



ASEAN-Japan Ties Reach a New Stage of Evolution



Asia's presence in the world economy is on the rise, and the roles of Japan and the Association of Southeast Asian Nations (ASEAN) are assuming increasing importance amid surging political momentum for the economic integration of East Asia, the main growth center of the world.

Against this backdrop, the ASEAN-Japan Centre, an intergovernmental organization devoted to promoting trade, investment and tourism between ASEAN and Japan, is stepping up its efforts to further enhance ASEAN-Japan relations. In a recent interview with *The Nikkei*, Mr. Nobutoshi Akao, Secretary General of the Centre, discussed the current state of the ASEAN-Japan relationship and the Centre's activities.



Mr. Nobutoshi Akao

Secretary General of the ASEAN-Japan Centre

Q: ASEAN will celebrate its 40th anniversary next month. How would you assess the regional organization's evolution during the past four decades?

A: ASEAN was founded in Bangkok on August 8, 1967, in response to the growing threats posed by the escalating Vietnam War and the Cultural Revolution in China. The founding members were Indonesia, Malaysia, the Philippines, Singapore and Thailand. Later, Brunei, Vietnam, Laos, Myanmar and Cambodia

also joined, bringing the total number of member countries to 10. Today, ASEAN is a huge market with a total population of approximately 570 million and combined gross domestic product (GDP) of US\$1.067 trillion.

Initially, ASEAN's activities were mainly political in nature, but the economic relations among the members have become increasingly stronger and more important for the body over the years. In 1993, ASEAN embarked on a path toward the regional

trade liberalization under an initiative called the ASEAN Free Trade Area (AFTA). The five founding members plus Brunei are set to eliminate tariffs on imports from other ASEAN countries by 2010, and the remaining four members are scheduled to follow suit by 2015. In 2003, ASEAN adopted the "Declaration of ASEAN Concord II," which states that the organization will aim to establish an "ASEAN Community" comprising three pillars — the "ASEAN Security

Community (ASC)," the "ASEAN Economic Community (AEC)" and the "ASEAN Socio-Cultural Community (ASCC)" — by 2020. At the ASEAN summit in January this year, the leaders of the member countries agreed to achieve the ASEAN Community by 2015, five years ahead of schedule, in response to the emergence of China and India as major economic powers. ASEAN is moving at an accelerating pace toward the envisioned integration of its member economies.

Mutually Indispensable Economic Partners

Q: Could you talk about the current state of ASEAN-Japan relations?

A: ASEAN and Japan have very close and highly interdependent economic ties. In 2005, ASEAN accounted for 13.4% of Japan's international trade — making it Japan's third-largest trading partner following the U.S. (18.1%) and China (17.0%). For ASEAN, Japan is the largest trading partner along with the U.S., representing 12.8% of the region's overall trade. Japan's share has declined in recent years, but that is mainly because Japanese companies doing business in ASEAN countries are increasingly carrying out their procurement and shipping operations within the region. The ratio of intraregional trade within ASEAN rose 9.6 percentage points in 25 years from 15.9% in 1980. Japanese companies are contributing greatly to accelerating this trend.

Since 2003, Japan has been making more direct investment in China than in ASEAN. However, Japan poured a total of ¥12.2 trillion in direct investment into ASEAN from 1951 to 2004, 3.3 times more than the ¥3.7

trillion it invested in China during the same period. Since the figure does not include reinvestment by Japanese affiliated companies operating in ASEAN, the actual amount of Japanese investment in the region is much larger.

Many Japanese companies are now reviewing their Asian investment strategies focused on China due to the confluence of such factors as rising wages, especially in coastal areas, rampant copyright infringement, power shortages, and institutional instability. Concerned about the risk of con-

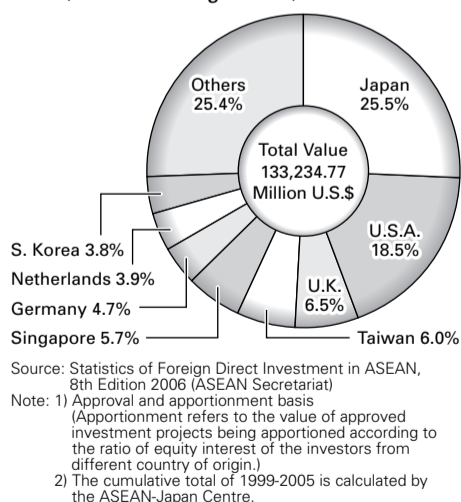
centrating investment in China, more Japanese companies are taking a fresh look at ASEAN countries as potential destinations for their investment in addition to China under the so-called "China plus One" strategy.

Moreover, tourism is an important source of foreign currency for ASEAN nations, accounting for about 10% of total GDP. Japan has been the largest source of tourists outside ASEAN, sending 3.56 million visitors to the region in 2005.

ASEAN is also the leading recipient of Japanese official development assistance (ODA),

and Japan is the largest aid donor to the region. The amount of Japanese ODA to ASEAN has been declining recently, as ASEAN's per capita GDP increases. However, Japan's support still plays an important role in its economic development, especially in areas like human resource development and the improvement of infrastructure such as roads, bridges, ports and harbors, and airports. As narrowing the economic gaps among the ASEAN members is one of the key challenges for its integration, Japan's ODA will continue to play an important role.

Foreign Direct Investment to ASEAN (Manufacturing Sector) 1999-2005



Effective International Division of Labor Based on a Complementary Partnership

Q: Japan's efforts to enhance its economic partnership with ASEAN are making progress, aren't they?

A: At the moment, the Japanese government is working hard to negotiate and conclude bilateral Economic Partnership Agreements (EPAs) with individual ASEAN members and a Comprehensive Economic Partnership (CEP) Agreement with ASEAN as a whole. These moves are designed to provide an institutional framework for economic integration between ASEAN and Japan, which has been progressing for decades.

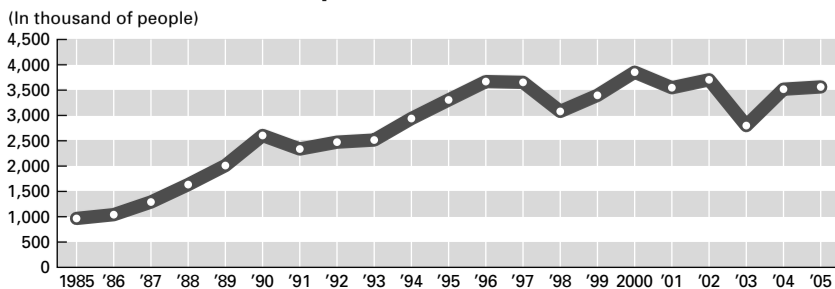
Japan's EPAs with regional trade partners are much wider in scope and of a higher quality in terms of substance than the Free Trade Agreements (FTAs) countries like China have been pursuing. They cover not only the liberalization of trade in goods and services, but also the liberalization of investment 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, nursing-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 information and communications technology, promoting small- and medium-sized enterprises (SMEs) and the environment.

Japan's social structure is also in a period of major transition, as seen in the shrinking birthrate and aging population, and the resultant population decline. If Japan is to maintain its vitality and economic growth under these circumstances, closer integration with East Asian economies will be essential. Especially, the importance of interdependence with ASEAN in terms of trade, investment, tourism and ODA will further increase.

ASEAN is in competition with China in many areas. However,

Trend of Japanese Travelers to ASEAN



Continued Quest to Enhance Economic Partnership

ASEAN and Japan enjoy a complementary relationship, particularly in the manufacturing sector. For ASEAN member countries, which are facing intensifying competition from China, the importance of technical and industrial cooperation with Japan is growing. Both ASEAN and Japan benefit greatly from pursuing bilateral EPAs and the CEP Agreement while strengthening monetary and financial cooperation. Such efforts contribute significantly to the development of a more efficient regional division of labor and the enhancement of interdependent economic ties.

Q: How would you assess the momentum for the economic integration of East Asia?

A: Economic ties among countries in the region have become much stronger and deeper in recent years owing to such factors as Japan's growing investment in the region and expansion of trade among East Asian Countries due to China's emergence as a major economic power. It is important to enhance institutional arrangements as part of the efforts to promote the economic integration of East Asia as a whole.

In recent years, China has often been ahead of Japan in negotiating FTA with ASEAN as a whole. However, what ASEAN countries want most are high-quality EPAs with Japan.

China has become a trade superpower, surpassing Japan in terms of the total value of its international trade. But China receives much more foreign investment than it invests overseas, and Japan accounts for more than half of East Asia's overall GDP. Also, the amount of Japan's foreign direct investment (FDI), which is crucial for regional economic integration, is far larger than that of any other Asian country.

In addition, Japan has developed a substantial economic infrastructure over the years, and its comprehensive economic power in East Asia is still overwhelming. The country is also a leader in the region, contributing in such areas as the protection of intellectual property rights, the establishment and enforcement of various kinds of business and economic legislation, the transparency of corporate management, and environmental protection and energy conservation technologies.

The economic integration of East Asia will not make great strides without Japan's leadership in all aspects. As such, Japan needs to provide institutional support by concluding high-quality EPAs and the CEP Agreement with ASEAN quickly, and expanding the network of these agreements to cover all of East Asia by closely working with ASEAN.

Building a Relationship of Mutual Trust between ASEAN and Japan

Forty years are not very long in the historical context of Asia with its numerous centuries old civilizations. However, for ASEAN, the last four decades were filled with unexpected changes and dramatic developments which could easily overcome a less determined organization for regional cooperation and development. War and peace were experienced by member countries of ASEAN.

Now peace and prosperity prevail in the region. We should therefore be thankful and must commit ourselves to ensure that their healthy state-of-affairs continue.

ASEAN and Japan enjoy excellent relations. From time to time, like all good friends, the debate over what and how we can do more, dominate the media, but the two sides have maturity and confidence to pursue win-win solution.

In the coming years, ASEAN and Japan are going to develop even more cooperative activities, particularly at the level of younger generation.

I see tremendous potential and value in ASEAN-Japan relations. Many bright days are ahead for us. This will lay down a strong foundation for greater understanding and mutual trust.



H.E. Mr. Ong Keng Yong
Secretary-General of ASEAN

Bolstering the ASEAN-Japan Centre's Functions

Q: What role does the ASEAN-Japan Centre perform in promoting economic partnership between ASEAN and Japan?

A: Our mission is to promote trade, investment and tourism between ASEAN and Japan as well as public relations on the importance of ASEAN-Japan relations. The ASEAN-Japan Commemorative Summit in 2003 adopted an action plan, which includes strengthening the Centre's functions and widening and deepening its scope of activities. This led to the establishment of an "Eminent Persons Committee (EPC)," which was participated in by an eminent person from each of the member countries of the Centre. The EPC's recommendations included human resource development in trade, investment and tourism, support

of SMEs, various projects related to information and communications technology, and enhancement of the Centre's activities to support the effective implementation of economic partnership between ASEAN and Japan.

To achieve these objectives, in addition to stepping up our traditional activities, we are also engaged in various promotional activities, such as conducting investment promotion seminars and missions to encourage investment by SMEs, exhibitions in new sectors focusing on design and health and wellness, virtual 3D showrooms on our Web site, and launching programs to promote tourism in such subregions as the Greater Mekong Subregion (GMS) and the East ASEAN Growth Area (BIMP-EAGA)*.

This year, we are also organiz-

ing special events to commemorate the 40th anniversary of ASEAN, such as a tourism fair, a commemorative symposium and an ASEAN tour planning competition for students. These events are aimed at introducing the charms and attractions of ASEAN to as many people as possible in Japan. We hope these efforts will highlight ASEAN's attractions from new perspectives.

By continuing to innovate our programs, we aim to help ASEAN-Japan ties evolve to a new stage.

* Note: The East ASEAN Growth Area, or BIMP-EAGA, which stands for Brunei, Indonesia, Malaysia, and the Philippines, spans the territories of Brunei, Indonesia (the islands of Kalimantan, Sulawesi, Maluku, Irian Jaya), Malaysia (Sabah, Sarawak, Labuan), and the Philippines (the islands of Mindanao and Palawan). It covers roughly 1.54 million square kilometers and is home to about 55 million people.

ASEAN FESTIVAL

In Commemoration of the 40th Founding Anniversary of ASEAN



ASEAN consisting of 10 countries of Southeast Asia, will mark its 40th Founding Anniversary this year. In commemoration of this Anniversary, the ASEAN-Japan Centre will organize an "ASEAN FESTIVAL" in Japan, a series of festivities and activities to introduce and showcase ASEAN's rich and unique culture, traditions and cuisines, the latest economic climate of ASEAN and the significance of ASEAN-Japan relations.



Highlights of Events

ASEAN Tourism Fair

August 2 (Thu.)-7(Tue.), 2007, at Keikyū Department Store (Kamiooka, Kanagawa)

ASEAN handicrafts demonstrators and dancers will be present to showcase the rich culture and traditions of ASEAN. Please come and enjoy this exciting event.

Symposium: "Future Direction of ASEAN-Japan Economic Relations in Response to Globalization"

13:00-16:00 August 6 (Mon.), 2007, at Hotel New Otani (Tokyo)

The Symposium will be co-organized by Nihon Keizai Shimbun, Inc. (an influential Japanese business newspaper). Representatives from both academic and business cir-

cles of ASEAN and Japan will be invited to talk on the future direction of ASEAN-Japan economic relations, as well as ASEAN economic integration.

ASEAN Panel Exhibition

August 6 (Mon.)-17 (Fri.), 2007, at Permanent Exhibition Hall, ASEAN-Japan Centre (Ginza, Tokyo)

The exhibition will introduce the growing economic relationships of ASEAN and Japan through a display of ASEAN images and products. A tasting event of ASEAN food and an on-the-spot selling of ASEAN products will also be conducted during the period.

ASEAN Interior Goods Exhibition

July 30 (Mon.)-September 28 (Fri.), 2007,

at Osaka International Business Promotion Center (IBPC)

The exhibition will introduce interior goods by focusing on high-quality merchandise made from indigenous raw materials available in ASEAN, in cooperation with International Exhibition Center Osaka. A trade seminar will also be held for the business sector during the exhibition.

ASEAN Tour Planning Competition for Students

Students from tourism institutes in Japan will be invited to design new and exciting ASEAN tour programs. Entry to this unique competition will start in July. We expect to receive many attractive and interesting entries by future tourism professionals.

ASEAN-Japan Centre

The ASEAN-Japan Centre was established in 1981 by the governments of ASEAN and Japan. Since its establishment, the Centre has been promoting trade, investment and tourism between ASEAN countries and Japan through various activities including organization of exhibitions and seminars, dispatch and invitation of missions, implementation of human resource development programs, and production of publications.



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