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Keynote Speech
by Dr. Shinichi KITAOKA,
President of the Japan International Cooperation Agency (JICA),
to Commemorate the 50th Anniversary of ASEAN

H.E. Kazuo Sunaga, Ambassador of Japan to the ASEAN, H.E. Masafumi Ishii, Ambassador of Japan to Indonesia, Dr. Philips Vermonte, Executive Director of the Center for Strategic and International Studies, Ambassadors, distinguished guests, ladies and gentlemen, Good morning.

As the president of the Japan International Cooperation Agency (JICA), I feel greatly honored to have an opportunity to deliver a speech at this very important seminar on the ASEAN 50th anniversary.

<Introduction>

(ASEAN as seen from Japan and Respect for the Regional Body)

Launched in 1967, ASEAN started out as a non-binding organization of five countries, namely, Indonesia, Malaysia, Philippines, Singapore and Thailand. At that time, per capita GDP of the member states was quite low. Singapore topped the list at 660 dollars, and at the bottom was Indonesia with per capita GDP of only 70 dollars.¹ Since then, ASEAN countries have continued steady GDP growth followed by democratization. Truly, its achievement as regards economic growth and development is remarkable. On the occasion of the 50th anniversary of ASEAN, I would like to express my highest respect and extend my sincere blessings to this esteemed body. And I am so pleased that ASEAN and Japan have truly deepened their mutual relationship to the advanced level we see today.

<Growth and development of ASEAN>

(ASEAN under the Cold War regime)

As I already mentioned, ASEAN was launched amidst the Cold War between the East and the West. Despite such tensions ASEAN member states maintained a framework for consultation on issues affecting the region and beyond while respecting the

¹ World Bank, *World Development Indicators*. Note that the figure for Indonesia is as of 1969, the most recent figure available.

sovereignty of each member state. The ASEAN member states successfully minimized political fallout of the turmoil raging in the Indochina peninsula. This, in turn, contributed to dramatic economic growth in the region during the second half of the 1980s in particular.

(Accession of CLMV and development into an entity that integrates the region)

After the Cold War was over and signing of the Cambodian peace accord in 1991, Viet Nam, Laos, Myanmar, and Cambodia joined ASEAN in succession between 1995 and 1999. With these new members, ASEAN came into its own as a community encompassing all of Southeast Asia. Greater regional solidarity also allowed ASEAN to pursue its external initiatives. These initiatives have developed into larger regional bodies like ASEAN Plus Three, ASEAN Plus Six, the ASEAN Regional Forum (ARF), the ASEAN Defense Ministers' Meeting-Plus (ADMM-Plus), the Asia-Europe Meeting (ASEM), and the East Asia Summit (EAS). Indeed, ASEAN has come to assume the pivotal role of integrating the region beyond ideological conflicts and serve as a regional hub. Aside from the steady cooperation of ASEAN Member States, this also owes to the efforts of the ASEAN Secretariat which were very important.

(ASEAN Charter)

The ASEAN Charter came into force in 2008, 40 years after ASEAN was launched. It explicitly codifies the accumulated hitherto-implicit rules and practices of the grouping as the 'ASEAN Way.' The Charter's principles include respect for the independence and sovereignty of member-states, non-interference in their internal affairs, adherence to the rule of law, and peaceful settlement of disputes. These principles draw on the ten-point declaration adopted at the Bandung Conference in 1955. Besides clearly defining ASEAN's respect for the diversity of all member states, the Charter also led to the establishment of the ASEAN Community in 2015.

(ASEAN and Japan)

After World War Two, Japan resumed relations with Southeast Asian countries through war reparations which were followed by ODA and direct investment into this region. Japan's economic presence in the region swelled thereafter. Though Japan was willing to re-establish the trust which was lost during war time, mainly in the Southeast Asian countries, there were still some elements of arrogance and insensitivity on the part of Japanese activities in this region. That was why former Japanese Prime Minister Tanaka, when he visited this region in 1974, was met with a

massive protest, demonstrations, boycotts, and even a riot. Since then, the Japanese side had to rethink the way it communicates with this region.

And within three years came declaration by Prime Minister Fukuda. In 1977, Prime Minister Takeo Fukuda attended the second ASEAN Summit meeting in Kuala Lumpur. That was the first time a Japanese prime minister held talks with all the leaders of ASEAN member states. During his stay in Manila that year, Mr. Fukuda announced three principles that were to anchor Japan's diplomatic policy toward ASEAN going forward. First, Japan will never become a military power. Second, Japan will build up a relationship of mutual confidence and trust with ASEAN. Third, Japan will work with ASEAN as an equal partner. These principles later became collectively known as the Fukuda Doctrine and serve as the cornerstone of Japan's ASEAN policy. This year, 2017, is the 40th anniversary of the announcement of the Fukuda Doctrine.

(Economic growth of ASEAN and Deepening Japan's commitment to and economic relationships with ASEAN)

When ASEAN was established, the economic scale of the five original members was small; their total GDP amounted to 22.5 billion dollars, with a combined population of 180 million. In the past 50 years, the cumulative GDP of ASEAN has grown by a factor of about 112, while its population has increased by a factor of 3.4. ASEAN's GDP is now almost 52 percent of Japan's GDP. As some of you may know, the Asian Development Bank projects that Singapore, Malaysia, Thailand, Indonesia, the Philippines, and Viet Nam together will overtake Japan in nominal GDP terms by the mid-2020s if they maintain their current levels of real growth.

I am not saying this with any feeling of resentment at all because it is quite natural for a matured economy to slow-down a little bit. And also, I am sure that Japan can prosper together with ASEAN's development in the future.

Everyone in ASEAN should be proud of such stellar growth. Japan is also proud of contributing to ASEAN's success.

In 1980, Japan topped the list of ASEAN trading partners at 25.9 percent, followed by intra-ASEAN trade, at 15.9 percent, and the United States, with 15.7 percent. By 2014, Japan assumed only 9.1 percent of ASEAN trade, trailing China at 14.5 percent; strikingly, intra-ASEAN trade topped the list that year at 24.1 percent. Yet Japanese

foreign direct investment to ASEAN jumped from less than 5 billion US dollars to 23 billion US dollars as of 2013, greatly facilitating the expansion of internal ASEAN trade. Hence, while evolving, Japan's economic engagement with ASEAN is intricate and has gone far beyond a mere trading relationship.

Japan is plainly no longer the 'Big Giant' of the 1970s and 1980s, when it was undergoing its own rapid growth. But even when Japan was a giant, it refrained from excessive intervention in ASEAN's affairs. I believe this forbearance undoubtedly contributed to the mature, steadfast relationship ASEAN and Japan enjoy today.

(JICA's contribution to the growth of ASEAN and bilateral assistance with the ASEAN Community)

As for our partnership to date, JICA has provided cooperation to ASEAN as bilateral cooperation to each ASEAN member state. In fact, it is collectively referred to as "cooperation with ASEAN" and is one of the top priorities for Japan's development cooperation, as stated in the country's Development Cooperation Charter, which was adopted in 2013. Japan's official development assistance (or ODA) to ASEAN to date amounts to some 133 billion US dollars and consists largely of infrastructure development through grant and loan assistance, as well as technical cooperation for human resource development. Through these various channels, Japan's ODA has helped ASEAN achieve economic growth, poverty reduction, and the MDGs, as well as peace and stability.

Furthermore, discussion is ongoing between the government of Japan and ASEAN secretariat to establish a new cooperation framework that enables JICA to provide cooperation at the same level as bilateral cooperation to the ASEAN community. I am confident this will mark a historical turning point for JICA's cooperation with ASEAN.

<Expectations for and challenges of ASEAN>

(Challenges of the new era of ASEAN)

Now, I'd like to talk about some of the challenges ASEAN is now facing and will face in the future.

ASEAN entered a new era when the ASEAN Economic Community was established in 2015. It appears that this new level of regional integration is moving smoothly ahead, yet ASEAN is facing or will face some challenges in the near future. I'd like to focus on

five challenges of this new era of ASEAN integration and make some suggestions. As a partner of ASEAN, JICA is happy to offer our full support and address them together.

(1. Fostering a healthy middle class)

The first challenge is how to foster a healthy middle class, which has been expanding rapidly in the region in line with ASEAN's strong economic growth. Economic growth and social order can be best maintained when a healthy middle class is nurtured as the backbone of the nation. Japan has learned this irrefutable truth from its own experience. In ASEAN countries, JICA has been supporting growth of the middle class through rising incomes for the poor, including by improving both trade and investment climates and rural infrastructure.

(2. Reduce disparities at the regional and national levels)

Now, the second challenge. A look at ASEAN as a whole highlights the need for reducing disparities at the regional level. A wide development gap exists between the six original ASEAN members and the latecomers: Cambodia, Laos, Myanmar, and Viet Nam. This gap is gradually closing, with CLMV attracting large volumes of foreign direct investment in recent years which have fueled rapid economic growth in those countries. The Initiative for ASEAN Integration is aimed at narrowing this gap even further. Yet, various approaches are needed to this end. For its part, JICA is paying close attention to the Thailand Plus One initiative that is designed to transfer labor-intensive industries to neighboring countries. Likewise, reducing disparities and inequality within countries is just as decisive for inclusive development.

(3. Enhancing ASEAN connectivity: strengthening connectivity of hard and soft infrastructure)

The third challenge is how to enhance ASEAN connectivity. Japan has worked diligently to help develop pan-regional infrastructure, including two Economic Corridors set to span the Indochina Peninsula. These corridors, when completed, will facilitate and stimulate trade across this dynamic peninsula. Let's consider the particular example of Myanmar. At the moment, the country's imports from, and exports to, its major trading partner, Thailand, depend heavily on maritime transport. This is because of bad road conditions. Still, a shipment between the two countries by sea via Singapore takes 21 days at present. The East-West Economic Corridor will remove this bottleneck; the travel time will be shortened from 21 days to two days at most. Another example is the Second Mekong International Bridge between Eastern

Thailand and Laos. This bridge opened in 2006 with Japanese assistance and shortened the travel time between Bangkok and Hanoi from two weeks by sea to three days via land.

Apart from hard infrastructure, connectivity of soft infrastructure should also be enhanced within ASEAN. Here I am talking about institutional and people-to-people connectivity, plus the development and networking of human resources to operate and maintain hard infrastructure. This may involve a mutual entry system for road transportation, as well as the introduction and standardization of an electronic customs clearance system to facilitate trade. A good case in point is the port of Yangon recently introducing Japan's electronic customs clearance system. This promises to shorten the time required for customs inspections from two hours to one minute or less. Whatever its exact contours, soft infrastructure connectivity is crucial for hard infrastructure to be most effective. Japan aims to realize vibrant and effective connectivity to further activate movement of people and goods in ASEAN.

How to promote the movement of skilled labor and removal of non-tariff barriers is also a very important issue. The steady advances ASEAN has made so far on the economic integration front revolve mostly around the removal of tariffs. However, many barriers to economic cooperation remain still, including restrictions in service sector trade. Removing non-tariff barriers is a prime way to accelerate economic growth within ASEAN. Similarly, the freer movement of people, especially skilled labor, will be essential for the region's long-term economic development. Put simply, it is in everyone's interest and advantage to make human resources within the region more accessible. This will help the region effectively adapt to changes in the global economy and support innovation.

(4. Filling the financing gap)

The fourth challenge for ASEAN is how to narrow the gap in development financing. According to UNCTAD, a total annual investment of 3.9 trillion dollars will be needed for countries around the world to achieve the SDGs and address such issues as basic infrastructure, climate change, and food security. It is said that if Asia tries to accomplish the SDGs by 2030, more than half of the total amount of the global investment currently destined for emerging and developing economies will have to be diverted to Asia alone. It is impossible for the public sector to finance such large investment on its own, even if we somehow gather up all available official sources.

Therefore, ODA must enable the crowding-in of private sector finance by crafting an environment where the private sector is encouraged to invest. One way to do so is to support the institutional development that promotes public-private partnerships. It is also imperative to develop an efficient capital market that diverts savings to development and investment financing.

(5. The middle income trap)

The fifth challenge facing ASEAN is the middle income trap. As I said, the Japanese government is working to establish a new cooperation framework for JICA to be able to provide direct cooperation to ASEAN. That will pave the way for effective assistance geared toward international standardization and standards certification. The conclusion of such a cooperation framework will mean JICA can assist the ASEAN Community at higher levels of policymaking and planning when it comes to developing legal frameworks and building certification and inspection capacities, among other vital areas. This assistance may involve analyzing the commercial feasibility of cutting-edge technologies, such as next-generation energy systems using biofuels and fuel cells, as well as working toward the international standardization of these technologies. Through such cooperation, JICA will focus on technological innovation and human resources development for industrial sophistication upgrading within ASEAN. We will spare no effort in assisting ASEAN countries as they attempt to avoid the middle income trap.

<ASEAN and Japan: Toward a closer tie>

(Transforming Japan's ODA: shifting its focus from quantity to quality)

Now, I want to turn to how JICA can adapt its assistance in light of deepening ASEAN integration.

Development issues for ASEAN have become increasingly sophisticated and complex on account of the region's remarkable economic growth. For its part, JICA should offer assistance that accommodates this forward-looking development agenda in accordance with ASEAN's expectations.

Japan has vast experience that lends itself to development cooperation of the kind sought by ASEAN nowadays. For starters, Japan achieved rapid economic growth, which permitted it to join the club of developed economies ahead of any other Asian country. Also, Japan has built its economy and society on universal values such as

freedom, democracy, human rights, and rule of law, in harmony with its cultural and historical background as an Asian nation. More recently, it has been addressing the challenge of an aging society growing older more rapidly than that of any other country in the world. Consequently, Japanese businesses, universities, other research institutions, and local governments have accumulated a wealth of valuable technical expertise and technology. JICA can serve as a catalyst for transferring this vast knowledge. In this manner, we seek to assist our ASEAN member states in surmounting their increasingly demanding development challenges.

(Quality growth and quality infrastructure)

Quality infrastructure investment is the first thing that comes to my mind when I think about sharing Japan's know-how with ASEAN countries. JICA defines quality infrastructure as the type of infrastructure that takes full account of value for money and ensures effective governance, reliable operation and economic efficiency in view of life-cycle cost and reflecting the development needs and strategy of a partner country. These properties are intrinsic to constructive physical infrastructure and meet the international standard. And what is also important is to manage infrastructure openly and transparently for all users to promote regional development. In Japan, there are many local governments, businesses including SMEs, universities, and other research institutions that have extensive experience operating, maintaining, and rehabilitating physical infrastructure. JICA intends to work more closely with these development partners to provide cooperation for quality infrastructure development for ASEAN.

(Human resources development)

Besides infrastructure upgrading, important human resources are key. Human resources are the key to avoiding the middle income trap. Central to this is fostering next-generation leaders and technocrats of distinction who can adequately support state management. It is also obligatory to prepare high-level industrial talent that can take charge of technological innovation and increasingly sophisticated industries. Accordingly, JICA will put more emphasis on human resources development in the region than ever before, so that ASEAN countries can move to more value-added economies.

(Knowledge sharing)

As part of this effort, JICA intends to share Japan's development experiences with people from ASEAN countries and other parts of the world more systematically. Japan

has unique experience both as a donor and aid recipient: after all, the country rebuilt itself following defeat in World War Two with financial assistance from the World Bank, among other donors. From a more historical perspective, Japan's development since the Meiji era, which started in 1868, marked the end of the samurai; for example, the distinction between the classes was abolished and that liberated the energy of the Japanese people to modernize. I think that in that sense Japan can be model of modernization for non-western countries to keep traditions and modernity together. Given this context, our intention is to create a new system for sharing and disseminating Japanese perspectives covering a wide range of fields, including economic policy, educational development, the modernization of law and politics, international relations, industrial development, national land development, agricultural and rural development, health care and social security, the environment, and disaster risk reduction.

One of the components of this knowledge-sharing initiative is the ASEAN Top Leader Program for young government administrators that will be launched this year. These future leaders of ASEAN will be encouraged to apply lessons they may learn about Japan's experience to development issues in their own countries. This program is also aimed at strengthening partnerships between ASEAN and Japan well into the next decades.

Along the same lines, JICA will work with graduate schools in Japan to sort out lessons from, and disseminate background materials on, Japan's modernization—not only its successes but also its failures. JICA will also support high-level academic exchanges to make available a venue where Japanese researchers and their Asian counterparts can exchange frank opinions, network, and co-create knowledge that is built on this shared history.

(My Expectations for ASEAN)

During World War II, Japan inflicted immeasurable damage and suffering in Asia and the Pacific. With deep repentance for the war, Japan repeatedly expressed feelings of remorse and heartfelt apologies—and in order to manifest such feelings through concrete actions, Japan has consistently devoted itself to the peace and prosperity of the war-affected region. But in the earlier days, as I mentioned already, there were some elements which were still obstacles to this process of reconciliation, but they were superseded by the Fukuda Doctrine in 1977. Since then, Japan has long

been working to achieve reconciliation based on this Doctrine. This reconciliation has been made possible not by mere words but by deeds, and I would say it has been achieved by down-to-earth efforts made by the Japanese people concerned including JICA.

In 2015, when Japan's Prime Minister Shinzo Abe decided to expand the activities of the Japanese Self-Defense Forces, although there was some opposition within Japan itself the decision was favorably welcomed by most ASEAN countries. And also in the same year there was a statement to commemorate the 70th anniversary of the end of the war and it was well received by the international community, particularly by South East Asian countries. The Pew Research Center in the United States conducted global survey in 2015 and revealed that many of citizens from ASEAN countries have extremely favorable views on Japan.

ASEAN started out as a small group of countries. With a focus on economic connectivity, ASEAN has now developed into a large integrated body that covers the whole region. It seems to me that, in general, regional integration does not work well if superpowers are included. Successful examples of regional integration include ASEAN, the EU and the AU, where no super power is included.

It is important for ASEAN to develop into a regional community that upholds universal values and international order while maintaining its integrity as a free and open region. The region abounds with island groups. ASEAN countries are, as it were, connected by oceans. Defending free and open oceans is vital for them to maintain their geographic and economic connectivity. Piracy, poaching and trafficking are practiced in some waters in the region. Japan assists ASEAN countries in establishing the rule of law at sea by providing patrol vessels and technical assistance to their coast guards.

I hope that ASEAN will continue to develop, without being swayed by powers, while maintaining its ownership and unity as an entity of regional integration that involves the maintenance of free and open seas.

(Conclusion)

Let me conclude my address by reminding you that this is the first time that a JICA president has been given the opportunity to speak at a commemorative event for ASEAN. It is my great honor to be given such an opportunity, for the 50th anniversary

of ASEAN. This is a major milestone for Southeast Asia. Japan and ASEAN are indispensable and irreplaceable partners to each other. I wish to take this partnership even further, and I hope that Japan and ASEAN will be able to celebrate ASEAN's centennial anniversary together just as warmly. To these ends, JICA will continue to do all it can do and work hand-in-hand with ASEAN.

Thank you very much.