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ASEAN-Japan Relations: A Singapore Perspective

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Introduction

1 ASEAN and Japan are partners. For a partnership to succeed, it must be grounded on shared interests, common objectives, and mutual trust and confidence. A partnership will not succeed if the partners do not have shared interests or common objectives or if they do not trust each other. In 1977, 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.

Shared Interests

2 I will begin this essay by asking whether ASEAN and Japan have shared interests. I will argue that they do. What are their shared interests? They have a shared interest in maintaining peace and

stability in East Asia and the Asia Pacific. They have a shared interest in promoting sustainable development and human security. They have a shared interest in promoting regional cooperation and integration.

Common Objectives

3 ASEAN and Japan have many common objectives. Let me list some of them. They aim to increase trade and investment between them. They aim to facilitate the manufacturing, trading and servicing activities of the private sector in the two economies. They aim to increase the flow of tourists, students, interns and talented workers between the two sides. They aim to enhance financial cooperation between them. They aim to augment the connectivity among the ten ASEAN countries and between ASEAN and Japan. They aim to promote human security in ASEAN, through the efficient, productive and wise use of Japan's ODA. They aim to maintain the freedom of navigation and the security of strategic sea lanes, such as the Straits of Malacca and Singapore, the Lombok and Sunda Straits. They aim to promote a balance of power in the Asia Pacific and to reduce tension, suspicion and misunderstanding. They aim to promote greater regional cooperation and integration, bilaterally, as well as through the various regional and sub-regional institutions. They will continue to support the central role which ASEAN plays in those institutions and processes. They also aim to cooperate to promote the green economy and to abide by the ancient Asian ethic that Man must live in harmony with Nature.

Section I : How ASEAN Benefits Japan

4 For a partnership to thrive, each partner must bring value or benefit to the relationship. What is ASEAN's value proposition for Japan?

5 First, ASEAN/Southeast Asia is endowed with abundant natural resources. It is a major supplier to Japan of oil, gas, coal, iron ore, palm oil, tin, rubber, etc.

6 Second, ASEAN has a combined population of close to 600 million. It is a relatively young population, unlike the demographic profiles in Japan and China. With rising educational levels, a strong work ethic and willingness to learn, the human resource in ASEAN is an economic asset to Japan. Japanese companies in ASEAN employ millions of ASEAN workers and employees.

7 Third, ASEAN has a market of 600 million consumers with a substantial and growing middle class. ASEAN consumers have a high regard for the quality and reliability of Japanese brands and products. Culturally, the ASEAN consumers are favourably disposed to Japanese products and services. There is no or very little anti-Japan sentiment among the people of ASEAN. On the contrary, Japan is much admired by ASEAN citizens.

8 Fourth, ASEAN sits astride some of the most important sea lanes of the world, specifically, the Straits of Malacca and Singapore, the Lombok Strait and the Sunda Strait. Japanese imports and

exports have to pass through these sea lanes. Eighty per cent of Japan's import of oil from the Middle-East also goes through these sea lanes, which has been described as the life line of the Japanese economy. The three littoral States, Indonesia, Malaysia and Singapore, enjoy very good relations with Japan. They have also comported themselves in an exemplary manner by abiding faithfully with international law, including the UN Convention on the Law of the Sea. In a first, the three littoral States have implemented Article 43 of the said Convention by establishing a Cooperative Mechanism which gives Japan and other user States, seats at the table, concerning the safe passage of ships through the Straits and the protection of the marine environment therein.

9 Fifth, ASEAN hosts US\$8.9 billion of Foreign Direct Investment by Japan (2010). This is greater than Japan's FDI in China of US\$7.3 billion and in India of US\$2.9 billion. The ASEAN countries continue to welcome investment in their economies by Japanese companies. A priority area is infrastructure development in order to enhance connectivity. According to the US Department of Commerce, investment in ASEAN yields a higher return than in any other developed or developing countries. We understand that the return on Japanese investment in ASEAN is 50 per cent higher than Japan's investment in China. The ASEAN countries are constantly seeking to improve their business environment in order to attract more investment from Japan and other countries.

10 Sixth, ASEAN/Southeast Asia is the sub-region in Asia with the most positive feelings for Japan. Japan's relationship with China and

the Republic of Korea continue to be burdened by the legacy of history. Japan's relationship with South Asia is relatively new and lacks cultural affinity. Japan's relationship with Central Asia is even more remote. The positive feelings for Japan were on full display following the triple disasters in 2011. On 9 April 2011, ASEAN convened a special ASEAN-Japan Ministerial Meeting, in Jakarta, as a reflection of ASEAN's solidarity with Japan. In addition, the ASEAN Secretary-General organised an ASEAN Caravan of Goodwill to Northeast Japan, from 3 to 5 June 2011. In April 2012, the ASEAN Economic Ministers took part in an "ASEAN Road Show" in Sendai and Tokyo and visited the areas in Sendai affected by the earthquake. In Singapore, the outpouring of support for Japan by the people of Singapore, from all walks of life and of all ages, was quite overwhelming.

Section II : How Japan Benefits ASEAN/Southeast Asia

11 Japan has played a very important role in the development of Southeast Asia and of ASEAN. Let me try to enumerate the most important benefits which Japan has brought to Southeast Asia and to ASEAN.

12 First, Japan's rise from the ashes of war to first world status, by the 1960s, served as a powerful role model and inspiration for the ASEAN countries. Having emerged from long years of colonial rule, during which they were brainwashed into thinking that they were an inferior people, it was inspiring for them to see that an Asian country has achieved first world status. Japan also played the role of the

leader goose in what Dr Saburo Okita has described as the flying-geese pattern of development in Asia. Flying behind Japan were the four newly industrialising economies (NIEs) of Singapore, Hong Kong, South Korea and Taiwan, which took off in the 1970s. The NIEs were able to tap into Japan's technology and capital which accelerated their take-off. The rest of ASEAN and China took off in the 1980s. According to Dr Okita, the success of the Asian economies was due, in part, to the effectiveness of the export-oriented industrial development strategies, the expansionary trend of the world economy and the availability of large pools of inexpensive labour.

13 Second, ASEAN is the largest recipient of Japan's Official Development Assistance (ODA), totalling US\$52 billion or 25 per cent of Japan's total ODA from its establishment in 1967 to 2010. Japan accounts for 40 per cent of total ODA of US\$130 billion received by ASEAN during this period. In recent decades, ODA has come under severe criticisms from many quarters. However, in the case of ASEAN, the record suggests that it has done more good than harm. Ambassador Takaaki Kojima has written that: "Japan improved the economic infrastructure in these countries through ODA and its focus on human resource development assistance, including education to groom a high quality workforce." In addition, Japanese ODA has also focused on improving basic human needs and human security; narrowing the development gap within ASEAN; and strengthening ASEAN, through the Japan-ASEAN Integration Fund (JAIF), the ASEAN Cultural Fund, the Japan-ASEAN Exchange Projects, the Japan-ASEAN General Exchange Fund, the Japan-ASEAN Solidarity Fund and Japan-funded Economic Research Institute for ASEAN and

East Asia (ERIA). It would, I think, be fair to say that, in spite of the leakages and other imperfections of Japan's ODA, it has played a positive role in the social and economic development of ASEAN and its people and in strengthening ASEAN, as an institution.

14 Third, I wish to highlight the role that Japan's private sector has played in the development of ASEAN. Foreign direct investment (FDI) creates jobs, markets for exports, and transfers technology and know-how. ASEAN welcomes FDI from all sources. From 1995 to 2010, ASEAN received FDI totalling US\$604 billion, with Japan as the no. 1 investor, accounting for US\$76.2 billion or 12.6 per cent. In the same period, Japan's FDI in Asia, totalled US\$193 billion, with ASEAN as the no. 1 recipient, accounting for 39.4 per cent or US\$76.2 billion. Japanese companies have seized upon the comparative advantages of different ASEAN countries, by locating plants in the different countries to make different components. This has spurred intra-company and intra-regional trade. It has also resulted in a new pattern of manufacturing in the region. Two World Bank economists, Indermit Gill and Homi Kharas, have written a thoughtful book, in 2006, entitled "An East Asian Renaissance: Ideas For Economic Growth", in which they described the emergence of new regional production networks.

15 Fourth, I wish to focus on trade between Japan and ASEAN. In recent decades, many developing countries have argued that trade is more important than aid. In the WTO, UNCTAD, and other forums, they have demanded the removal of barriers to trade and a more level playing field. Trade between Japan and ASEAN is booming,

amounting to US\$247.3 billion (2011). Japan is ASEAN's third largest trading partner, after China and the EU. ASEAN is Japan's second largest trading partner, after China. The ASEAN-Japan Comprehensive Economic Partnership (AJCEP) came into force on 1 December 2008. Japan has also been a keen supporter of the ASEAN-led Regional Comprehensive Economic Partnership (RCEP) which would synergise the web of ASEAN+1 FTAs. At the 44th ASEAN Economic Ministers' Meeting, in Siem Reap in August 2012, Japan confirmed its participation in the launch of RCEP negotiations that would take place at the 21st ASEAN Summit in November 2012.

16 Fifth, tourism is an important sector in all the ASEAN economies. Japan is a major source of tourism for ASEAN, with 3.4 million Japanese visiting ASEAN in 2010. This accounted for 8.7 per cent of all tourists visiting ASEAN, behind the EU, China and Australia.

17 Sixth, Japan has been enormously helpful to Indonesia, Malaysia and Singapore, regarding the safety of navigation through the Straits of Malacca and Singapore. Long before the establishment of the Cooperative Mechanism, Japan had been helping the three littoral States with seismic surveys, the removal of wrecks, etc. Japan has also helped them in combating piracy in the straits. ReCAAP, which is located in Singapore, is a Japanese initiative.

18 Seventh, Japan is helping ASEAN to fulfill its Connectivity Initiative. 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 33 projects related to the three ASEAN corridors: the East-West Corridor, the Southern Economic Corridor and the Maritime Economic Corridor. In October 2011, the Japanese Embassy in Singapore co-organised a workshop with the ASEAN Studies Centre of the Institute of Southeast Asian Studies (ISEAS). The purpose of the workshop was to promote ASEAN Connectivity to the private sector, emphasizing the business opportunities present in the various priority projects under the Master Plan on ASEAN Connectivity (MPAC). At the 14th ASEAN-Japan Summit in November 2011, the ASEAN Leaders expressed their appreciation to Japan for its strong commitment to the Connectivity Initiative.

19 Eighth, there is an English saying that a friend in need is a friend indeed. Japan proved the sincerity of its friendship for ASEAN during the Asian Financial Crisis of 1997. Japan came to the rescue of all the countries affected by the crisis, namely, Thailand, Indonesia, Philippines, Malaysia and a non-ASEAN country, South Korea. In addition, Japan had proposed the setting up of an Asian Monetary Fund, which was scuttled by the US and the IMF. Following the crisis, Japan proposed that the finance ministers and central bank governors of ASEAN+3, cooperate more closely. This has come to be known as the Chiang Mai Initiative. What has been achieved so far, by way of the currency swap arrangements, the better coordination of macroeconomic policies and peer review, the development of the Asian bond market, and the establishment of a pool of readily available liquidity in the event of a currency crisis, are modest steps taken in the

long journey towards financial cooperation among the ASEAN+3 countries.

Section III : Raising ASEAN-Japan Relations to Higher Peak

20 The relationship between ASEAN and Japan is substantive, comprehensive and mutually beneficial. It is a comfortable and trouble-free relationship. There is a high level of mutual trust between ASEAN and Japan. Next year, in 2013, ASEAN and Japan will be commensurating 40 years of Dialogue Relations. However, like all old relationships, it is in danger of being taken for granted by both sides. It is, therefore, good for us to review the relationship and to ask how we can take it to a higher peak. I have three recommendations.

Japan's Green Power

21 First, Japan should seek to play the role of thought leader on the environment, green economy and green philanthropy. Japan is not only Asia's most advanced economy, it is also the greenest economy. Japan's environment is in pristine condition. It leads the world in the efficient use of energy. It is also a world leader in electric and hybrid vehicles. Many Japanese companies are at the leading edge of innovation, in the water industry, energy industry, transport industry, etc. Japan should consider launching a major new initiative with ASEAN, focusing on helping the ASEAN countries to do a good job in the sustainable exploitation of their natural resources, in the more efficient use of water and energy, in coping with climate change and in their transitions to a low carbon economy. Japanese ODA and private

investment and public-private partnership can be used to achieve the desired objectives. Japan has not done enough to project its green power to the world.

Japan's Peace Power

22 Second, Japan can also do more to project itself as a thought leader for peace. The Japanese people do not wish for Japan to be a great military power or a nuclear-armed state. They are dedicated to the cause of peace. Japan has not, however, done enough to promote this mission. There is no institute in Japan like the Stockholm International Peace Research Institute (SIPRI). Japan has not emulated the examples of Norway or Qatar in seeking to mediate international disputes. I would encourage Japan to consider giving its strong support to the ASEAN Institute for Peace and Reconciliation. Japan should seriously consider how it could play the kind of positive roles which countries, such as Sweden, Norway and Qatar, have played in the promotion of peace and the peaceful resolution of conflicts in the world.

Japan's Soft Power

23 According to Professor Joseph Nye, there are three forms of power: coercion (stick), payment (carrot) and soft power. Soft power is derived from culture, political goals or ideology, and foreign policy. Japan is constitutionally unable to resort to coercion. It can use cheque book diplomacy and soft power. The benefit of cheque book diplomacy is often short-lived. This was brought home to me, some

years ago, when Bangladesh defeated Japan in its bid for a non-permanent seat in the UN Security Council. Countries which were recipients of Japanese ODA were expected to vote for Japan. Instead, they voted for Bangladesh. Cheque book diplomacy is, therefore, an unreliable instrument for influencing the conduct of states.

24 My third recommendation is for Japan to harness and project its soft power, to ASEAN first, and then to the world. I came across an opinion poll recently, conducted by an Australian think-tank, the Lowy Institute, on the attitudes of the Indonesian public towards various countries in the world. I was struck by the fact that Japan was the country which the Indonesian public liked the best. Although I do not have the empirical evidence, my impression is that Japan is also very popular with the people of Singapore.

25 How did I come to my conclusion? I did so for the following reasons. There are many Singaporeans, both students and adults, who are learning the Japanese language. Japanese anime and J-pop are very popular with young Singaporeans. Japanese cuisine has been embraced by Singaporeans. Japanese fashion is a hit, with UNIQLO and Muji proliferating in our shopping malls. Despite its small size, Singapore has become the seventh largest source of tourists to Japan from Asia. The opening of the Japan Creative Centre in 2009 was an important milestone. Japan should consider establishing a similar centre in each of the ASEAN countries.

Conclusion

26 My report card on the state of ASEAN-Japan relations is a very positive one. The relationship is founded on shared interests, common objectives and a high level of mutual trust. We should not, however, take each other for granted. We should consider how to upgrade the relationship to a higher peak. I have suggested three ideas which play to Japan's strength, its green power, its peace power and its attractive soft power.

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[21 Sep 12]