

AJISS-Commentary

The Association of Japanese Institutes of Strategic Studies

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Institute for International
Policy Studies



The Japan Forum on
International Relations

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International Affairs
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No.10. 2 August 2007

REENERGIZING JAPAN'S ASEAN POLICY

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The Association of Southeast Asian Nations (ASEAN) marks its 40th anniversary this coming August 8. Its membership has grown from the initial five to ten countries to now boast a population of 570 million, a huge market worth more than \$1 trillion in gross domestic product and an abundant labor force and natural resources in addition to its geographical strategic advantage. ASEAN's political and economic presence on the world stage is increasing.

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Over the past three decades, Japan has deepened its interdependence and established close political and economic ties with ASEAN through exchange and other efforts both at the official and private levels. Therefore it has been a little disappointing lately to see Japan's passivity contrasted against China's active diplomacy toward the region. Japan has greatly lagged behind China in such efforts as joining the Treaty of Amity and Cooperation in Southeast Asia (TAC) and negotiating free trade agreements with the regional organization. Regardless of China's moves, Japan must establish its own proactive policy toward Southeast Asia.

The first task is revitalizing high-level diplomacy. The first summit meeting between Japan and ASEAN was held in 1977 when Prime Minister Takeo Fukuda traveled to Southeast Asia and made a speech, known as the Fukuda Doctrine, in Manila at the end of his tour. The summit pioneered ASEAN's conference diplomacy and successive Japanese governments have since then built on Fukuda's pledge of maintaining close relations with the regional institution. The ASEAN-Japan Commemorative Summit Meeting held in 2003 in Tokyo, for example, marked the first time that all the leaders of ASEAN countries gathered in a country outside the region to meet with the leader of a non-ASEAN country. This year marks the 30th anniversary of the Fukuda Doctrine. It would be a good occasion for the Japanese prime minister to consider putting at the top of his agenda visiting each of the Southeast Asian countries, in addition to attending meetings with ASEAN as a whole.

Secondly, Japan needs to step up efforts to conclude high-quality economic partnership agreements (EPAs). Japan and ASEAN have developed a highly interdependent relationship through trade and private investment. Consequently, Japan today is ASEAN's largest trade partner along with the United States. Japanese investment in the region has grown on the back of the strong yen in the 1980s, making Japan the largest investor in the manufacturing sector. Japan is also the largest provider of tourists among non-ASEAN countries, with some 3.6 million

people visiting the region annually. Concluding substantial trade agreements with ASEAN and its major member states that provide for as little exceptional treatment as possible would help reinforce the enhanced relationship from a legal and institutional standpoint. Japan is already implementing EPAs with Singapore and Malaysia and has signed EPAs with the Philippines and Thailand. Given the World Trade Organization's practice that developed countries should make major concessions when negotiating trade packages, however, some of these EPAs leave much room for improvement. Japan still has work to do toward abolishing tariffs on trade and accepting more foreign workers, including nurses and health-care workers.

The third task concerns Japan's official development assistance (ODA) policy. ASEAN has long been the major destination of Japanese foreign aid, but the annual amount allocated to the region has continued to drop in recent years. Since the Asian currency crisis, Japan has provided a total of \$80 billion to help the region recover from the damage. This financial assistance scheme, announced in the wake of the crisis, was hailed as a project embodying the saying "a friend in need is a friend indeed" at a time when other major countries, including the United States, refused to offer aid. Japan's ODA, used to build infrastructure such as roads, bridges, ports, airports and subways, has contributed to the region's miraculous economic development. Robust infrastructure is also essential to further economic integration. Japan must continue providing substantial amounts of aid to the region, including technical assistance in areas such as customs procedures and logistics. Assisting ASEAN's new members develop infrastructure and human resources is of urgent importance lest they become an obstacle to regional integration.

The fourth task is developing a resilient, cooperative monetary mechanism in Asia. Japan has played a leading role in forming and implementing the Chiang Mai Initiative (CMI) designed to build a network of bilateral swap arrangements among the ASEAN+3 countries. Japan should continue exercising leadership in strengthening the CMI, including its multilateralization, and fostering Asian bond


markets.

Fifthly, Southeast Asia has a crucial geopolitical importance to Japan. Its political stability is key to Japan's survival, for 90% of Japan's oil import comes through the Strait of Malacca. Enhancing regional cooperation in anti-piracy and anti-terrorism measures would be of great help in this regard. Japan should also assist the efforts of the ASEAN Regional Forum to enhance confidence building and promote preventive diplomacy.

The sixth task is developing measures to cope with cross-border issues, including infectious diseases such as SARS and avian flu, drug and human trafficking, and money laundering. The economic impact of the spread of SARS is still fresh in the region's memory. It is crucial for Japan to continue to provide assistance, both financial and technical, to help the region develop countermeasures. It is equally urgent to reinforce cooperation in energy security and efficiency as well as the protection of environment in order to fight global warming and preserve water and forests.

In the face of the rapid economic rise of China and India, ASEAN is faced with an urgent need for its survival to strengthen competitiveness by attracting further foreign investment. To this end, it is necessary to accelerate the market integration process to create a single market and production base with no trade barriers. Such is the motive behind the decision of ASEAN at its latest summit to move up the target date for establishing an ASEAN Community by five years to 2015.

Japan is in a position to help ASEAN accelerate the integration process. At the same time, we must be aware that providing assistance will present Japan with a great opportunity to reinforce its relationship with ASEAN. It is crucial for an aging Japan concerned with a shrinking workforce to build a production/distribution/consumption structure linked with the rest of East Asia in order to maintain economic vitality and national strength. The economic structures of Japan and ASEAN are complementary rather than competitive, compared with

those of China and ASEAN. Thus building a strong relationship in a wide range of areas - from trade to investment, finance, information technology, tourism and youth exchanges - is beneficial to both Japan and ASEAN. It would be best for Japan to first focus its efforts on strengthening economic ties with ASEAN, and then develop them into a wider East Asian forum for economic integration. 

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