



Opening a New Chapter in ASEAN-Japan Relations

Keynote Speech



H.E. Mr. Akira Amari
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The relations between Japan and ASEAN have been growing in both depth and breadth in recent years. Japanese companies are expanding their cross-border transactions within ASEAN. Through robust direct investment, they are building sophisticated and extensive production and supply networks for the regional division of labor.

The Japanese government thinks it is important to develop institutional frameworks to support the ongoing evolution of Japan-ASEAN relations by swiftly working out policies to liberalize trade and establish rules for investment between Japan and ASEAN.

There are three strategic principles for Japan's trade negotiations with ASEAN. One is the promotion of

Creating Institutional Frameworks to Support Moves Toward Economic Integration of East Asia

Economic Partnership Agreements (EPAs) with ASEAN countries instead of simple Free Trade Agreements (FTAs). An EPA is a broad agreement to promote the establishment of systems and joint efforts for economic cooperation in a wide range of areas. Such an agreement allows Japan to make more flexible and individualized responses to the needs of other Asian countries, which are in various stages of development, and build closer bilateral ties with them.

Secondly, Japan is also seeking to conclude a comprehensive economic partnership agreement with ASEAN as a whole. This initiative is aimed at moving Japan-ASEAN ties beyond the scope of simple bilateral trade and investment. Such an agreement should ensure that Japanese companies that are building sophisticated networks for international division of labor will not be at a disadvantage against Chinese and South Korean competitors. Negotiations are being held to reach an agreement on the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) by the scheduled Japan-ASEAN summit in November (See note).

Thirdly, Japan's EPAs with Asian resource-exporting countries include a special chapter concerning energy. Securing a stable supply of energy

and mineral resources is the top foreign policy priority for resource-poor Japan. Japan's EPA with Brunei, signed in June, included such a chapter, as will Japan's EPA with Indonesia.

East Asia, which includes ASEAN, China and India, accounts for half of the world's population and a fourth of global economic output. The region is acting as the main growth engine of the world economy, with regional gross domestic product expanding at strong annual rates of 7-8%. In particular, ASEAN, East Asia's hub, is assuming growing importance. The regional bloc will soon have EPAs or FTAs with Japan, China, South Korea, India, Australia and New Zealand.

As the next step toward the economic integration of East Asia, Japan has proposed a Comprehensive Economic Partnership in East Asia (CEPEA). We are convinced that the envisioned regional pact will play a major role in boosting the economic efficiency and international competitiveness of East Asia.

East Asia is a region marked by great diversity, with wide differences in historical, religious and cultural traditions as well as in political and economic systems. Promoting economic integration in this region requires

dealing with a broad array of challenges concerning the development of human resources and infrastructures and economic gaps. With this in mind, Japan has proposed the creation of an Economic Research Institute for ASEAN and East Asia (ERIA) as organization to provide intellectual support for regional integration through research and policy proposals concerning common challenges in the region. The organization is expected to become a core institution for the regional integration of East Asia. Japan is working hard with other countries in the region to bring this idea into shape.

Japan is hoping that the CEPEA will promote economic liberalization and the development of necessary systems for integration while ERIA will propose policies to contribute to the narrowing of development gaps and sustainable growth in the region. Through simultaneous and balanced promotion of the two undertakings, Japan will continue its strategic efforts to push East Asia toward economic integration. It is expected that these efforts will support economic development of countries in the region and realize Free Trade Area of the Asia-Pacific (FTAAP) in the long run.

Note: At the meeting of economic ministers held on Aug. 25, Japan and ASEAN reached a basic agreement on the AJCEP.

Panel Discussion

Panelists

•ASEAN

H.E. Mr. Domingo L. Siazon, Jr.
Ambassador Extraordinary and Plenipotentiary
of the Republic of the Philippines to Japan

Dr. Narongchai Akrasanee
Chairman of the Board of Directors,
Export Import Bank of Thailand

Dr. Djisman Simandjuntak
Chair, Board of Directors, Centre for Strategic
and International Studies (CSIS) Foundation,
Indonesia

•JAPAN

Mr. Uichiro Niwa
Chairman, ITOCHU Corporation

Mr. Shujiro Urata
Professor, Graduate School of Asia-Pacific
Studies, Waseda University



H.E. Mr. Siazon



Dr. Narongchai



Dr. Djisman



Mr. Niwa



Prof. Urata

an annual average of about 15 percent, the country's exports to China are increasing 25% a year and are a major factor contributing to Thailand's economic expansion.

What I am concerned about is Japan-China relations. Both Japan and China are important partners for

arise between Japan and China, ASEAN will suffer enormous damage.

We are entering an age when we must think about everything from a global perspective. It doesn't make any sense for Asian countries to cling together only among themselves or to create exclusionary communities.

aimed at recovering the appeal of ASEAN in East Asia. Moreover, a change in the decision-making process from the traditional unanimous agreement method to the majority method is being proposed as well. If ASEAN members can agree to this, we can look forward to speedy settlements of various issues involving ASEAN. By doing this, I think ASEAN can recover its unifying force in East Asia.

Siazon: ASEAN can't compete with China and India without achieving true economic integration. By delaying the integration, we will only be tying ourselves down.

We may also need to be more flexible in our way of thinking and recognize that all ten ASEAN nations do not have to be closely aligned with one other in our economic activities. Each country can take the lead in their respective areas to promote integration. I think integration will progress naturally once critical mass is generated.

Urata: ASEAN is presently facing two threats. The first threat is the competitive industrial products being manufactured in China and India, dealing a blow to ASEAN companies. In the

Narongchai — **The importance of friendly relations between Japan and China**

Niwa — **A well balanced development in the global community**

Djisman — **The centripetal power of East Asia must be strengthened**

Siazon — **Countries can take the lead in their respective areas to promote integration**

Urata — **Create a single market and make use of the economy of scale**

ASEAN. I think the relations between the two countries can be promoted by clearing up the historical perception issue.

Niwa: We cannot discuss the world economy without considering China. The strengthening of the Japan-China partnership will become important in considering the future of ASEAN as well. If conflicts and issues

ASEAN must be an open community. And Japan must play a role in helping ASEAN, China, India and other countries to develop in a well balanced and sustainable manner.

Djisman: My point of concern is that the centripetal force of ASEAN is weakening.

The ASEAN Charter that has been proposed includes policy measures

Growing Presence

Moderator: In the most recent decade, the greatest change in the environment surrounding Japan and ASEAN would have to be the rise of China and India. Before then, the growth center of the world was ASEAN. The World Bank called it "The East Asian Miracle" in a report it issued in 1993.

Then, after the Asian currency crisis, we saw the rise of China, and investment from Japan began accelerating as well. Meanwhile, people are beginning to recognize risks, such as elevated labor costs, intellectual property right violations and electric power shortages. How would you evaluate the current situation?

Narongchai: As China and India assume greater prominence, trade and investment between these two countries and ASEAN is increasing. While Thailand's export is growing at

Of all the amazing changes taking place in the world economy today, the most dramatic story is probably Asia's rapidly growing presence. One prominent actor in this drama is ASEAN (the Association of Southeast Asian Nations), Asia's vibrant hub, which looms large on the economic radar screen.

This vigorous regional bloc celebrated its 40th anniversary on Aug. 8. A symposium to commemorate this historical milestone

was recently held in Tokyo. Many dignitaries from Japan and the 10 ASEAN member countries attended the symposium on the future direction of ASEAN-Japan economic relations, which was cosponsored by the ASEAN-Japan Centre and Nikkei Inc.

Discussions among the speakers focused on bilateral efforts to take the thriving ASEAN-Japan relations to a new stage of expansion and prosperity.

Note: Participants' titles as of August 6, the date of the symposium.

Keynote Speech



H.E. Mr. Zainul Abidin Rasheed
Senior Minister of State for
Foreign Affairs, Singapore

The past four decades since the establishment of ASEAN have been filled with significant changes. We have experienced rapid economic development. We have seen ASEAN grow from five to ten member nations. We have been buffeted by natural and man-made disasters. During all these years, Japan has always been a steadfast friend of the region. Japanese investments and assistance have spurred developments in many ASEAN countries.

In 1977, Japan's then Prime Minister Takeo Fukuda initiated the

modern era of expanding globalization, protectionism is not an option. We must challenge the two nations by producing high-quality goods. By promptly concluding an EPA with Japan and working with Japan in the development of human resources and research and development, ASEAN can bolster its competitiveness.

The second threat is that increasing demand by China and India will make the stable procurement of resources more difficult. We can deal with this issue, for example, by introducing resource-saving products and technology from Japan and jointly exploiting and storing resources with Japan.

On the other side of the coin, the market expansion of China and India represents a great opportunity. To make the most of this opportunity, ASEAN must realize a single, cohesive and massive market and nurture companies that can make use of the economies of scale.

Moving Toward Stronger Cooperation

Moderator: What are the challenges we face in fortifying the partnership between Japan and ASEAN?

Siazon: I hope that Japan will contribute in four areas: environmental issues, the peaceful use of nuclear energy, water-resource management, and the issue of aging in Asia.

With regard to environmental issues, I think that Japan, as the host of next year's summit, should urge the U.S., China, India and Brazil to participate in the talks on an international framework to fight global warming from 2013. Also, there is much that the world should learn from Japan about the peaceful use of nuclear energy. There are hopes that Japan will share with all of East Asia its experience in nuclear power gener-

The Advance of ASEAN-Japan Relations Bringing ASEAN-Japan Relations to a Higher Plane

Fukuda Doctrine, which articulated Japan's resolve to promote friendship with ASEAN based on an equal partnership and to achieve a heart-to-heart understanding with the region. This laid a firm foundation for the development of ASEAN-Japan relations. After the Asian Financial Crisis of 1997, Japan proposed the New Miyazawa Initiative to help Asia recover from the crisis and led the way in proposing various initiatives to prevent a repetition of the crisis. These initiatives also helped maintain stable economic development in East Asia. Also, in 2005, when the disastrous tsunami hit Indonesia and Thailand, Japan provided humanitarian assistance and aid expeditiously. We can say that Japan has played an important role in realizing the prosperity of ASEAN nations that we see today.

ASEAN-Japan trade exceeded U.S.\$150 billion in 2005, more than one-eighth of total ASEAN trade. Japan is also one of ASEAN's top investors, with investments worth \$3.16 billion in 2005.

ation, quake-resistant engineering for nuclear reactors, and radioactive waste management.

Many developing countries suffering from a shortage of drinking water are wasting precious water resources due to pollution and bad resource management. Since Japan has advanced water resource management and water treatment techniques, it can provide effective assistance. Also, the aging of the population in Japan is progressing at a faster pace than in any other country in East Asia. I hope Japan will present solutions to this problem, taking

Using ASEAN as a production base, many Japanese companies have established a network of operations across the region, making full use of the comparative advantages of the different countries. Japanese companies have also accelerated technology transfer and investments in various regions. These activities have promoted mutually beneficial economic partnerships and helped both parties develop together.

With the rise of China and India, the economic landscape of East Asia is changing dramatically. To increase the speed of regional economic integration and enhance our respective competitiveness, the original deadline of 2020 for building the ASEAN Economic Community has been brought forward to 2015. This would allow us to become a single cohesive economic entity and realize the full potential of our combined market of 550 million people.

In the future, it is important that we facilitate integration of all parties with the global economy. To achieve this, further regional cooperation and

well as people-to-people exchange in such areas.

Narongchai: The movement of capital is a major issue as well. Today, ASEAN nations are being greatly impacted by China's massive trade surplus as well as the global money glut caused by yen-carry trade, which takes low-interest yen and invests it in high-interest currencies. Some of the funds have flowed into ASEAN and caused a rise in the currencies, and small and midsize companies are finding this difficult to handle.

I think the only way to solve this problem is to create funds that utilize

- Siazon — **Hopes for Japan's contribution in four areas, including the environment**
- Djisman — **More discussions are needed about the flow of capital and personnel**
- Narongchai — **Make effective use of capital by developing infrastructure**
- Niwa — **Japan should contribute in three areas to strengthen ties with ASEAN**
- Urata — **Demonstrate Japan's willingness to advance together with ASEAN**

into account the mobilization of human resources across East Asia.

Djisman: We must also deal with the sensitive issue of the movement of capital and human resources. With regard to the mobilization of human resources, discussions in ASEAN have been limited to trained professionals and technicians.

I think from now on, we mustn't focus on just trade and investment. There are many areas that aren't reflected in statistics, such as the flow of personnel and information. We will be seeing new business opportunities emerge in the fields of medicine, tourism, services, sports, leisure and other creative economic areas. We are hoping for assistance from Japan as

this capital and plan projects for infrastructure development in ASEAN countries. To do that, governments must be actively involved, easing regulations and promoting the participation of the private sector.

Niwa: Japan should contribute in three areas to fortify its ties with ASEAN. The first area is the development of soft infrastructure, such as laws and regulations, accounting and patent systems. We see some Japanese companies setting up operations in China or ASEAN countries and facing lawsuits that are unthinkable from a global perspective. In some cases, they also suffer great losses as a result of mergers and acquisitions. We need to create a safe environment for compa-

integration within East Asia is indispensable. The ASEAN-Japan Comprehensive Economic Partnership (AJCEP) and the longer-term Comprehensive Economic Partnership in East Asia (CEPEA) are important initiatives to bind ASEAN and Japan to each other and to all of East Asia.

On the other hand, in order to keep our maturing relationship going strong, it is important that we continue to explore new areas of collaboration. One such area is energy. Japan is a world leader in clean energy technologies and boasts up-to-date policies on energy efficiency and conservation. With closer collaboration between Japan and ASEAN in terms of knowledge-sharing, technology transfer and industry development, our ties would certainly be enhanced as well.

It has been 30 years since the Fukuda Doctrine was announced. It would be timely for Japan to develop a new strategic vision for its relations with ASEAN. There remains much room for ASEAN and Japan to further cooperate for mutual benefits. I look forward to hearing new ideas on bringing ASEAN-Japan relations to a higher plane.

Panel Discussion

nies to invest in.

The second area is the transfer of technology. Environmental problems are a matter of urgency worldwide. To tackle these issues, we must promote the transfer of technologies that help save energy and water. Japan should also actively cooperate in the development of infrastructure for electric power distribution and the construction of highways.

The third area that Japan should contribute in is creating innovation centers in Asia that can compete with those in Europe and the United States. Networks should be built to connect innovation centers in Japan and ASEAN as well as the centers of innovation like the Yangtze delta in China and Bangalore in India. This will help to prevent the emigration of personnel to Europe and the United States and to correct technical disparity.

Urata: The opening up of the Japanese market and the development of human resources in ASEAN is required as well. Liberalizing the agricultural markets that have been impeding the EPA negotiations will not only eliminate the inefficiencies in agriculture but also related public works and constructions fields. It will also promote the import of food products from ASEAN. Moreover, if Japanese companies in ASEAN countries move aggressively to hire and train local staff, we can show Japan's willingness to move hand-in-hand with ASEAN. Demonstrating this eagerness to advance together is most important in fortifying Japan-ASEAN relations.



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