



# Beyond Asean

## Asean-Japan

### Heart-to-Heart Ties

***Top investor in Asean for decades, Japan has played a crucial role in the region's development, with the Fukuda Doctrine, and its 'heart-to-heart' diplomacy being the centerpiece in strengthening Asean-Japan ties. Now that the ten-nation Asean is driving full steam towards integration of the economies, the ties with Japan being revitalised, ASEANAFFAIRS magazine finds it timely and important to share with you our readers perspectives from Nobutoshi Akao, Secretary General of ASEAN-Japan Centre on the ties that bind Asean and Japan.***

**Q:** Thank you for taking this interview with ASEANAFFAIRS. We would like you to begin by telling us about the origin of the ASEAN-Japan Centre. What goals were set and how many of them have been achieved over the years. What challenges lie ahead for the Centre and Japan and Asean. Elaborate also on the Fukuda doctrine and how it has played a role in shaping Japan's relationship with Southeast Asia?

**A:** In 1977, former Prime Minister Takeo Fukuda announced three basic principles of Japan's diplomacy towards Southeast Asia. It included the significance of "heart-to-heart understanding" between Asean and Japan, which became known as the Fukuda Doctrine, the underlying basis for Japan's diplomacy towards Southeast Asia, upheld by the successive Japanese governments.

**‘The greatest benefit of the AJCEP for Japanese companies would be the cumulative rules of origin that eliminate tariffs at and above 40 percent of total value-added in Asean and Japan**

To embody the Fukuda Doctrine, the ASEAN-Japan Centre was established in 1981; and since then, the Centre has served as a catalyst to strengthen Asean-Japan relations. Our mission is to promote exports from Asean to Japan, as well as to vitalise investment and tourist traffic from Japan to Asean. Various Asean products and services have been successfully introduced to the Japanese market.

We have been informed by Japanese companies, which started their business in Asean countries that their participation in our activities served as a key factor for their decision to invest in Asean. Further, the ASEAN-Japan Centre has been well received at the annual Asean Tourism Ministers' Meeting as the only organisation that promotes Asean as a single tourism destination.

**Q:** You mentioned in the introduction page in the ASEAN-Japan Centre website that the Centre is going through a reform drive in response to broadening ties between Asean and Japan. What do you want to achieve through this reform?

**A:** The "Asean-Japan Plan of Action," adopted at the Asean-Japan Commemorative Summit held in Tokyo in 2003, called for the initiation of consultations for the reform of the Centre to strengthen its functions, and widen and deepen its scope of activities. Then, an Eminent Persons Committee (EPC) was established in 2005 to draw up recommendations on the future direction of the Centre, whose Final Report was submitted to the leaders in 2006.

The current and future direction of the Centre's reform includes the further enhancement of assistance for Asean integration with focus on the narrowing of development gaps among Asean countries, Asean-Japan partnership, and promotion of mutual understanding, among others.

With the economic rise of China and India, the Centre's focus has been put on Asean competitiveness and enhancing human resource development, in such sectors as information and communications technology (ICT), SMEs and design development, as well as in strengthening institutional arrangements based on the EPAs and the AJCEP (Asean-Japan Comprehensive Economic Partnership) Agreement initiatives.

Along with the Centre's reform, the implementation of two-way programmes for tourism and investment and the promotion of exchange of persons, especially the youth, will be included as the Centre's new objectives. To that end, we are accelerating the necessary procedures for the amendments to the Agreement Establishing the Centre to enter into force, so that new activities could be implemented.

**Q:** Is Japan trying to speed up its efforts to wrap up free trade accords with countries in Southeast Asia, and why should it do so?

**A:** Parallel to the promotion of multilateral trade negotiations within the WTO framework, the Japanese government has been especially working hard to negotiate and conclude EPAs with individual Asean countries as well as the Comprehensive Economic Partnership Agreement with Asean as a whole.

Japan has already signed/concluded EPAs with six Asean countries — Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, and is now negotiating an EPA with Vietnam.

The notable thing is that Japan's EPAs are much wider in scope and of a higher quality in terms of substance than FTAs which countries like China and

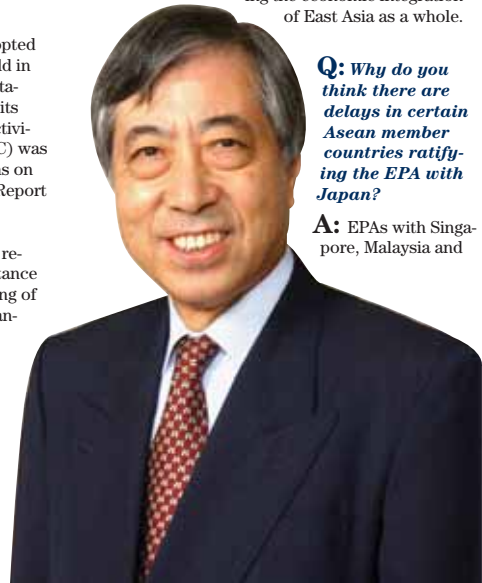


## ASEAN-JAPAN CENTRE

South Korea have been pursuing with Asean.

They cover not only the liberalisation of trade in goods and services, but also the liberalisation of investment and the establishment of its rules, the strengthening of the protection of intellectual property rights, Japan's acceptance of some categories of Asean workers — nurses, health-care workers and cooks — under certain conditions, and a wide range of cooperation, such as the improvement of transportation and logistics, support for the development of ICT, promoting cooperation in the field of SMEs, tourism and environment.

Asean and Japan have started moves to deepen economic interdependence through trade, investment and tourist traffic over the years. EPAs with individual Asean countries and the recently signed AJCEP will further promote the economic integration between Asean and Japan. It is expected that these economic agreements will serve as the basis for further promoting the economic integration of East Asia as a whole.



**Q:** Why do you think there are delays in certain Asean member countries ratifying the EPA with Japan?

**A:** EPAs with Singapore, Malaysia and

• **Mr. Nobutoshi Akao, Secretary General, ASEAN-Japan Centre**

Thailand came into force in 2002, 2006 and 2007, respectively, while the ratification procedures of already signed EPAs with Brunei, Indonesia and the Philippines are still under way. Japan already obtained the Diet approval for the EPA with the Philippines; and given that EPAs with Brunei and Indonesia will be approved by the Diet before long, EPAs with these two countries are expected to enter into force by the end of 2008.

However, due to the on-going discussions in the Philippine Senate, ratifying the EPA with the Philippines is taking longer than scheduled. The EPA with Japan is expected to bring about large benefits to the Philippines as other Asean countries have recognised. I hope that the Senate will ratify the EPA as early as possible.

**Q:** Japan is already the largest investor in Asean but it is only the third largest in terms of trade? Do you think the AJCEP signed early April would significantly boost trade between the partners?

**A:** Due to the yen's appreciation following the Plaza

Accord of 1985, the Japanese investment in Asean sharply increased and Japan has become by far the biggest investing country to Asean in manufacturing sector, garnering 25 percent of the total accumulated foreign direct investments (FDIs) in this regard. Also, Japan has traditionally been the biggest trading partner of Asean until recently.

In the 1980s, particularly, Japan's share in the total trade of Asean countries was around 25 percent. However, Japan's share in Asean trade declined recently because Japanese companies increasingly began to procure parts and raw materials locally, as the Japanese investment to the manufacturing sector in Asean expanded.

For example, Japan's automotive industry in Asean has achieved more than 70 percent of the local procurement rate. It should be noted that the Japanese investment has greatly contributed to the expansion of Asean's intra- and foreign trade through the development of the local supporting industries.



The AJCEP is expected to enter into force as early as by the end of this year. The greatest benefit of the AJCEP for Japanese companies would be the cumulative rules of origin that eliminate tariffs at and above 40 percent of total value-added in Asean and Japan.

The AJCEP covers not only the liberalisation and facilitation of trade and investment, but includes cooperation in a broader range of areas including intellectual property rights, human resource development, tourism, transportation and logistics, and the environment.

With the AJCEP, certainly, the complementary and interdependent economic relationship between Asean and Japan will be further strengthened.

**Q:** *The Japan- Asean EPA doesn't cover agriculture products. Do you think Japan should accelerate structural reforms in agriculture to allow parties concerned to weather problems that will arise from market liberalisation?*

**A:** It is not accurate to say that bilateral EPAs with Asean countries do not cover agricultural products. Admittedly, the coverage of agricultural products is limited at the moment. This is due to Japan's domestic political difficulty to liberalise agricultural products.

However, the Japanese government is pushing forward the structural reform, including agriculture, as they are closely connected to bilateral EPAs and trade negotiations in WTO.

Former Japanese Prime Minister Koizumi repeatedly advocated that the issue of agriculture should not be an exception in promoting EPAs with Asean countries. In my view, the structural reform is inevitable for not only WTO and EPA negotiations with Asean countries, but also for the vitalization of the Japanese economy itself, and the same goes for the agricultural reform.

The reform process may not seem to be speedy enough, but the government is well aware of the importance of further proceeding with the reforms.

**Q:** *How would ASEAN-Japan Centre support Asean in its efforts to become a truly integrated market? And what are your views on the Asean Charter which has been ratified by half the member countries so far?*

**A:** As I mentioned earlier, one of the Centre's new priority areas is to assist Asean integration; and with that in mind, we are widening and deepening its scope of activities. We are particularly focusing on narrowing the economic gaps and digital divide in the region.

In order for Asean to achieve its economic integration, the improvement of their infrastructure should be relentlessly pursued as it also plays a key role in this regard. In that respect, Japan has been supporting their hard infrastructure development, such as the building of new roads, bridges, ports and harbours, and airports through Japan's overseas development assistance (ODA) program.

As to the Asean Charter, Asean had not yet signed such treaty that is similar to the Treaty of Rome of the EU until last year.

I think this landmark signing of the Charter will further accelerate the regional integration.

Under the Charter, the Secretariat will be empowered and the organisational structure of Asean will be strengthened from the legal and institutional point of view. Over the years, even

• **ASEAN-JAPAN Centre, Tokyo**

before the Charter was signed, Asean has concluded many agreements for the liberalisation and facilitation of trade in goods and services, which would be an excellent basis for the Asean economic integration.

However, the implementation of agreements has been slow among member countries because of insufficient political will to implement them. After the ratification of the Charter, the Asean Summit will be held twice annually and then, it will be more important for each Asean country to put the agreements into action with a strong commitment.

**Q:** *As the regional bloc remains as highly diversified as ever in development, how would it be possible for the group to set up the so called Asean Economic Community by 2015?*

**A:** As Asean is diverse in terms of its economy, political system, religion, culture, and language, integrating the region is not an easy task unlike the EU.

However, since the leaders of Asean agreed to realise Asean Community by 2015, five years earlier than the initial target, it should be achieved with a strong political will.

Under AFTA (Asean Free Trade Area), the tariff elimination has been steadily undertaken over the recent years while the progress in other areas, such as liberalisation of trade in services, including transport, elimination of non-tariff barriers (NTB), the introduction of the single-window and one-stop service, and harmonisation and mutual recognition of standards, has fallen behind.

To become a truly integrated Asean, it is necessary to exert utmost efforts to eliminate such barriers.

**Key facts**

- Established**
  - 1981
- Mission**
  - promote exports from Asean to Japan, vitalise investment and tourist traffic from Japan to Asean
- Organised**
  - 81 trade exhibitions (500,000 visitors), 13,000 business seminars, 470 Asean investment seminars, 114 Japanese investment promotion missions to Asean

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