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Previous speakers have mainly expressed a very broad view of Asia's strengths and weaknesses. I will try to be concrete and specific about some of the issues that concern us in Japan.

There are three As which I will take up, namely Abenomics, ADIZ, and Asia in the context of global security.

On Abenomics I will not go into detail because *The Financial Times* has covered it thoroughly in a series of articles over the last few days. I will only make one point on Abenomics, about its message. As has been said, the jury is still out on Abenomics, but the most important fact is that it has been brought before the jury, i.e. the Japanese people. Mr. Abe has put forward the case to the people that we should not have to be bogged down in deflationary mind-set and that we can change the economic environment and the outlook for the future by inflation target setting. The shift in mind-set has been successful.

The third arrow of the so-called three arrows, namely the structural reform, has yet to be fully determined. Nevertheless, the overall mood has changed. If you go to Tokyo and walk the streets, you can feel the atmosphere which is quite positive. The question is how this positive sentiment can be channelled into greater consumption and investment because when deflationary mind-set was dominant people were not investing. I say to the people of Europe that we are coming back onto the radar screen and you can look forward to the success of Abenomics.

With respect to the so-called ADIZ, there have already been some references made to the ADIZ, namely the Air Defence Identification Zone. The problem with China's so-called 'ADIZ' is that it is not quite the same as Japan's ADIZ or that of other countries. There are a couple of critical differences. It is therefore a misnomer to call this an ADIZ. Of the two most important factors which make us concerned, the first is that the Chinese have demanded all aircraft flying in the designated airspace should notify the Chinese authorities. This applies to every aircraft flying in this airspace, not just those with a destination in China. There is an implicit threat that a failure to comply with this demand could lead to aircraft being shot down. Those of us who live in this part of the world of course remember what happened to KAL 007, which was shot down by a Soviet interceptor in 1983, so all of these aircrafts will have to be very careful.

More important to us is the fact that the so-called ADIZ covers the airspace over the Senkaku Islands. We had our ADIZ for some years. It had nothing to do with territorial claims. Our ADIZ does not cover the airspace of territories about which there is a territorial dispute with other countries, such as the northern territories administered by Russia and Takeshima which is administered by Korea. The Senkaku Islands have been administered by Japan since they became a part of Japan and they are covered by the US-Japan Security Treaty. Therefore, to have the so-called ADIZ cover these islands in a threatening manner is an obvious challenge to both Japan and the United States and also to the status quo security structure in place. This is a huge challenge and it should not be dismissed as a mere technical matter. It has to be rescinded.

The Chinese would say that Japan started all of this by nationalising the Senkaku Islands. I am sorry to be straightforward but I do not think those people who use the so-called nationalisation as an excuse to take action understand the meaning of nationalisation. If a government purchases equity in a corporation and takes control of it, then that is nationalisation. What happened in Japan is that the government purchased plots of land on the islands with the political purpose of preventing ultra-nationalists from using the islands to stage something unacceptable. It was a transaction regarding the title of ownership of some of the plots of land. In Japan there is an official registry of ownership of title for real estate and, therefore, these transactions presuppose Japanese administration of the Islands. Nationalisation has nothing to do with the issue of sovereignty. It was a political move to try to avoid a tenuous situation.



Let me now turn to the question of Asia in the global context. I listened with interest, yesterday, to the discussion on issues regarding the Middle East, and I was struck by the impression that the European speakers spoke of security in the Middle East as if it would not directly affect Europe's. Topic before us today is Asia and not the Middle East, but I wish to stress that security issues in Asia will affect Europe and, indeed, the whole world. Those Europeans who are old enough will remember the INF issue from the 1980s regarding the SS-20s and the Pershing IIs. There was a proposal to move the SS-20s east of the Ural Mountains. Japan objected because the SS-20s were mobile and such a move would have created security problems for Japan. The leaders got together at the G7 Summit and said that "security is indivisible".

Likewise, the challenge to the security status quo in East Asia will inevitably affect Europe, a fact which should not be overlooked.

There is also an obvious link between security and economy and this raises another point I should have made earlier in relation to the ADIZ, namely the incongruity between the imposition of the so-called ADIZ and what China is trying to achieve economically. The ADIZ pronouncement came almost at the same time as the Third Plenum of the Central Committee of the Chinese Communist Party, which took decision on reform program towards a market economy. World economy needs the Third Plenum reforms to succeed. However, for these reforms to succeed China needs an international political environment that is conducive to such reforms. There is, however, uncertainty over what China's intentions are in introducing a serious security threat just at a time when China has to focus on reforms.

I do not know what the future has in store for us. Someone said 2014 might turn out to be like 1914. God forbid that is the case, but I do not know if it will be so or not. I am hoping that Asia will muddle through. At the moment there is more muddling than throughing, but I hope we will come through in the end. Thank you very much.