** in local industries especially supplying parts and devices for the region and facilitate these people move within the region.
- 5) **Encouraging bilateral labor arrangements** by introducing “framework arrangements” so as to protect working and living conditions of low skilled workers migrating in the region,
- 6) **Monitoring demand and supply of medical and health staffs** who may be migrating within the region to encourage investment in HRD centers for medical and health experts.

- 7) **Facilitating movement of business travelers and researchers** by applying APEC Business Travel Card and enlarging its scope to researchers,
- 8) **Institutionalizing systems to combat human trafficking and cooperation of related authorities** within the region and encouraging technological innovation to prevent international terrorism and unknown epidemics in the region.

In June 2005, the Cabinet Office of the Government of Japan, started to examine migration policy as a whole, in the framework of regulatory reform, to reach a conclusion within two years.

E Concluding remarks

- Since the monetary crisis in 1997, East Asian countries acknowledged the necessity to prevent outbreak of monetary crisis, **to realize sustainable growth through technological development as well as expansion of internal market.**
- The “Human Resource Development and Human Circulation Strategy ”is **one example of combining domestic efforts and international cooperation.** It is to achieve **better combination of national and regional interests.**

East Asia has several **political frictions among countries and regions.**, irrespective of growing economic interdependence.

To realize “East Asian Community”, it is of strategic importance to promote exchange of persons within this region.

(END)