

## **ASEAN: An indispensable partner for Japan**

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H.E. Ambassador Rodolfo Severino, Head of the ASEAN Studies Center  
of the Institute of Southeast Asian Studies,  
distinguished guests,  
ladies and gentlemen,

First, I sincerely thank H.E. Ambassador Severino and the Institute of  
Southeast Asian Studies for giving me an opportunity to speak to such a  
distinguished and experienced audience.

### **I. Introduction**

In fact, it is not so easy to talk about Japan- ASEAN relations.

So much effort has been devoted until today to enhance our relations. If  
we look back for example, at the Commemorative Summit Meeting  
between Japan and ASEAN 6 years ago, we see that the Action Plan

agreed upon on that occasion was quite comprehensive. The recommendations of the Eminent Persons Group, which are supposed to be presented soon to the heads of states of ASEAN and Japan, will surely be comprehensive and professional. There have been many meetings and symposiums of distinguished experts, where you yourself have often contributed to providing us with intellectual inspirations.

Therefore, it is not easy to talk about something new. But I believe the significance of our relations deserves an ongoing dialogue and scrutiny, and the fact that our world is changing rapidly every day makes our ongoing dialogue and reiteration of our commitment to our relations both useful and important. So I am very honored and pleased to give you some of my own views about our relations today.

## **II. Brief overview of our relations**

One of the main milestones of our relations was the speech given by Prime Minister Fukuda on August 18, 1977 in Manila, the Philippines. In his speech, PM Fukuda stressed the importance of strengthening the ties between Japan and ASEAN and mentioned three main pillars

which would guide our relations, as follows:

- A. Japan rejects the role of a military power,
- B. Japan will do its best for consolidating the relationship of mutual confidence and trust based on "heart-to-heart" understanding, and
- C. Japan will be an equal partner and cooperate positively in ASEAN's own effort to strengthen solidarity and resilience.

Now, more than 30 years have passed and we can note with satisfaction and pride how much we have achieved. This positive development was quite natural, since the stability of ASEAN was the key for the stability of the whole Asia-Pacific region including Japan, and the interdependence between ASEAN and Japan in the area of trade and investment among others increased every year. I would like to mention just a few figures:

For Japan, ASEAN is the third largest trading partner after China and

the US with a 13.6% share of the overall trade (2008).

Also for ASEAN, Japan is the third largest partner with a 12.4% share.

Regarding foreign direct investment, ASEAN was the largest destination for Japan among East Asia during the period from 1997 to 2007 with a share of 39.1% of the overall foreign direct investment. During the same period, Japan was the second largest investor to ASEAN after the EU with a share of 16.3% of incoming investment to ASEAN.

In 2006, ASEAN was the second most popular visiting destination for Japanese overseas travelers (3.7mil. 16.5%) after China, and in 2007, around 112,200 Japanese people were living in ASEAN which account for 10.3% of all Japanese people living abroad.

Between Japan and ASEAN, we have developed a close net of consultations and we can say that today we are discussing and looking for ways to increase cooperation in almost every important field. We

have developed special relations which are not reversible anymore.

### **III. The role of ASEAN**

The importance of ASEAN in Asia and Pacific will grow. And so will the importance of Japan-ASEAN relations. I would like to elaborate on these points from three aspects which are interlinked.

#### A. ASEAN as the hub of cooperation

The dynamism of ASEAN will continue to attract the international community. The growing interaction of the international community with ASEAN will on one hand increase competition, which is by the way not a negative thing, and on the other hand create new opportunities for cooperation.

In this connection, let me touch upon the recent development of the relations among Japan, China, and the Republic of Korea (ROK). In December 1997, the 1st ASEAN+3 summit meeting was held in Kuala Lumpur. This meeting took place to discuss among others the measures on how to overcome the Asian financial crisis. This new cooperation

among ASEAN+3 also fostered the trilateral cooperation among Japan, China, and ROK. In 1999, the first trilateral summit meeting took place in Manila on the sideline of the ASEAN+3 summit meeting. And in December 2008, the first trilateral summit meeting was held independently of other occasions in Fukuoka, Japan. I believe that the close cooperation among Japan, China, and ROK is a necessary consequence considering the significance of such cooperation for the peace and stability in Asia. But the close ties among Japan, China, and ROK with ASEAN were the catalysts of enhancing this trilateral cooperation. In December 2008, the three countries agreed to strengthen their cooperation in the fields of economic affairs, environmental protection, science and technology, as well as social and cultural affairs. The leaders of the three countries also agreed in Fukuoka that the trilateral cooperation would complement the efforts of ASEAN which led the East Asian regional cooperation and expressed their intention to continue to support ASEAN. I am sure that the trilateral cooperation will contribute to strengthening the relations with ASEAN as well as advancing wider regional cooperation frameworks such as EAS, ARF, and APEC in a mutually reinforcing manner.

Let me also briefly touch on the relations between Japan and China, since I occasionally hear from my friends in ASEAN that rivalry between Japan and China would be a problem for ASEAN and ASEAN should not be put in an awkward position where it has to take sides between the two countries. Certainly, one can not exclude competition between countries including between Japan and China. But, conversely, I am aware that there is occasionally a perception of rivalry between Japan and China. This perception might be a result of continued economic success of China and its increasing international engagement. It may be partly aggravated by media reports. It may also be partly true. In any case, I can understand that it would be awkward for ASEAN to have to take sides between contending Japan and China. But if there were such rivalries, these rivalries would be awkward above all for both Japan as well as for China. Japan and China are aware of the importance of our relations and that there is no choice for our two countries but to enhance cooperation and friendship. In their long history, Japan and China have enjoyed most of the time friendly and cooperative relations. So if there should be a certain perception of

rivalry between Japan and China, this perception should be substituted with the perception of close partnership. I am quite sure that for both Japan and China, ASEAN will be an important region of cooperation and not of rivalry.

On June 7, the second high-level economic dialogue between Japan and China was convened in Tokyo. The ministers of both countries agreed to strengthen cooperation in areas such as countermeasures against global financial and economic crisis, trade and investment, environment and energy, and regional and world economy. As a result of this high-level consultation, the Japan Bank of International Cooperation (JBIC) and the Export Bank of China (CEXIM) signed a Memorandum on June 7, to support export projects jointly undertaken by Japanese and Chinese companies. This Memorandum provides a cooperation framework that will enable both parties to co-finance projects undertaken by Japan-China consortia especially in Asia. (Recent example of Japan-China consortium export project is the coal-fired thermal power plant construction project (Hai Phong 2) in Viet Nam to which JBIC and CEXIM provided co-financing (L/A signed on March 28, 2007)).

Many important cooperation fora exist in this region. They support and complement each other. ASEAN is situated at the crossroad of these cooperation fora.

In 2005, the first East Asia Summit was convened. ASEAN is the driving force of this cooperation framework. Efforts to promote community building in this region will be consistent with the realization of the ASEAN Community.

ASEAN as a "hub of cooperation" will not limit enhancing cooperation among countries in this region. ASEAN's cooperation with the US, EU, and other regions or organizations is developing steadily.

On May 25-26, the 9th ASEM Foreign Minister's Meeting was held in Hanoi. We discussed many areas of cooperation. For Japan, ASEAN is a very important meeting point also with Europe.

Recently, ASEAN and APEC secretariats agreed on closer cooperation.

The dynamism of ASEAN will be a strong engine enhancing cooperation among countries not only in this region but far beyond this region.

#### B. ASEAN as the hub of development

Asia, including ASEAN, experienced remarkable economic growth in recent years and though Asia is also seriously affected by the current financial and economic crisis, Asia is showing more resilience than other parts of the world. It is expected that Asia, as "the center of economic growth" will assume a leading role in overcoming the current crisis. ASEAN's efforts after the 97-98 financial crisis strengthened the fundamentals of ASEAN economy.

Recently, there have been a series of important agreements to improve the financial and economic structure of ASEAN. At the ASEAN+3 Finance Ministers meeting on February 22 in Phuket, it was agreed to increase the size of the Chiang Mai Initiative from US\$ 80 billion to US\$120 billion. The Finance Ministers agreed to realize the Chiang Mai Initiative Multilateralization by the end of this year at the ASEAN+3 Finance Ministers Meeting on May 3. The Finance Ministers also

stressed the importance to move forward with the ASEAN Bond Market initiative.

Regarding the Asian Development Bank, agreement was reached in April to increase the capital 3 times from US\$55 billion to US\$165 billion. This capital increase of the ADB will be a strong support for further development of this region.

Intra-ASEAN trade is increasing. The progress in creating AFTA is stimulating inter-ASEAN trade and further improving the environment for FDI.

ASEAN concluded free trade agreements with China, ROK, and Japan, and signed the free trade agreement with Australia and NZ on February 27 this year. The agreement with India will be signed in the near future. The expansion of free trade agreement networks is paving the way for stronger economic dynamism in this region.

The enlargement process of ASEAN since 1995 established ASEAN 10

in 1999. Now, with the participation of Viet Nam, Laos, Myanmar, and Cambodia, ASEAN has new land borders with China, India and Bangladesh. It is quite natural that contacts and exchanges with neighboring regions such as Yunnan province or Guangxi Zhuang Autonomous Region in China or the eastern part of India will be enhanced. New closer contact and cooperation between ASEAN and its neighbors will open new possibilities for cooperation and development. Japan started policy dialogue with China regarding development of the Mekong Region last year. The Second Meeting of the Japan-China Policy Dialogue on the Mekong Region was held on June 11 this year in Tokyo. The aim is to build, through consultation and cooperation, mutually beneficial “win-win-win” relations among Japan, China, and the Mekong Region to promote development and stability.

Some of the important advantages of ASEAN from economic point of view are:

1. Abundant private funding in the region and
2. The growing middle-class.

In this connection, let me share with you the thought of Prime Minister Aso regarding "Growth Initiative towards Doubling the Size of Asia's Economy" which was presented in his speech on April 9 as well as on May 21st. The two main pillars of the speeches are as follows:

- (a). Strengthening Asia's growth potential through promotion of region-wide development, and
- (b). Expansion of domestic demand

Let me briefly explain.

The concept of "region-wide development" aims to develop a broad range of industries across a "sub-region" through building necessary infrastructure, inviting new industries, and improving institutional regulations and procedures (such as improving the customs clearance procedures). They predict that there will be an infrastructure demand of approximately US\$700 billion in 5 years in ASEAN and India.

The key to the initiative is how to mobilize the abundant private funds

in this region. In its Joint Press Statement issued on June 3, the EAS Leaders encouraged the Economic Research Institute for ASEAN and East Asia (ERIA), ADB, and the ASEAN Secretariat to work together to prepare as soon as possible a master plan which would contribute to coordinating, expediting, upgrading, and expanding sub-regional initiatives and promoting private sector participation.

Prime Minister Aso stressed the importance of expanding consumption in this region. The condition is favorable because we are witnessing remarkable growth of the middle class population in this region. According to the latest white paper of the Japanese Ministry for Economy, Trade and Industry (METI) published on June 19, the middle class (approximately US\$5,001~35,000 of annual discretionary income) in Asia increased from 140 million in 1990 to 880 million in 2008. In 2008, the population of the middle class in China was 440 million and in India 210 million. Middle class in ASEAN countries such as in Indonesia, the Philippines, and Thailand, among others is also increasing.

Let me in this connection summarize the Japanese measures outlined by Prime Minister Aso in his speeches to support the development of this region.

- (1) Up to US\$20 billion of ODA
- (2) US\$20 billion for a new line of trade insurance for infrastructure development
- (3) US\$5 billion over 2 years for the initiative "Leading Investment to Future Environment" of the Japan Bank for International Cooperation (JBIC)
- (4) US\$22 billion over 2 years in additional support for trade finance (up to US\$16 billion trade insurance and up to US\$6 billion loan.)

### C. ASEAN as the hub of stability

Many challenges face the Asia Pacific region which require greater regional cooperation. These include counter-terrorism, non-proliferation, disaster relief, maritime security, avian and pandemic influenza, human and drug trafficking. The main security forum in this region is the ARF. Cooperation is advancing. Japan welcomes especially the joint

disaster relief exercise conducted between May 4 and 8 this year in the Philippines. This was an important concrete step for joint action. ASEAN will continue to be the primary driving force of the cooperation in ARF.

In our region, a major security concern is North Korea's nuclear capability. Japan will continue to cooperate with our partners towards a peaceful settlement of this problem. We appreciate very much the support of ASEAN for our efforts.

Now allow me to give you some personal thoughts about ASEAN's role regarding enhancing stability not only in this region but in a wider context. As is often pointed out, a very distinct characteristic of ASEAN is its diversity.

Quite a long time ago, I served in the Japanese embassy in Kuala Lumpur, from 1984 to 1986. It was my first contact with Southeast Asia. It was a very exciting and educational experience for me. I truly enjoyed my stay and learned a lot.

One of the most striking experiences for me was to actually observe the different ethnic groups working and living closely together in society. The Malays, the Chinese, and the Indians have lot of differences, such as language, religion, traditions and culture, as well as cuisine, or food culture. And I know that there were serious ethnic confrontations in the past. But when I was in Malaysia, the racial confrontation was long overcome. In our embassy, in the ministries and in offices, all the ethnic groups were working together closely and were living in harmony. I was often invited to open houses on various holidays, and I could see that people were making a lot of efforts for deepening friendship and mutual understanding. Japan is an island nation and more homogenous. We do not have such a diversity of ethnic groups as in Malaysia. Therefore my experience in Malaysia was very exciting and stimulating. I thought at that time that the experience of Malaysia could offer Japan many important hints and inspiration in coping with the problems Japan would be facing more and more in the coming years.

I have talked about Malaysia. But if you look at ASEAN 10, the

diversity is much larger. Various ethnic groups, languages, religions, cultures, as well as traditions are represented in ASEAN. Political and socio-economic diversity also exists. Diversity can mean difficulties, which can cause problems. But I think problems and strength are two sides of the same coin. ASEAN surely faces many difficulties including territorial disputes. But despite its difficulties, ASEAN, since 1967, strengthened cooperation among the member states. ASEAN became not only larger but deepened its integration. The ASEAN Charter entered into force on December 15 last year. At the 14th ASEAN Summit Meeting in Cham-Hua Hin on February 28 and March 1st, ASEAN Political -Security Community Blueprint as well as ASEAN Socio-Cultural Community Blueprint were adopted. Together with the ASEAN Economic Community Blueprint adopted at the 13th ASEAN Summit Meeting in Singapore in 2007, the process toward ASEAN Community is moving forward.

If we talk about integration, certainly the EU is a very important model. What the EU has achieved so far is almost incredible. When I served my first time in Germany in the '70s, I had to go through border

controls when I went to France, the Netherlands, or other countries in Europe. I had to study the exchange rates between DM and French Francs or Italian Liras. However, today you can move freely within most European countries without going through border control. You do not have to exchange money. It is a fascinating phenomenon. The EU is showing the world a vision of friendship, peace, and prosperity.

In the case of ASEAN, the vision of peace which it can show the world is not less if not more important, considering the more complex and challenging nature of diversity. The development of the EU is historical. The ASEAN process is the same.

This ASEAN process has been an important basis for stability in this region. The key to this success is, I believe, tolerance, moderation, and pragmatism in the sense of "ideology has never been a problem to ASEAN" (statement of the then Deputy Prime Minister of Malaysia Abdullah Haji Ahmad Badawi. [aseansec.org/328.htm](http://aseansec.org/328.htm) page6). The experience of ASEAN in enhancing stability and the underlying values such as tolerance, moderation, and pragmatism (free from ideology) can

become an important guide not only in our region but also in other parts of the world.

Many security concerns and instability still exist in the world. I served in Israel for two years until September last year. It was, for me, an exciting and valuable experience. The most important question in this region is the peace process to end the occupation of Israel and to establish the state of Palestine. Serious and intensive negotiations were conducted in 2007 and 2008 toward the two states solution between Israel and the Palestinian Authority. But the negotiation is stalled right now.

President Obama gave a very balanced and encouraging speech in Cairo on June 4th. But the prospect of the peace process is still unclear.

In Asia, the Middle East and other parts of the world, security risks and instability will not disappear. I am sure that the role of ASEAN to participate in the international efforts to counter these risks and instability will continue to increase. I fully agree to the reference that

"ASEAN has transformed itself --- into a major voice for peace, justice and moderation in the Asia-Pacific and world affairs"(aseansec.org/328 page 6)

#### **IV. Japan and ASEAN**

Before concluding my remarks let me briefly touch on some points regarding the relations between Japan and ASEAN.

For Japan, ASEAN will continue to be one of the most important partners. Japan believes that the development of ASEAN is essential for the peace, stability, and prosperity in this region. As I have outlined, for Japan, ASEAN is the hub of cooperation, development, and stability. Japan will strengthen its cooperation with ASEAN and continue to support the efforts of ASEAN for development and integration.

To facilitate the integration of ASEAN, narrowing the economic gap among the member countries is important. Japan will continue to support the development of the Mekong Region Countries, and I would like to add that Prime Minister Aso, in his speech on May 21, extended

invitations to the five Mekong Region Countries to hold the first Mekong-Japan Summit meeting in Japan in the second half of this year.

Japan will also continue to cooperate closely within the framework of BIMP-EAGA.

We understand the need to strengthen the identity of ASEAN. In this regard, we can also recognize the importance to reach out to the grassroots, that is, to the citizens, especially the younger generation of the member countries to strengthen the feeling of togetherness. Japan is now discussing with the ASEAN Secretariat how Japan could assist in introducing concrete measures.

In this connection, I would like to explain to you a new Japanese project which I believe was very successful. Under the youth-exchange program, we invited in April this year 216 young people aged 16-18 from all the ASEAN countries and also from Timor-Leste. They were divided into groups; every group represented all participating countries, and spent 10 days together to see Japan and meet Japanese young people. The

Japanese participants appreciated this program very much because it provided a very good opportunity for them to get to know the young people of all the ASEAN countries and Timor-Leste. They became friends and exchanged their addresses. I had the chance to participate in two events of this program. Especially, the farewell reception was an overwhelming experience for me to witness the energy, goodwill, and the feeling of solidarity. The enthusiasm of the young people gave everyone present at the reception optimistic prospect for the realization of the ASEAN Community and a closer and stronger partnership in East Asia.

Finally, I would also like to touch briefly on the ASEAN-Japan Centre in Tokyo, which has been actively contributing to promoting activities in the fields of trade, investment, and tourism between Japan and ASEAN since its establishment in 1981. The Centre is designated, in the ASEAN Charter, as one of the subsidiary bodies to support the building of the ASEAN Economic Community. The Centre recently relocated to the new office building and new Secretary General was appointed. I hope, with your support and cooperation, that the Centre will further

strengthen its activities to broaden and widen relations between Japan and ASEAN.

Thank you very much for your kind attention and thank you once again for inviting me to speak in your prestigious institute.

Attachments: