

“A NEW ERA OF JAPAN AND ASEAN”
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First of all, please allow me to say that it is a great honor for me to share my views at the renowned Asia Europe Institute. I would like to take this opportunity to thank the AEI for inviting me to deliver a lecture in the presence of such a distinguished audience.

I believe this is an interesting time with many things ongoing between Japan and the ASEAN countries. Currently, ASEAN is establishing itself as a strong and solid organization within the region, by initiating various activities. ASEAN is in the “driver’s seat” so to speak with an essential role in navigating the direction of the whole region – as in which path ASEAN should take and how ASEAN should do it.

This year we celebrate the 40th Anniversary Year of ASEAN-Japan Friendship and Cooperation. Bearing in mind this commemorative year, it is very timely to assess the transition of ASEAN, and Japan’s involvement with ASEAN in retrospect, then consider the current movement of ASEAN-Japan relationship.

It can be said regional circumstances under the Vietnam War and the Cold War activated regional cooperation, and this eventually resulted in the establishment of ASEAN in 1967.

Japan’s relationship with ASEAN dates back to the same period when it hosted the Ministerial Conference for Economic Development in Southeast Asia from 1966 until 1975. Japan’s relationship with ASEAN was institutionalized in 1977, when then Prime Minister Takeo Fukuda met with ASEAN leaders at the organization’s second summit meeting in Kuala Lumpur. In the same year, Prime Minister Fukuda announced the “Fukuda Doctrine”, consisting of three principles, one of which stated that Japan would build up relations of mutual confidence and trust with Southeast

Asian countries. Japan also held a summit meeting with ASEAN in 1977.

ASEAN's development has always been high on Japan's agenda, and Japan has been extending great support to ASEAN countries through the Official Development Assistance (ODA). Japan's ODA has contributed to the region's development via infrastructure maintenance, both in terms of extending technical and financial assistance, and in human resource development.

With the end of the Vietnam War in 1975, regional conflicts ceased, and the ASEAN region started to stabilize. This was when ASEAN's functions started to shift from managing political issues to economic issues.

ASEAN started off with 5 member countries in 1967, but was later joined by Brunei in 1984, Vietnam in 1995, Laos and Myanmar in 1997 and Cambodia in 1999. ASEAN pushed forward towards regional trade liberalization as the Cold War came to an end and the world developed into a market economy. In the process, ASEAN started to deal with economic globalization, and economic ties were strengthened even more than conventional political ties. This is apparent from the fact that APEC, where 6 nations of ASEAN are members, was formed in 1989, to liberalize and facilitate trade and investment, and later ASEAN Free Trade Area (AFTA) was established in 1992.

ASEAN led the Asia-Pacific in institution-building in the 1990s. However, the financial crisis in 1997, not only inflicted serious economic loss on the ASEAN member countries, but also brought about drastic political reform, as per what happened in Indonesia. One of the lessons learned from the crisis which hit East Asia was the necessity to construct a regional system that was appropriate for East Asia and one which was economically interdependent instead of adopting a western style macro-economic and financial system.

The summit meetings of ASEAN Plus Three and various ministerial meetings were institutionalized partly because of the Japanese

Government's active involvement, from the late 1990s to this century. Frameworks to prevent new crises were also formulated, such as the Chiang Mai Initiative, which fundamentally expands the ASEAN Swap Arrangement.

After overcoming the financial crisis, ASEAN is developing into a big global economic zone driven by an enormous market with a population of 600million and a high consumption level as well as growing investment and trade.

Thus regional economic integration started to operate. In the East Asia region, the formulation of FTA networks with the 10 ASEAN countries and 6 surrounding countries (Japan, China, Korea, India, Australia, and New Zealand) is proceeding at a rapid pace. ASEAN continues to strive for the completion of the ASEAN Economic Community (AEC) in 2015 while ASEAN's surrounding 6 countries are also accelerating the pace of formulating FTA networks with ASEAN as a hub. Some examples include the ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP) which took effect in 2008; Japan has already established FTA networks with respective ASEAN nations, known as ASEAN Plus One.

As the next step, there is a move within the framework of the ASEAN Plus Three and ASEAN Plus Six (Regional Comprehensive Economic Partnership (RCEP)), to broaden regional economic partnerships and start intergovernmental discussions. Furthermore, each of the ASEAN member countries are enhancing cooperation outside the East Asia region – for instance, being actively involved in FTA negotiations with the EU; Singapore, Malaysia, Brunei and Vietnam are participating in the TPP negotiations like Japan. Based on these actions by the member nations, Japan intends to continue to be actively involved in the EPA/FTA negotiations, to enhance Japanese companies' business on a global scale.

Now I would like to touch on trade and investment between Japan and ASEAN. Japan's trade with ASEAN accounts for 15% of total trade; the amount is a bit smaller than that of China, Japan's biggest trading partner with 20%; but larger than that of the EU, which accounts for 10%, and the

USA with 13%. Investment-wise, ASEAN became Japan's largest investment destination instead of China after 2009. This trend is supported by the fact that, ASEAN is not only an attractive manufacturing base, but it is also gaining presence rapidly as a huge consumer market with the expansion of the middle and affluent classes.

We have also observed the following investment trend by Japanese companies:- 1) regional expansion springing from the original the investment destination – for instance, investing in the Mekong area, 2) there is a shift to high-value added industries (green technology, nanotech, medical, and so forth) from labor intensive industries in investment destinations such as Malaysia, 3) business expansion into the service industry, 4) increasing investments by small and medium-sized enterprises.

As economic globalization intensifies, not just goods, but also the flow of people increases. The facilitation and improvement of transportation - be it land, air or sea - will enhance the sustainability of ASEAN, which will be the key to making the AEC a success. Investment in infrastructure within the ASEAN region is picking up speed, and Japan's private and public sectors both support the formulation of ASEAN Connectivity in various aspects by investing and developing infrastructure in the region.

As you know, most ASEAN countries are maritime nations. There are also many small islands in this area. Therefore, in order to enhance ASEAN Connectivity and to stimulate the regional economy, it is vital to maintain the network of maritime transportation, and this should also ensure that freedom of navigation is secured.

Japan is also a maritime nation, as well as a trading nation. It is extremely important for Japan that freedom of navigation within the region is secured and that the network of maritime transportation is developed. So far, Japan has endeavored to develop the maritime transportation network elsewhere and within the ASEAN region. Japan will continue its efforts to contribute to the development of the transportation network by cooperating with the ASEAN nations concerned.

ASEAN has become an important pillar for Japan's economic growth in recent years. Therefore, it is imperative for Japan to incorporate the region's economic growth in order for Japan to realize its Growth Strategy. Japan intends to cooperate with ASEAN in realizing the AEC in 2015, and to establish free trade and economic zones and to build a borderless society.

Ladies and gentlemen,

I wish to stress that the relationship between Japan and ASEAN is not just about economic ties, but also includes the important element of people to people exchanges which Japan remains very much committed to.

On January 18, 2013, Prime Minister Shinzo Abe, during his visit to Indonesia, announced that Japan would implement a new youth exchange program called Japan-East Asia Network of Exchange for Students and Youths "JENESYS 2.0" with ASEAN Member States and other countries outside the region. Under this project, approximately 30,000 youths from the Asian/Oceanian region will have an opportunity to participate in related programs. For the ASEAN 10 countries, approximately 10,200 youths from ASEAN Member States (AMS) will be invited to Japan and approximately 500 Japanese youths will be dispatched to AMS.

I truly believe that the youths who participated in the JENESYS program, will be the future foundation to further enhance the relationship between Japan and ASEAN.

So far I have been speaking about ASEAN as a whole. However, I would now like to look at things on a smaller scale but indispensable all the same - I would like to touch upon the academic exchanges between Japan and Malaysia. Since the introduction of the Look East Policy in 1982 by then Prime Minister Tun Dr. Mahathir, more than 14,000 Malaysian students have been sent to Japan to further their studies in various fields, especially in the field of science and technology. We have also recently witnessed the establishment of the Malaysia-Japan Institute of Technology

(MJIT) and the establishment of satellite campuses of several Japanese universities in Malaysia. This clearly indicates that educational and research exchanges have progressed tremendously over the past 30 years – we now have a two-way exchange, whereby in addition to Malaysian students going to Japan, Japanese students, researchers and universities also come to Malaysia. This movement can be reflected in the other ASEAN countries in future.

Ladies and Gentlemen,

Before I conclude my lecture, I would like to emphasize that Japan's commitment to ASEAN remains unchanged. Japan's relationship with ASEAN is the basis of our diplomatic policies in Asia, and it is important to strengthen ties both politically and economically, as well as intensify people to people exchanges.

Japan fully supports ASEAN's endeavors towards ASEAN Connectivity. What is vital for the stability and prosperity of Japan and ASEAN, and furthermore, for the whole East Asia, is that a unified ASEAN would be the hub for regional architecture.

The ASEAN-Japan Commemorative Summit will be held in mid-December. The most significant outcome of the Commemorative Summit would be to provide the world with a vision that will direct the future of Japan and ASEAN. Let's all hope that there will be productive results to further enhance the already robust relations between Japan and ASEAN.

Thank you.