

By Invitation

Asean and Japan: Neighbours, friends, partners

Both parties share many common goals and interests, in keeping with the 'heart to heart' relationship established over 40 years ago.



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I will begin my essay by stating that Asean and Japan are neighbours, friends and partners.

The statement that Asean and Japan are neighbours may surprise some readers. How can I describe them as neighbours when Japan is located in North-east Asia and Asean in South-east Asia?

My answer is that the 1997 Asian financial crisis showed that the two sub-regions are interconnected.

The fall of the Thai baht led to the fall of the Korean won. One lesson I learnt from the crisis is that what happens in one sub-region will inevitably affect the other.

In addition to being neighbours, I would also describe Asean and Japan as friends and partners. Do they have shared interests? They have a shared interest in maintaining peace and security in East Asia and in the larger Asia-Pacific. They also have a shared interest in promoting economic growth, sustainable development and economic integration.

COMMON OBJECTIVES

Asean and Japan also share several common objectives. First, they wish to increase trade and investment between them. Second, they support open economies, free trade and the role of the private sector. Third, they aim to increase the flow of tourists, students, interns, investors and entrepreneurs between the two sides. Fourth, they wish to strengthen financial cooperation.

Fifth, they aspire to augment the connectivity between Asean and Japan. Sixth, they wish to uphold the freedom of navigation and the security of strategic sea lanes, such as the straits of Malacca, Singapore, Lombok and Sunda. Seventh, they support Asean unity and centrality.

The leaders of Asean and Japan enjoy a high comfort level. The relationship is generally free of

trouble. In 1977, then Japanese Prime Minister Takeo Fukuda pledged that Japan would do its best to establish an equal partnership of mutual confidence and trust, based on "heart-to-heart" understanding between Asean and Japan.

The Fukuda spirit remains strong after 41 years.

ASEAN'S VALUE TO JAPAN

What is Asean's value to Japan? Asean is valuable to Japan in many ways. First, South-east Asia is endowed with abundant natural resources. The region is a major supplier to Japan of oil, gas, coal, iron ore, palm oil, tin, rubber and so on.

Second, Asean has a combined population of 637 million. With rising levels of education, a strong work ethic and a willingness to learn, the human resource in Asean is an economic asset to Japan. Japanese companies in South-east Asia employ millions of workers.

Third, the Asean market is an important one for Japanese exporters of goods and services. Consumers in South-east Asia have a high regard for the quality and reliability of Japanese products and services. Japan is much admired by Asean's citizens.

Fourth, Asean sits astride some of the world's most important sea lanes. Japan's imports and exports have to pass through these sea

lanes. Eighty per cent of Japan's imports of oil from the Middle East goes through them, making them a lifeline of the Japanese economy.

JAPAN'S VALUE TO ASEAN

What is Japan's value to Asean? Japan has played a very important role in the development of South-east Asia and Asean. First, Japan is a role model. Its rise from the ashes of World War II to First World status, by the 1960s, has served as a powerful role model and inspiration for Asean members.

Second, Japan played the role of the leader goose, in what Japan's former foreign minister Saburo Okita has described as the flying geese pattern of development in Asia. Flying behind Japan were the four newly industrialised economies of South Korea, Taiwan, Hong Kong and Singapore. They were able to tap Japan's capital and technology. Behind them flew China and the rest of Asean.

Third, Japan is the third-largest major investor in Asean. Foreign direct investment (FDI) flows from Japan to Asean amounted to US\$14 billion (S\$18.7 billion) in 2016, accounting for 14.5 per cent of FDI inflows into Asean.

In recent years, Japan has reduced its investment in China and increased its investment in Asean. Japanese companies have created new regional production networks by establishing plants in the different South-east Asian countries, to make different components, reflecting their comparative economic advantages.

Fourth, Asean believes that trade is more important than aid. Trade between Asean and Japan is booming, amounting to US\$209 billion in 2016. Japan is Asean's fourth-largest trading partner, after China, the European Union and the United States.

Asean is Japan's second-largest trading partner, after China. The Asean-Japan Comprehensive Economic Partnership came into force in 2008. They are members of the 16-party Regional Comprehensive Economic Partnership negotiations. When concluded, this will create the largest free trade area in the world.

Fifth, tourism is an important sector in all the Asean economies. Japan is a major source of tourism for Asean, with 4.8 million Japanese visiting South-east Asia in 2016. In

US\$75b

Amount of official development assistance (ODA) Japan has given to Asean from 1967 to 2015. Japan is the largest provider of ODA to the less developed members of Asean.

70

Number of projects Japan has identified relating to the three core areas of its support for Asean Connectivity.



2015, 2.28 million Asean tourists visited Japan.

Sixth, Japan is the largest provider of official development assistance (ODA) to the less developed members of Asean. From 1967 to 2015, Japan's ODA to Asean amounted to US\$75 billion.

I am generally sceptical about the value of ODA and applaud Singapore's decision, taken at the time of its birth, not to solicit for or receive ODA. However, in spite of the leakages and other imperfections, I think it would be fair to say that Japanese ODA to Asean has done more good than harm.

Japan is helping Asean to fulfil its connectivity initiatives. Japan was the first Asean dialogue partner to establish its own connectivity task force, to engage with the Asean Connectivity Coordinating Committee.

Japan has identified 70 projects

relating to the three core areas of its support for Asean Connectivity. Japan has also proposed the Partnership for Quality Infrastructure, which is of interest to Asean.

RESERVOIR OF GOODWILL

There is an English saying: "A friend in need is a friend indeed." Japan proved the sincerity of its friendship for Asean during the 1997 Asian financial crisis. Japan came to the rescue of all the countries affected by the crisis: Thailand, Indonesia, the Philippines, Malaysia and South Korea. In addition, Japan proposed the establishment of an Asian Monetary Fund, which was vetoed by the US and International Monetary Fund.

Following the crisis, Japan proposed the so-called Chiang Mai Initiative, bringing together the finance ministers and central bank

governors of the 10 Asean members, plus those of China, Japan and South Korea. The objective was to promote closer financial cooperation among the 13 countries.

For these reasons, there is a reservoir of goodwill in Asean for Japan. This was amply demonstrated in March 2011 when Japan was struck by the triple disaster of earthquake, tsunami and the failure of the Fukushima Daiichi nuclear power plant. There was an outpouring of sympathy and support from the citizens of Asean for the victims of the triple disaster. A friend in need is a friend indeed.

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