



PROSPECTS FOR ECONOMIC COOPERATION BETWEEN ASEAN AND JAPAN

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Annotation

The pattern of the ASEAN-Japan relationship has shifted through time from economic benefit to better understanding (heart-to-heart diplomacy), to financial aid and assistance as a means to promote economic and political stability, and now to regional cooperation as strategic partners.

Keywords: Japan, Asia, economics, partner, strategy.

Introduction

Japan's framework for conducting modern diplomacy in ASEAN has been influenced primarily by the Fukuda Doctrine, named after Prime Minister Fukuda Takeo, who announced the policy in 1977.

The Japanese rationale behind its current relationship with ASEAN has been that ASEAN is an important factor for Japan's security and economic prosperity. Historically, relations have evolved from a state of war to reconciliation and normalization, to unequal cooperation and, finally, to cooperation between strategic partners. Underlying the policies and activities between ASEAN and Japan are these goals: promotion of mutual relations, assistance toward building a resilience within ASEAN, and strengthening of the partnership for solving international socio-politico-economic problems.

ASEAN-Japan relations can be understood as a mutual relationship that has developed in an attempt to resolve security and stability issues as well as to foster economic, diplomatic, and cultural understanding and cooperation within East Asia. Modern ASEAN-Japan cooperation can be generally divided into four eras:

- (a) Economic rehabilitation period (1945–1969);
- (b) Worldwide recession to trade-friction and aid-driven period (1970–1984);
- (c) Plaza accord and end of cold war to trade and foreign direct investment–driven period (1985–1996); and financial crisis to the period that saw the proliferation of regional/free trade agreements (rtas/ftas) commencing in 1997.

Materials and Methods

After World War II, the relationship between Japan and the countries that would later form ASEAN was characterized by the pursuit of economic diplomacy through





reparations and diplomatic normalization. In the 1960s, with economic and political support from the United States, Japan's economy recovered rapidly, its average growth rate for 1960–1970 reaching 10.5 percent. This far exceeded growth rates in ASEAN countries, where, for example, the economy of the Philippines expanded by 5.2 percent, Indonesia by 3.9 percent, and Thailand by 8.3 percent.

In the Southeast Asian countries of Malaysia, Singapore, and Thailand, the cold war and expressions of American hegemony, especially during the Vietnam War, had a significant impact on the promotion of institutions and a modern economic and social infrastructure; these in turn provided the foundation for successful economies. With such bases, these Southeast Asian countries could be key in the creation of Japan's long-term supply and subcontracting network.

When ASEAN was established on August 8, 1967, Tokyo officials turned to the Ministerial Conference for the Economic Development of South-east Asia as a forum to propose bilateral relations with ASEAN members. In the 1950s and 1960s, economic cooperation had emphasized aid and assistance to meet Japanese interests, especially in the development of an economic infrastructure. But in order to ease tensions between ASEAN and Indochina, Japan needed similarly to provide aid to and maintain a good relationship with Indochina.

Results and Discussion

In spite of the first oil shock in 1973, ASEAN countries continued to grow steadily. During 1970–1980, Malaysia grew at a rate of 8 percent, Thailand 6.8 percent, Indonesia 8 percent, the Philippines 6.3 percent, and Singapore 9 percent. Japan's economy expanded at 4.7 percent on average, which was noticeably higher than in the United States, Canada, or New Zealand.

The second oil shock, in 1979, dealt a serious blow to the region. During 1980–1989, the rate of growth slowed in Malaysia to 5.1 percent, Thailand to 5.6 percent, Indonesia to 4.7 percent, the Philippines to -1 percent, and Singapore to 6.2 percent.

In contrast, in 1979, Japan allocated to Thailand credits of ¥39 billion. In 1982, new credits to Thailand totaled ¥85 billion (Atarashi 1985).

Also as a result of the Plaza Accord, the Japanese yen was forced to appreciate against the U.S. dollar, from an average of ¥235 to the U.S. dollar in 1985 to ¥167 to the U.S. dollar in 1986. Consequently, during 1988–1993, Japanese FDI in ASEAN countries reached over US\$22 billion (Stubbs 1995). In 1996, Japanese FDI in ASEAN countries totaled US\$6.21 billion—with Indonesia, Singapore, and Thailand the largest recipients. Indonesia alone absorbed more than US\$2.3 billion in 1996. In March 2000, the ASEAN Secretary General reported that in the last decade Japan had





provided 20 percent of all net foreign direct investment flows into Southeast Asia. It estimated that, during 1990–1998, Japan had invested more than US\$52 billion in the region.

From around a quarter of a century ago until recent years, three major economic blocs consisting of the United States, Western Europe, and Japan, known as the Group of Three (G3), were considered the sole engines of world economic growth. It was believed that East Asia could not experience economic growth without external demand from and necessary growth in the G3 economies. This was the idea behind the locomotive policy paradigm of international macroeconomics.

The current high economic growth of East Asia as a bloc, however, significantly exceeds that of the G3 bloc, which is experiencing economic slowdown. High growth in both intra- and inter-regional East Asian trade during the last four years is well documented. Thus, closer ASEAN-Japan cooperation would serve as an instrument, in this new macroeconomy, to foster and further economic prosperity in the region.

The Framework for Comprehensive Economic Partnership between ASEAN and Japan was signed by leaders at the ASEAN-Japan Summit on 8 October 2003 in Bali, Indonesia, and was aimed at establishing a Comprehensive Economic Partnership agreement between ASEAN and Japan.

The Agreement on Comprehensive Economic Partnership among Japan and Member States of the Association of Southeast Asian Nations (AJCEP) was concluded in November 2007 in Manila, and signing was completed ad-referendum by 14 April 2008. It entered into force, depending on the Party, between 1 December 2008 and 1 July 2010.

The AJCEP enabled businesses from ASEAN and Japan to gain access to a big and potential regional market of 752.4 million people and to benefit from tariff concessions and cumulative rules of origin. All of which would provide consumers with greater choice of products with competitive prices.

In 2017, the Parties agreed to complement the Agreement with the completion of chapters on trade in services, movement of natural persons, and investment. In order to incorporate these chapters, all Parties signed the First Protocol to amend the Agreement between 27 February and 24 April 2019. The First Protocol entered into force on 1 August 2020 among Japan, Lao PDR, Myanmar, Singapore, Thailand and Viet Nam, and on 1 October 2020 for Brunei Darussalam.

CONCLUSION

Since the Fukuda Doctrine, ASEAN-Japan relations and cooperation have developed and progressed based on mutual understanding and respect for cultural, political, and





economic differences. Despite the differences, Asian values and the sense of belonging to Asia and the necessity to resolve common threats economically and politically to maintain and strengthen Asia's position in the liberalized world have forced ASEAN and Japan to work closely with each other.

In a continuously changing world, ASEAN and Japan must adapt and initiate new approaches and mechanisms to respond appropriately. As global interdependency is certain, they must join and help each other to guarantee regional security and prosperity – goals that all countries aspire to.

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