

BEYOND 2015

ASEAN-Japan Strategic Partnership for
Democracy, Peace, and Prosperity in
Southeast Asia

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Preface

IN 2013, ASEAN and Japan celebrate a significant milestone, the 40th anniversary of the first bilateral forum on synthetic rubber in 1973, which marked the start of informal dialogue relations between the two sides. It is also the 10th anniversary of the Tokyo Declaration for the Dynamic and Enduring ASEAN-Japan Partnership in the New Millennium, signed by the heads of the 10 ASEAN member countries and Japan on December 12, 2003. While there is certainly reason to commend this strong and enduring relationship, a series of developments in the region over the past decade, including the rise of China and India, the “return” of the United States to the region, the establishment of the East Asia Summit in 2005, and the evolution of regional institutions such as the Asia Pacific Economic Cooperation (APEC) and the ASEAN Regional Forum (ARF), have made it necessary to reexamine and redefine the strategic value of ASEAN-Japan cooperation.

With the adoption of the 2011 Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership and the ASEAN-Japan Plan of Action 2011–2015, ASEAN and Japan are in the position to build a strategic partnership that can benefit not only ASEAN and Japan but also the wider international community in the longer term. One of the key challenges facing ASEAN-Japan partnership, however, is finding ways to ensure the effective implementation of these cooperation agendas. In order to fully realize the potential of their partnership in the decades to come, all stakeholders of ASEAN-Japan relations need to work together to ensure that the Plan of Action can be implemented speedily and effectively. In this context, there is a need for greater input and contribution from Track 2 processes to facilitate, and become part of, the implementation of the cooperative agenda in the ASEAN-Japan strategic partnership.

These ideas were raised during informal consultations held in Jakarta and Tokyo in 2010 among the late Tadashi Yamamoto (then president of the Japan Center for International Exchange, or JCIE), Hitoshi Tanaka (chairman, Institute for International Strategy, Japan Research Institute; JCIE senior fellow), Surin Pitsuwan (then secretary-general of ASEAN), Jusuf Wanandi (co-founder and vice chairman, Centre for Strategic and

International Studies [CSIS], Indonesia), Takio Yamada (then Japan's ambassador to ASEAN), and ourselves. As a result, in mid-2012, with support from the Indonesian government and the Japan-ASEAN Integration Fund (JAIF), CSIS and JCIE launched a project to study the role and contributions of ASEAN-Japan Partnership in promoting regional community building in Southeast Asia and East Asia as a whole, as well as in contributing to global governance. This project aims to encourage further efforts to achieve greater ASEAN integration as well as to identify a vision for the ASEAN-Japan relationship as we move toward 2030.

This collaborative two-phase project, funded by the JAIF, is being carried out by three study groups in the first phase and two in the second phase, consisting of nearly three dozen experts from Japan and ASEAN countries. The first phase of the study explored Japan's roles in promoting the integration of ASEAN and the framework of ASEAN-Japan partnership in ASEAN, while the second phase will examine the ways in which ASEAN-Japan cooperation can contribute to the creation of an East Asian community and to addressing global issues. An initial preparatory meeting of the first phase of study was held in Bali, Indonesia, in September 2012, and a project workshop was organized in Tokyo in February 2013. In June 2013, the final first-phase meeting of the co-chairs was held in Jakarta along with a public forum to celebrate the 40th anniversary of ASEAN-Japan relations. Another public forum will be held in Tokyo in November 2013. A summary of the phase one findings and recommendations was published separately in September 2013.

We would like to take this opportunity to express our sincere gratitude to the project supervisors, Jusuf Wanandi and Hitoshi Tanaka, for their insight and guidance in this process; to the co-chairs, Tham Siew Yean (professor of economics, Universiti Kebangsaan Malaysia), Fukunari Kimura (professor of economics, Keio University), Carolina Hernandez (emeritus professor of political science, University of the Philippines), and Motoko Shuto (professor of international relations, University of Tsukuba), for their dedication to and leadership of the study groups; to the project managers, Clara Joewono (vice chair, CSIS, Indonesia) and Hideko Katsumata (executive director and COO, JCIE), for their very helpful input and for shepherding this project through its first phase so effectively; and to the invaluable contributions of the study group members. Thanks also to the members of CSIS and JCIE who have worked tirelessly to bring this project to fruition, including Lina Alexandra, Iis Gindarsah, Tomoko Suzuki, Ryo Sahashi, Kim Gould Ashizawa, Susan Hubbard, Kana Yoshioka, Maya Wedemeyer, and Kirsten Henning. We are also deeply grateful to the JAIF for its support of this project. And finally, we would be remiss if we did not acknowledge the key role

played in the formative stages of this project by Tadashi Yamamoto, a man whose behind-the-scenes efforts over the past decades were instrumental in solidifying the bond that exists today between ASEAN and Japan, and whose spirit guided us throughout this process. At the recommendation of Dr. Surin, it has been agreed that this project will be called the “ASEAN-Japan Yamamoto Study Project” in honor of his contributions.

On behalf of all those involved in this project, we sincerely hope that these findings will serve to inform the Japan-ASEAN Ministerial Meetings and ASEAN-Japan Commemorative Summit and help facilitate dialogue among relevant stakeholders—including policymakers, academics, opinion leaders, the media, and civil society—so that ASEAN-Japan cooperation will become stronger, more effective, and more productive in the decades to come.

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Abbreviations

AADMER	ASEAN Agreement on Disaster Management and Emergency Response
ABF	Asian Bond Fund
ABF ₂	Asian Bond Fund 2
ABMI	Asian Bond Markets Initiative
ACCT	ASEAN Convention on Counter-Terrorism
ACMW	ASEAN Committee on the Implementation of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers
ACTIP	ASEAN Convention on Trafficking in Persons
ACW	ASEAN Committee on Women
ACWC	ASEAN Commission on the Promotion and Protection of the Rights of Women and Children
ADB	Asian Development Bank
ADB I	Asian Development Bank Institute
ADHR	ASEAN Declaration on Human Rights
ADIC	ASEAN Defence Industry Collaboration
ADMM	ASEAN Defence Ministers Meeting
ADMM+8	ADMM Plus Eight
ADPC	Asian Disaster Preparedness Center
ADRC	Asian Disaster Reduction Center
AEC	ASEAN Economic Community
AEM	ASEAN economic ministers
AFTA	ASEAN Free Trade Area
AHA Centre	ASEAN Coordinating Centre for Humanitarian Assistance on disaster management
AHRDIP	Automotive Human Resource Development Institute Project
AICHR	ASEAN Intergovernmental Commission on Human Rights
AIF	ASEAN Infrastructure Fund
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AMEICC	AEM-METI Economic and Industrial Cooperation Committee
AMRO	ASEAN+3 Macroeconomic Research Office
AOTS	Association for Overseas Technical Scholarship
APEC	Asia Pacific Economic Cooperation
APSC	ASEAN Political-Security Community
ARF	ASEAN Regional Forum
ASC	ASEAN Security Community
ASCC	ASEAN Socio-cultural Community
ASEAN	Association of Southeast Asian Nations

ASEAN-6	original six ASEAN members
APT	ASEAN Plus Three
ARF	ASEAN Regional Forum
ARPDM	ASEAN Regional Programme on Disaster Management
ATM	ASEAN Transport Ministers Meeting
ATM+Japan	ASEAN-Japan Transport Ministers Meeting
AUN	ASEAN University Network
Bali Concord II	Declaration of ASEAN Concord II
Bali Declaration	Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together
BEBC	BIMP-EAGA Business Council
BIMP-EAGA	Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area
CEPT	Common Effective Preferential Tariff
CLV	Cambodia, Laos, and Vietnam
CLMV	Cambodia, Laos, Myanmar, Vietnam
CMI	Chiang Mai Initiative
CMIM	Chiang Mai Initiative Multilateralization
CSCAP	Council for Security Cooperation in the Asia Pacific
CSO	civil society organization
CSR	corporate social responsibility
CTF-151	Combined Task Force 151
DiREx	Disaster Relief Exercises
DRR	disaster risk reduction
DSRV	Deep Submergence Rescue Vehicle
EAS	East Asia Summit
ECOSOC	Economic and Social Council
EEZ	exclusive economic zone
EPG	Eminent Persons Group
ERIA	Economic Research Institute for ASEAN and East Asia
F/M ratio	female-to-male ratio
FDI	foreign direct investment
FORUM-ASIA	Asian Forum for Human Rights and Development
FTA	free trade agreement
GAM	Gerakan Aceh Merdeka (Free Aceh Movement)
GDP	gross domestic product
GHI	Global Hunger Index
GMS	Greater Mekong Subregion
HACGA	Heads of Asian Coast Guard Agencies
HACGAM	HACGA Meeting
HADR	humanitarian assistance and disaster relief
HDI	Human Development Index
HRD	human resource development
IAI	Initiative for ASEAN Integration
ICC	International Coordination Committee

ICESCR	International Covenant on Economic, Social and Cultural Rights
ICJ	International Court of Justice
ICT	information and communications technology
ILO	International Labour Organization
IMB	International Maritime Bureau
IMF	International Monetary Fund
IMO	International Maritime Organization
IMT-GT	Indonesia-Malaysia-Thailand Growth Triangle
IOM	International Organization for Migration
IPD	Institute for Peace and Democracy
IPR	international property right
ISO	International Organization for Standardization
ISPS Code	International Ship and Port Facility Security Code
IT	information technology
ITLOS	International Tribunal for the Law of the Sea
J-SEAM	Japan-Southeast Asian Meeting for South-South Cooperation
JAIF	Japan-ASEAN Integration Fund
JARCOM	JICA-ASEAN Regional Cooperation Meeting
JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organization
JICA	Japan International Cooperation Agency
JMSDF	Japan Maritime Self-Defense Force
JODC	Japan Overseas Development Corporation
JTEPA	Japan-Thailand Economic Partnership Agreement
LDP	Liberal Democratic Party
MAAS	Multilateral Agreement on Air Services
MAFLAFS	Multilateral Agreement on the Full Liberalization of Air Freight Services
MAFLPAS	Multilateral Agreement on the Full Liberalization of Passenger Air Services
MCH	maternal and child health
MDG	Millennium Development Goal
MEH	Marine Electronic Highway
METI	Ministry of Economy, Trade and Industry
MILF	Moro Islamic Liberation Front
MMEA	Malaysian Maritime Enforcement Agency
MNC	multinational corporation
MOFA	Ministry of Foreign Affairs
MOU	memorandum of understanding
MPAC	Master Plan on ASEAN Connectivity
MRA	mutual recognition agreement
MSP	Malacca Strait Patrols
MTR	midterm review

NGO	nongovernmental organization
NHRI	National Human Rights Institutions
NSM	new social movement
NSW	national single window
NTB	non-tariff barrier
NTM	non-tariff measure
NTP-PR	National Targeted Programme for Poverty Reduction
OECD	Organisation of Economic Co-operation and Development
OECF	Overseas Economic Cooperation Fund
ODA	official development assistance
OOF	other official flows
OTOP	one tambon one product
OVOP	one village one product
Paris Peace Conference	Conference on Peace in Cambodia
Paris Agreements	Agreements on a Comprehensive Political Settlement of the Cambodia Conflict
PAC	performance analysis controls
PKO	peacekeeping operation
PKO Act	Act on Cooperation for United Nations Peacekeeping Operations and Other Operations
PL	precautionary line
POA	Plan of Action
PPP	public-private partnership
R&D	research and development
R2I	responsibility to implement
RAPPS	ASEAN-Japan Regional Action Plan on Port Security
RCEP	Regional Comprehensive Economic Partnership
ReCAAP	Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia
RFA	regional financial arrangement
RMSI	Regional Maritime Security Initiative
RMU	regional monetary unit
ROO	rules of origin
RoRo	roll on/roll off
SAR	search and rescue
SDF	Self-Defense Force
SEANWFZ	Southeast Asia Nuclear-Weapon-Free Zone
SEED-NET	Southeast Asia Engineering Education Network
SF	stability facility
SLOCs	sea lines of communication
SMCE	small and medium-sized cultural enterprises
SME	small and medium enterprise
SOM	Senior Officials Meeting
SOM-ED	ASEAN Senior Officials Meeting on Education

SOMHD	ASEAN Senior Officials' Meeting on Health Development
SOMRPDE	ASEAN Senior Officials Meeting on Rural Development and Poverty Eradication
SSC	South-South cooperation
SSS	short sea shipping
STOM+Japan	ASEAN-Japan Senior Transport Officials Meeting
TCG	Tripartite Core Group
TCTP	Third Country Training Programme
TCTP Meeting	Regional Meeting for Mutual Consultation on the Third Country Training Programme
Tokyo Declaration	Tokyo Declaration for the Dynamic and Enduring Japan- ASEAN Partnership in the New Millennium
TPM	total productive maintenance
UFJ	US Forces Japan
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNESCO	UN Educational, Scientific and Cultural Organization
UNHRC	United Nations Human Rights Council
UNHRD	United Nations Humanitarian Response Depot
UNTAC	United Nations Transitional Authority in Cambodia
WTO	World Trade Organization

Recommendations of the Study Group on ASEAN-Japan Strategic Partnership in ASEAN Community Building

RIZAL SUKMA and YOSHIHIDE SOEYA

THE RELATIONSHIP BETWEEN the Association of Southeast Asian Nations (ASEAN) and Japan has stood the test of time. The institutionalization of ASEAN-Japan relations started in 1973, through the establishment of informal dialogue relations. In 1977, that relationship was formalized with the establishment of the ASEAN-Japan Forum. Since then, ASEAN has benefited significantly from its cooperation with Japan. Japan has been the most important contributor to ASEAN's economic development and prosperity over the past four decades, which in turn has contributed to the creation of a stable Southeast Asia. For its part, Japan has also benefited from closer cooperation with ASEAN. ASEAN, through its collective efforts, has contributed to the creation of prosperity and stability in the region, benefiting ASEAN, Japan, and indeed the world. A stable and prosperous Southeast Asia has provided a conducive environment for Japan to fulfill its national objectives and play a positive international role.

At the beginning of the 21st century, that relationship had begun to consolidate even further. The ASEAN-Japan Commemorative Summit, which took place in December 2003 in Tokyo, was an important milestone in that regard. The summit adopted the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium, providing the basis for future cooperation encompassing economic, political, and security areas. Leaders of ASEAN and Japan have also repeatedly emphasized their

optimism that ASEAN-Japan cooperation would continue to thrive and expand and that the relationship would continue to be strong. Indeed, it is not an exaggeration to say that ASEAN's relationship with Japan has been the closest and deepest of ASEAN's external relations with any regional or global partner.

The region, however, is changing rapidly, bringing about new challenges and opportunities that require both ASEAN and Japan to continually nurture their relationship and adapt to new circumstances. Particularly in the past decade, there have been dramatic changes that have ushered in a new geoeconomic and geopolitical context for ASEAN-Japan relations. ASEAN itself is rapidly approaching the completion of the first phase of its community-building project at the end of 2015. In this regard, the important task facing Japan and the ASEAN member states now is how to bring the cooperative relationship to a new level, where it is able to meet the challenges of the new emerging regional order in East Asia and beyond. More importantly, changes in both the needs and priorities of ASEAN member states and Japan, as a result of the changing economic and political-security environment in East Asia, necessitate that both sides forge a greater convergence of interests, institutionalize a more comprehensive agenda for cooperation, and find greater synergy in implementing that agenda. In the post-2015 period, ASEAN and Japan will need to forge a strategic partnership for democracy, peace, and prosperity in the region.

In order to generate fresh ideas on how ASEAN-Japan strategic partnership could be expanded and deepened into the coming decades, a group of scholars from ASEAN member states and Japan undertook a comprehensive study on ASEAN-Japan Strategic Partnership in ASEAN Community Building. This study, which lasted from September 2012 to July 2013, is part of a larger study supported by the Japan-ASEAN Integration Fund (JAIF) that looks into the central theme of how ASEAN-Japan strategic partnership can strengthen the ASEAN Community-building process, contribute to the efforts of forging peace and prosperity in East Asia, and participate in the improvement of global governance. This current report, *Beyond 2015: ASEAN-Japan Strategic Partnership for Democracy, Peace, and Prosperity in Southeast Asia*, constitutes the first of two reports that the study group intends to produce.

In this first report, the study group focuses on how ASEAN-Japan strategic partnership can strengthen the ASEAN Community-building process in the post-2015 period. It covers ASEAN-Japan cooperation on the three pillars of the ASEAN Community: the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community (ASCC). This study recognizes that

ASEAN and Japan need new ways to enhance their partnership in order to facilitate the process of community building in ASEAN. ASEAN member states also strongly recognize that Japan's positive and active engagement is necessary and crucial in order to ensure the emergence of a rules-based regional order in East Asia, of which ASEAN and Japan are integral parts. That recognition is based on what ASEAN-Japan partnership has already accomplished over the last four decades.

WHAT HAS BEEN ACCOMPLISHED SO FAR?

In the postwar era, Japan's relationship with Southeast Asian countries began to improve rapidly with the adoption of the Fukuda Doctrine in 1977, pledging that Japan (a) would never become a military power and on that basis would contribute to the peace and prosperity of Southeast Asia, (b) would build a "heart-to-heart" relationship of mutual confidence and trust with Southeast Asian countries, and (c) would endeavor to build a bridge between ASEAN countries and Indochinese states and, by doing so, contribute to the integration of the entire Southeast Asian region. Essentially, the Fukuda Doctrine not only reflected Japan's commitment to play a positive role in fostering stability and prosperity in Southeast Asia but also marked the beginning of a more comprehensive approach in Japan's policy toward the region. Indeed, since the enunciation of the Fukuda Doctrine, ASEAN-Japan relations have stood the challenge of time.

ASEAN-Japan cooperation in the first four decades of the relationship primarily focused on the paramount importance of economic development for countries in the region and on building a deep sense of trust and friendship between Japan and Southeast Asian countries. Japan has consistently served as one of the largest sources of foreign direct investment (FDI) in Southeast Asia. As the largest provider of official development assistance (ODA), Japan has also contributed to human resources and technological development in almost all ASEAN countries, leading to the acceleration of national development and economic growth in these countries. Peace and reconciliation between the founding members of ASEAN and the Indochinese states have now become a reality with all 10 Southeast Asian countries becoming members of ASEAN, while Japan continues to play an important role in bridging the development gap between the original and newer members.

Japan's ODA helped ASEAN countries expand and improve their economic infrastructures, creating the conditions that attracted investments

from Japan and elsewhere. Japanese investment, especially in the manufacturing sector, helped ASEAN countries embark on industrialization and start developing their own manufacturing sectors. Japanese investment, especially from Japanese multinational corporations, has also facilitated technology transfers to ASEAN member states. As a result of rapid economic development in Southeast Asian countries, trade relations between Japan and ASEAN countries grew rapidly. By 2002, ASEAN-Japan trade volume had reached US\$106.9 billion, up from only US\$15.7 billion in 1977.

The economic ties between ASEAN and Japan extend far beyond the private sector-led initiatives that are commercially driven. ASEAN-Japan economic cooperation found a greater impetus and became more comprehensive with the signing of the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium and the adoption of the Japan-ASEAN Plan of Action (POA) in December 2003. Under this agreement, more than 20 sectoral bodies have been established, overseeing a broad range of areas of cooperation and support. Japan's ODA has also contributed toward community building in ASEAN through its assistance programs for the newer ASEAN member states (Cambodia, Laos, Myanmar, and Vietnam, known collectively as CLMV). The subsequent POA for 2011–2015 provided the basis for ASEAN-Japan cooperation in enhancing ASEAN-Japan connectivity to consolidate ties between the two sides. It initiated 21 wide-ranging economic cooperation programs, demonstrating the multipronged approach used to enhance the depth of economic cooperation between ASEAN and Japan. By 2012, the volume of trade between ASEAN and Japan had reached US\$255.9 billion.

Decades of productive economic cooperation between ASEAN and Japan have contributed to the creation of trust between the two sides. ASEAN and Japan have managed to put the problem of history behind them and move toward the future. For Japan, its role in the economic transformations in Southeast Asian countries helped facilitate the construction of regional perceptions of Japan as a positive force in the region. Japan has also played an important political-security role in building peace and stability in the region in five basic ways. First, Japan has consistently pursued a policy that imposed constraints on the use of force and worked within the US-Japan security alliance as the foundation of regional stability. Second, Japan has been a strong supporter of ASEAN integration and ASEAN as an institution. Third, Japan's political and security role has been manifested positively in its role in peacemaking and in post-conflict peacebuilding efforts in the region, particularly in Cambodia, Timor Leste, and Mindanao. Fourth, Japan's

political-security role has also been expressed in its commitment and efforts to address nontraditional security threats through a human security approach. Fifth, Japan has been favorable to, and an instrumental participant in, the expansion of ASEAN-driven multilateralism in East Asia, which also includes China and South Korea.

As ASEAN-Japan cooperation has moved into the 21st century, the relationship is no longer confined to economic cooperation alone but now includes long-overdue political and security cooperation as well. ASEAN and Japan have worked closely in ensuring maritime security and safety in such areas as the Malacca Straits, in stepping up their efforts to combat transnational crime, in addressing threats to health such as the growing threat of infectious diseases, in coordinating their efforts to strengthen capacity in disaster response and management, and in addressing global issues such as energy security, climate change, and food crises. Defense exchanges and cooperation between ASEAN and Japan have also begun to intensify, creating an atmosphere of trust and confidence among the armed forces of both sides.

The centrality of economic cooperation and the gradual emphasis on political-security cooperation does not mean the absence of socio-cultural elements in the ASEAN-Japan relationship. In fact, social and cultural cooperation between the two sides has increased mutual understanding and formed a strong foundation of mutual respect and appreciation. Cultural and people-to-people exchanges—covering youth, civil society activists, media, academics, and artists—have been a regular feature in ASEAN-Japan relations since the 1970s. In addition to fostering greater understanding of each other, close and regular interactions among people have also cemented amicable feelings toward each other, creating a sense of togetherness and friendship between the peoples of ASEAN and Japan.

Indeed, much has been accomplished by ASEAN and Japan over the last four decades. However, despite the fact that Japan has been a consistent partner of ASEAN for decades, complacency is not an option. ASEAN-Japan partnership must never be taken for granted. Both ASEAN and Japan are responsible for ensuring that their partnership remains sustainable, deep rooted, enduring, and everlasting. The future of ASEAN-Japan cooperation and their strategic partnership need to be nurtured, especially within the rapidly changing environment in East Asia. If ASEAN and Japan want to manage geoeconomic and geopolitical changes in the region, the strategic significance of their partnership needs to be reinvigorated and consolidated well into the coming decade and beyond.

THE IMPERATIVE OF A POST-2015 PARTNERSHIP: A COMMON AGENDA FOR THE FUTURE

The foundation for ASEAN-Japan strategic partnership in the 21st century was strongly anchored first in the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium (2003) and later in the Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together, commonly referred to as the Bali Declaration (2011). The fulfillment of those commitments has been translated into a set of cooperative programs contained in the POA 2005–2010 and the POA 2011–2015. The implementation of the two action plans has undoubtedly brought ASEAN and Japan closer. Facilitating the attainment of the ASEAN Community by 2015 has been the central element of ASEAN-Japan strategic partnership in the first decade of the 21st century.

Now, as the 2015 deadline is fast approaching, it is imperative that ASEAN and Japan start preparing the platform for the next phase in their strategic partnership. In this regard, the ASEAN-Japan strategic partnership should continue to be guided by the ASEAN Community's ultimate goal of becoming a people-centered organization that ensures "durable peace, stability, and shared prosperity in the region."¹ The relationship between ASEAN and Japan is solid enough that they can capitalize on their converging interests and past achievements in deepening cooperation. Yet, the complexity of the challenges they will face over the next 15 years requires both sides to reinvigorate their cooperation by giving it more focus, strengthening their resolve, and sharpening the ultimate goal of their strategic partnership without losing sight of the imperative for comprehensiveness. ASEAN and Japan should gear their cooperation toward transforming their relationship into a partnership for democracy, peace, and prosperity. For that purpose, the study group proposes the agendas for future cooperation between ASEAN and Japan outlined in the chapters in this volume.

THE RESPONSIBILITY TO IMPLEMENT

Implementation constitutes one of the most difficult challenges in translating ideas and plans into reality. ASEAN-Japan cooperation, albeit framed within a strategic partnership, faces the same challenge. It is imperative that ASEAN and Japan adopt a principle of what could be called the "responsibility to implement" (R2I). In the context of promoting the ASEAN-Japan Strategic Partnership for Democracy, Peace, and Prosperity beyond the political will of leaders in ASEAN and Japan, the

successful application of the R2I principle requires a focus on capacity building, institutions, and strategies. Without concerted efforts to develop the capacity to implement, ASEAN-Japan cooperation will only evolve slowly. ASEAN-Japan cooperation will not grow unless both sides agree to strengthen institutions needed not only to implement a cooperative agenda but also to sustain and nurture that cooperation. Such institutions are needed at both the Track 1 and Track 2 levels. Finally, ASEAN-Japan strategic partnership in the post-2015 era also requires a strategy to guide the implementation process.

The Imperative of Capacity Building

The successful implementation of cooperative agendas within the ASEAN-Japan strategic partnership will depend on the capacity of all parties to translate plans into action. In this regard, ASEAN and Japan should work together in the following areas:

1. Strengthen the capacity of the ASEAN Secretariat to monitor and assess progress in the implementation of the ASEAN-Japan strategic partnership's POAs. This capacity-building program should be part of broader ASEAN-Japan cooperation to strengthen the capacity of the ASEAN Secretariat as a whole.
2. Provide adequate resources to support the work of the JAIF Management Team at the ASEAN Secretariat in order to enhance its capacity to manage programs and activities that facilitate ASEAN integration.
3. Provide training to various line-ministries in ASEAN member states responsible for implementing ASEAN-Japan agreements in various areas, especially in priority areas proposed by the Study Group on ASEAN-Japan Strategic Partnership contained in this report.
4. Enhance the capacity of universities and think tanks in the region, and especially in ASEAN member states, to conduct policy-oriented research and studies so that ASEAN and Japan can draw more independent, evidence-based lessons on how to promote and strengthen ASEAN-Japan strategic partnership.

Institutional Arrangements

The ASEAN-Japan strategic partnership will not live up to its potential unless solid institutional arrangements are put in place. In this regard, ASEAN and Japan should consider the following measures:

1. Create a new policy research institute for ASEAN-Japan strategic partnership. The institute, along with ERIA, should aim to promote implementation of these recommendations regarding ASEAN-Japan cooperation beyond 2015 by further investigating concrete action plans and facilitating intellectual exchange.
2. Upgrade the existing institutional frameworks of cooperation. For example, ASEAN-Japan vice-minister of defense meetings should be upgraded to a full minister of defense meeting. It is also time for ASEAN and Japan to convene a “2+2” meeting, facilitating closer coordination between ministers of foreign affairs and ministers of defense.
3. The ASEAN-Japan Forum should be revitalized so that it can better serve as a venue for exchanging views, generating new ideas, and providing assessments on the progress of cooperation between ASEAN and Japan.
4. ASEAN and Japan should facilitate greater interaction, cooperation, and dialogue among Track 2 and Track 3 stakeholders of the partnership on a regular basis.

A Strategy for Cooperation in the 21st Century

The implementation of ASEAN-Japan strategic partnership requires a common strategy that serves the shared objectives of both sides.

1. ASEAN-Japan strategic partnership is no longer a one-way relationship but one that is characterized by a truly equal partnership. This means that the two sides should share not only a common agenda but more importantly common principles of a regional order today and in the future. These principles should include the following:
 - (a) bottom-up, people-centered approaches to issues and challenges in the promotion of democracy, peace, and prosperity
 - (b) a rules-based regional order, particularly in the domain of maritime security, sustained by the principle of non-use of force as a means of settling disputes
 - (c) principles of internationalism and open regionalism in promoting cooperation among the governments, not only in the areas of economic and socio-cultural integration but also in political and security cooperation
 - (d) recognition of the increasing importance of a new type of PPP, based upon people-centered, rules-based, and internationalist principles
2. ASEAN-Japan strategic partnership is no longer confined to government-to-government cooperation but also involves broader stakeholders. In this regard, specific attention should be given to enhancing the following:

- (a) interaction between parliaments of ASEAN member states and Japan
- (b) participation of CSOs and NGOs in promoting ASEAN-Japan cooperation
- (c) an active role for the media in building awareness and mutual understanding between ASEAN and Japan
- (d) dialogue and cooperation between academia and think tanks



The ASEAN-Japan relationship has made great strides toward nurturing a truly equal partnership since the establishment of the ASEAN-Japan forum on synthetic rubber in 1973. During the last four decades, Japan has contributed to the regional integration of Southeast Asia primarily through economic means, which in turn has facilitated social and political stability in many ASEAN countries. During much of this time, if not recently, Japan has shied away somewhat from playing explicit political and security roles, although Tokyo has been claiming, quite rightly, that political democratization in Asia should ensue from economic development and social stability.

Today, the regional and global parameters affecting democracy, peace, and prosperity are undergoing historic and fundamental changes. ASEAN and Japan have the joint responsibility to steer this uncertain process of transformation in order to realize a more democratic, more peaceful, and more prosperous region. This should require bold, new thinking and action, such as the ideas suggested in this report. At this critical juncture of the 40th anniversary of ASEAN-Japan cooperation, the responsibility to implement is greater than ever.

NOTE

1. Declaration of ASEAN Concord II (Bali Concord II), Bali, Indonesia, October 7, 2003, <http://www.asean.org/news/item/declaration-of-asean-concord-ii-bali-concord-ii>.

**SUMMARY OF STUDY GROUP
FINDINGS**

ASEAN-Japan Strategic Partnership in Southeast Asia: Economic Pillar

SIEW YEAN THAM and FUKUNARI KIMURA

AN ASEAN COMMUNITY, structured on the three pillars of economic integration, political and security cooperation, and socio-cultural cohesion, was envisioned in 2003. Subsequently, the blueprint for an ASEAN Economic Community (AEC) was adopted in 2007, and a deadline of 2015 was set for building that community. The AEC Blueprint is aimed at transforming ASEAN into a single market and production base, which is at the same time highly competitive, with equitable economic development, and fully integrated into the global economy. These ambitious goals are to be attained through the free flow of goods, services, foreign direct investment (FDI), and skilled labor and a freer flow of capital. In order to achieve these goals, the AEC Blueprint sets out milestones that are to be achieved over four sub-periods of the plan, namely 2008–2009, 2010–2011, 2012–2013, and 2014–2015.

Many believe that Japan can play an important role in helping ASEAN achieve those milestones. The strong economic ties between ASEAN and Japan are often viewed in terms of the robust trade and investment links that exist, especially between the original six ASEAN members (ASEAN-6) and Japan. Japanese direct investments in the region have contributed to linking ASEAN economies with the production networks that span the region. Technology transfers to ASEAN member states have been facilitated through technology spillovers from Japanese multinational corporations (MNCs) operating in ASEAN. Moreover, the drive to attract these MNCs to ASEAN has led to greater efforts to improve the business environment and infrastructure of the host economies in the region. All these in turn have contributed to the economic growth of the ASEAN member countries.

However, the economic ties between ASEAN and Japan extend far beyond these private sector–led initiatives that are commercially driven. As the first dialogue partner for ASEAN, Japan has been and continues to be an important partner in the development of ASEAN. For example, more than 20 sectoral bodies have been established under the economic pillar of the ASEAN-Japan strategic partnership, overseeing a broad range of cooperation and support.¹ Apart from this, Japan’s official development assistance (ODA) program has also contributed to community building in ASEAN through its support for the newer members, Cambodia, Laos, Myanmar, and Vietnam (CLMV). In addition, “Japan’s Vision for Supporting ASEAN Connectivity,” announced in 2011, included two subsidiary visions, the “Formation of the Vital Artery for East-West and Southern Economic Corridor” and the “Maritime Economic Corridor,” through which Japan has been helping enhance the connectivity of ASEAN by developing ports, infrastructure, and transportation networks. The unwavering support of Japan for ASEAN, even when Japan was faced with the devastating effects of the tsunami in 2011, indicates the strength of the existing ties between Japan and ASEAN.

It seems appropriate, as the deadline for the AEC draws close, to examine the achievements of the AEC to date and the state of ASEAN-Japan economic cooperation in order to shift gears and move the existing relationship to a deeper level that would at the same time facilitate greater economic integration in ASEAN, enhanced ASEAN-Japan cooperation, and the expansion of ASEAN’s economic ties with other countries in Asia Pacific. In particular, this chapter seeks to suggest new directions in ASEAN-Japan economic relations based on an examination of ASEAN’s achievements in economic integration thus far and its challenges moving forward.

ASEAN ECONOMIC COMMUNITY

Several reviews of the progress of the AEC have been conducted as the deadline for this achievement looms ahead. An ASEAN scorecard system was developed to ascertain ASEAN member states’ compliance with the AEC Blueprint.² But the scorecard only indicates whether or not a country has initiated policies to implement the AEC Blueprint measures. Hence, while an absence of policies initiated can be taken to imply little progress, the converse may not hold as the scorecard does not examine the actual status of implementation of each measure. A midterm review (MTR) of the implementation of the AEC Blueprint was also conducted by the Economic Research Institute for ASEAN and East Asia (ERIA). The section below

draws extensively on the comprehensive assessment by ERIA in its MTR to summarize the achievements of the AEC thus far and the challenges it faces in meeting the 2015 deadline and moving beyond 2015.³

Key Achievements of the AEC

The reduction in tariffs scheduled under the ASEAN Free Trade Area (AFTA) has led to almost zero average Common Effective Preferential Tariff (CEPT) rates in ASEAN-6, while the CLMV countries had achieved an average CEPT rate of 2.6 percent by 2010. This in turn has increased the margin of preference for ASEAN imports among member states, and the share of intra-ASEAN trade increased from around 20 percent in 1993 to 25 percent in 2011.

Given the important role played by trade facilitation, the installation of national single windows (NSWs) in five ASEAN member states (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) has helped facilitate a freer flow of goods in ASEAN. Brunei and Vietnam are also moving toward live implementation of their NSWs by 2015. According to the MTR, feedback from the private sector indicates an improvement in the customs performance of several ASEAN member states in 2009–2011. A contributory factor to the improved performance is the evolution of more liberal and business-friendly rules of origin (ROO) in ASEAN that has improved the ease of getting certificates of origin, which are needed to access the AFTA rates.

In terms of investment liberalization and facilitation, three ASEAN member states have liberalized rates of at least 90 percent, five have achieved around 85 percent to 89 percent, while the remaining two have investment liberalization rates of around 80 percent. This, however, pertains only to the goods sector,⁴ as this was the focus of the ASEAN investment agreements.

Investment facilitation and promotion in the ASEAN-5 (Indonesia, Malaysia, the Philippines, Thailand, and Singapore) are near international best practices, while the other member states need to improve on this measure. The MTR's survey on the private sector's views also indicates an improvement in the investment facilitation and climate for the CLMV countries and Malaysia.

Air liberalization in ASEAN has facilitated greater air travel. The two main agreements enabling air liberalization are the Multilateral Agreement on the Full Liberalization of Air Freight Services (MAFLAFS) and the Multilateral Agreement on Air Services (MAAS). The former has already entered into force in nine ASEAN member states, while the latter has been ratified by

eight. The Multilateral Agreement on the Full Liberalization of Passenger Air Services (MAFLPAS) was concluded in 2010 and has been ratified and entered into force by five member states.

ASEAN's integration with East Asia has further deepened with the conclusion of five ASEAN+1 FTAs, covering all original 16 members of the East Asia Summit.⁵ Although all these agreements have different coverage and depth of commitments, they nevertheless lead to an extended coverage of ASEAN's commitments with East Asia. The Regional Comprehensive Economic Partnership (RCEP) currently under negotiation will also serve to unify ASEAN's approach and centrality in its integration with East Asia.

Finally, there are other achievements that also signify increasing cooperation efforts within ASEAN and with its East Asian partners in some of the FTAs. For example, efforts to facilitate mutual recognition agreements (MRAs) on engineers and architects will facilitate the movement of skilled workers. Other noteworthy cooperation efforts within ASEAN include information and communications technology (ICT) and energy. In East Asia, the Chiang Mai Initiative (CMI) is a significant example of cooperation with ASEAN's Plus Three partners (Japan, China, and South Korea).

Remaining Challenges

The remaining challenges can be divided into two types, the first being outstanding measures in the AEC Blueprint that need to be fully or nearly fully implemented by the AEC deadline of 2015. These have been termed priority measures for 2015. The second are the AEC measures that are meant to be fully implemented after 2015.

Several priority policy measures have been identified for 2015. These are tariffs and non-tariff measures (NTMs), trade facilitation, services liberalization, investment liberalization, investment facilitation, transport facilitation, small and medium enterprise (SME) development, the Initiative for ASEAN Integration (IAI), and the RCEP.

The rationales for these priority policy measures are as follows. A prevalence of NTMs will negate a free flow of goods, and it is therefore imperative to accelerate efforts to reduce these NTMs. Closing the gap in progress toward the installation of the NSWs and enhancing the effectiveness in the implementation of NSWs in Brunei, Cambodia, Laos, Vietnam, and Myanmar is essential for ASEAN to exploit the complementarities and synergies between liberalization and facilitation.⁶ Similarly, services

liberalization and domestic reforms are necessary due to its lax implementation despite its relatively unambitious liberalization goals.⁷ Investment liberalization and facilitation need to minimize temporary exclusion and sensitive lists as well as provide better research and disclosure of investment impediments.⁸ Likewise, accelerating connectivity and transport facilitation will need improved funding as well as better coordination.⁹ Apart from the above measures that are the central and foundational elements of the AEC, enhancing the IAI and SME development are initiatives that can promote more equitable growth, which is necessary for a more cohesive ASEAN. Concluding the RCEP will enable ASEAN to benefit more from its links with the rest of East Asia.

The MTR therefore recommended several policy actions as the way forward toward 2015. These are to (1) address the non-tariff barrier effects of NTMs more effectively; (2) deliver better on trade, investment, and transport facilitation; (3) forge ahead on services and investment liberalization; (4) enhance the AEC Blueprint's third pillar on more equitable development; (5) finish RCEP negotiations; (6) develop "success stories" in other AEC measures; and (7) address institutional issues and manage regulatory reform in ASEAN.

Moving beyond 2015, several priority policy actions were recommended by the MTR. These include actions dealing with standards and conformance, capital market development and financial market integration, MRAs on professional services and labor mobility, ICT, energy, intellectual property rights (IPRs), competition policy, agriculture, and others such as consumer protection and taxation. The promotion of a freer flow of goods and services through common standardization and certification policies as well as a freer flow of capital and labor require ASEAN member states to address many technical, macroprudential (dealing with systemic risks), and regulatory challenges. In addition, adequate infrastructure has to be in place to facilitate deeper connectivity through ICT and energy policy actions. Furthermore, second-generation reforms are required for IPRs, competition policy, and consumer protection, while agriculture policy actions have to address climate change, sanitary and phytosanitary conditions, and other areas of cooperation. Addressing the above challenges will enable ASEAN to achieve the 2030 vision of a rich, resilient, competitive, and harmonious ASEAN by 2030, as suggested in the ASEAN 2030 document published by the Asian Development Bank Institute (ADBI).¹⁰

ASEAN-JAPAN ECONOMIC COOPERATION

As indicated above, there are many forms of cooperation between ASEAN and Japan. This section focuses only on key government-to-government initiatives thus far.

Goals and Status

In 2003, the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium (Tokyo Declaration) was signed at the Japan-ASEAN Commemorative Summit to mark 30 years of this relationship and its contributions to peace, stability, and prosperity in the region. In this declaration, seven common strategies for action were highlighted: (1) reinforcing comprehensive economic partnership and monetary and financial cooperation; (2) consolidating the foundation for economic development and prosperity; (3) strengthening political and security cooperation and partnership; (4) facilitating and promoting exchange of people and human resource development; (5) enhancing cooperation in culture and public relations; (6) deepening East Asian cooperation for an East Asian community; and (7) cooperating to address global issues. The goal of these strategies is to continue deepening and broadening cooperation within the Japan-ASEAN strategic partnership, in order to ensure peace, stability, and prosperity in the region.

Two plans of action were adopted as guides for strengthening ASEAN-Japan relations. These are the Japan-ASEAN Plan of Action (2003) for 2004–2011 and the ASEAN-Japan Plan of Action 2011–2015. In the case of the former, three key areas of cooperation were identified, namely cooperation to reinforce integration of ASEAN; cooperation to enhance economic competitiveness of ASEAN member states, including investment promotion; and cooperation to address terrorism, piracy, and other transnational issues. Numerous initiatives were proposed for each of the seven strategies for actions as identified in the Tokyo Declaration. In particular, the 2003 Plan of Action highlighted the importance of human resource development as a prerequisite for making progress in the three key areas of cooperation. In this regard, technical cooperation through four institutions—the Japan International Cooperation Agency (JICA), the Association for Overseas Technical Scholarship (AOTS), the Japan Overseas Development Corporation (JODC), and the Japan Bank for International Cooperation (JBIC)—as well as through scholarship programs, is to be harnessed to support human resource development in the seven Tokyo Declaration strategies.

The subsequent Plan of Action in 2011 narrowed the key strategies down to five, in view of the changing environment in the region: (1) strengthening political-security cooperation in the region; (2) intensifying cooperation on ASEAN Community building; (3) enhancing ASEAN-Japan connectivity for consolidation of ties between ASEAN and Japan; (4) creating a more disaster-resilient society together; and (5) addressing common regional and global challenges. As in the case of the previous plan of action, numerous initiatives were proposed under these five strategies. In the case of economic cooperation alone, 21 wide-ranging initiatives were put forth, indicating the multipronged approach used to enhance the depth of economic cooperation between ASEAN and Japan. Within this multipronged approach, Japan has also extended its economic cooperation from the traditional country-country basis to a regionwide approach as exemplified in the New Concept of Mekong Region Development.¹¹

Key Challenges

There is limited published information in English on assessments of ASEAN-Japan cooperation. The only published public document on the subject by the Ministry of Foreign Affairs of Japan, in 2007, highlighted various projects that have been implemented for the different strategies proposed in the 2003 Plan of Action.¹² It would appear that more assessment and monitoring of the initiatives and projects implemented under the 2011 Plan of Action are needed to strengthen ASEAN-Japan ties based on current plans that are scheduled to take place by 2015.

However, there is a need to conceive of a new approach for moving economic cooperation to new heights beyond 2015. This is needed in view of global trends and the current economic position of ASEAN as well as the four interdependent pathways identified for deepening ASEAN integration in the Jakarta Framework. In the first pathway, a dynamic and competitive regional economy is envisioned, premised on helping ASEAN member states in the middle income group to become fully developed economies; advancing the frontiers of production networks operating in the region; harnessing industrial agglomeration for innovation and human resource development; fostering the free flow of goods, services, capital, and people; and enhancing physical and institutional connectivity. The second pathway addresses inclusiveness in geographic, industrial, and social dimensions, while the third focuses on sustainability in terms of resilience and green development. The final pathway emphasizes the centrality of ASEAN in its relationships with its partners. This new approach is outlined below.

NEXT STAGE OF COOPERATION

Global Trends and the Current Economic Positioning of ASEAN

The first decade of the 21st century was an unprecedented era in which developing countries all over the world could enjoy rapid economic growth. The basis of the economic growth, however, differed widely across countries and regions. The world experienced a drastic price hike for energy and other natural resources, which pushed up the income level of resource-exporting developing countries, including Sub-Saharan African countries, with increased resource-related investment as well as local currency appreciation. As a side effect of the income growth, a number of developing countries fell into a sort of Dutch disease,¹³ in which the initiation of industrialization became even more difficult. On the other hand, ASEAN and other East Asian developing countries grew with steady expansion of their productive sectors such as manufacturing and expanded employment opportunities, which accelerated labor movements from the rural, agricultural, informal sector to the urban, industrial, formal sector, resulting in substantial poverty alleviation. Moderate aggravation of the terms of trade between manufactured goods and energy and natural resources pulled down the welfare level to some extent in most ASEAN and East Asian economies while it actually strengthened location-related advantages for manufacturing activities. Current levels of wages in most of the ASEAN member states are still competitive vis-à-vis those in other parts of the developing world even after taking into account recent wage hikes.

East Asia, including ASEAN, is known to be the region with the most advanced international production networks and international division of labor in terms of production processes and tasks (the second unbundling) while its dependence on external markets, such as on markets in the United States and the EU, is regarded as a factor contributing to its fragility. The slowdown of the US and EU economies due to the global financial crisis seriously hurts ASEAN and other East Asian economies. However, ASEAN and East Asia have been actively extending and intensifying international production networks within the region, particularly since the start of the global financial crisis. Although external markets continue to be important, ASEAN and other parts of East Asia have started growing not only as a factory of the world but also as a notable market with rapidly expanding middle-income populations. Enhancing economic integration in ASEAN and East Asia will surely deepen regional economic ties in both production and consumption, while keeping links with external markets.

Although the dominance of East Asia in manufacturing activities seems on track to continue in the coming years, some of the ASEAN member states face various challenges. As for the latecomers, it still seems important to remove bottlenecks in order to jump-start industrialization. Some of the forerunners are experiencing a slowdown of economic growth and finding it difficult to promote industrial upgrading and productivity growth. At the same time, inclusiveness and sustainability have become essential elements to evaluate the outcome of economic growth. The creation of a new East Asian development model seems to be needed.

New Approaches and Strategies

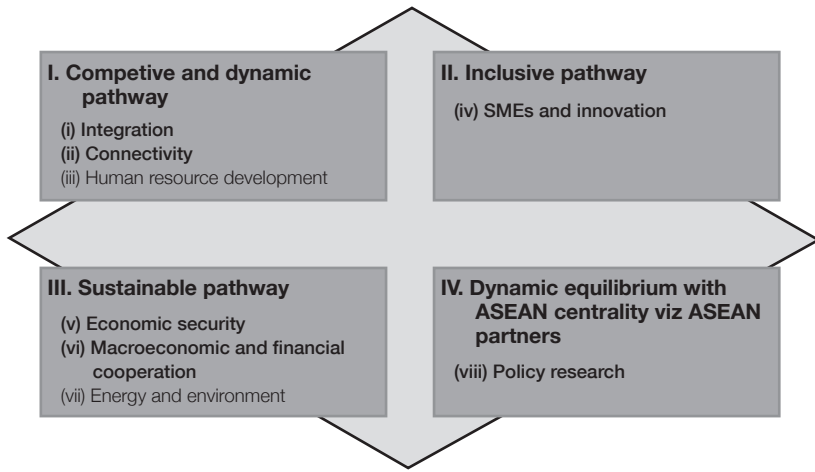
The Jakarta Framework was prepared by ERIA in cooperation with the government of Indonesia and the ASEAN Secretariat. This document is a starting point for ASEAN to draw the overall picture of ASEAN economic integration beyond 2015 and has thus also become a basis for long-term ASEAN-Japan cooperation.

The Jakarta Framework reviews the strengths of ASEAN in the following six aspects: steady economic growth with robust industrialization since the mid-1980s; the second unbundling or international division of labor in terms of production processes and tasks in manufacturing and related services, which is the most advanced in the world; substantial poverty reduction and the formation of middle-income populations; formation of industrial agglomeration as a core pillar of innovation; development of connectivity, both institutional and physical; and presentation of a novel strategy for development in which the mechanics of production networks and industrial agglomerations are aggressively explored.

On the other hand, issues and challenges on the economic front going forward include stepping up from middle-income to fully developed economies; achieving geographic, industrial, and societal inclusiveness; enhancing resilience and maintaining sustainability; and engaging in the global setting in its economic diplomacy. These form the background of the four pathways.

In the competitive and dynamic pathway, integration, connectivity, and human resource development are priority areas for ASEAN-Japan economic cooperation (see figure 1). As for integration, ASEAN is actually leading deeper integration in East Asia as a whole. Although the creation of a true single market may be a long way off, an integrated production base is steadily being realized in order to take advantage of the strengths of ASEAN. Integration requires continuing effort beyond 2015. Japan should cooperate

Figure 1. Four pathways and ASEAN-Japan cooperation



Note: (i), (ii), (iv), (v), (vi), and (viii) are priority areas in which action is needed immediately. (iii) and (vii) are areas with a mid- to long-term focus.

with ASEAN to set up a good basis for East Asian economic integration in the RCEP initiative and beyond.

Connectivity to extend production networks is the key to sustained economic development as well as geographic inclusiveness in ASEAN. We have to find the bottlenecks that are preventing countries and regions from coming into production networks, including network set-up costs, service link costs, and production costs. Japan can cooperate with ASEAN member states, particularly the CLMV, to accelerate industrialization through its ODA and other forms of financial and technical cooperation. Infrastructure for urban amenities and industrial agglomeration is also important, particularly after countries reach middle-income levels. ASEAN-Japan cooperation can be effective in developing logistics and economic infrastructure through various channels, including the promotion of public-private partnerships (PPPs).

The ultimate key for countries to step up from middle-income to fully developed status is human resource development. Although it is an area that requires a medium- to long-term perspective, cooperation on this front should gradually be expanded. The transformation of industrial structure requires specific human resource supplies. Mismatches between the supply of and the demand for human capital should be avoided. Human capital development takes time. Most of the ASEAN member countries need to properly design their formal and informal education systems. Access and equity issues in education also need to be addressed.

In the inclusive pathway, SMEs and innovation should be a major topic for ASEAN-Japan cooperation. The development of SMEs and local firms in general is the key to industrial inclusiveness. It is also an essential part of the latter half of our new development strategy. Japan can cooperate continuously with ASEAN to enhance the internal capability of SMEs, designing SMEs' access to financing, technology, and managerial knowhow and helping SMEs to set up vertical linkages with Japanese and other MNCs. Local firms must have better access to research institutions and testing facilities created by central and local governments. This is also an area of possible cooperation with Japan. Ratios of research and development (R&D) expenditure to GDP are still extremely small in most of the ASEAN member states. Japan can cooperate with ASEAN in designing and implementing effective and efficient plans for building up R&D stocks in ASEAN.

In the sustainable pathway, economic security, macroeconomic and financial cooperation, and energy and the environment are areas that have been identified as requiring work. As for economic security, ASEAN member countries have diverse profiles on supplies of and demands for food, energy, and other resources and thus have good potential for international cooperation. Disaster management is also an important aspect of economic security because East Asia has historically been the area in the world most affected by natural disasters, sometimes combined with man-made disasters. By adding Japan into these initiatives, ASEAN can get access to advanced technologies and policymaking knowhow.

Macroeconomic and financial cooperation require continuing efforts. The Chiang Mai Initiative Multilateralization is a good starting point for macroeconomic and financial cooperation in ASEAN and East Asia. The ASEAN+3 Macroeconomic Research Office is expected to take the initiative on macroeconomic surveillance and further financial integration. Although financial integration is a long-term goal, there is a lot of room for financial market integration and other efforts. ASEAN and Japan have to steadily promote deeper integration in East Asia and gain resilience against internal and external macroeconomic shocks.

Energy saving can take care of about half of ASEAN's efforts to return to a sustainable path. The remaining half of CO₂ emissions must be taken care of by technological progress. Economic development tends to come with various kinds of environmental problems such as NO_x and SO_x emissions, pollution, and garbage disposal. ASEAN should take the initiative in international forums on the environment. Japan has the most advanced technology and policy knowhow for energy saving and environmental conservation. As such, ASEAN-Japan cooperation in this area should be promoted in the medium to long term.

Although policy research contributes to all of the pathways, it is placed in the fourth pathway here—dynamic equilibrium with ASEAN centrality vis-à-vis ASEAN partners. ASEAN member countries have various common policy issues that require serious policy studies. ASEAN and Japan must share their experience and expertise on policy research. ERIA and its Research Institutes Network, together with the Asian Development Bank, UN Economic and Social Commission for Asia and the Pacific, and others, will cooperate with ASEAN member states in conducting high-quality policy research and formulating good policies. Japan can also share various policy lessons and support ASEAN’s research capacity.

Multifaceted Approach

ASEAN and Japan have already developed deep and wide-ranging economic relationships and have shared abundant resources on both sides. And thus ASEAN-Japan cooperation must adopt a multifaceted approach.

One dimension is participating countries. Participants on the ASEAN side of ASEAN-Japan cooperation may be a single country; subregional groupings such as the CLMV, the Mekong area, or others; or ASEAN as a whole. Another dimension is participating players. They may be central or local governments, governmental financial institutions, private financial sectors, private non-financial sectors, civil society organizations, or others. Still another dimension is cooperation channels or modes. They may be trade negotiations; macroeconomic and financial integration and cooperation; financial and technical cooperation, such as ODA, other official flows, or others; foreign direct investment; private initiatives; capital market integration; or others. ASEAN-Japan cooperation has already expanded its scope in various dimensions and as such has nurtured mutual trust and comfort in international relations.

ASEAN and Japan have been and should continue to be pioneers of exploring a multifaceted approach in economic cooperation. In addition to simply extending ASEAN-Japan cooperation in various directions, effective combinations of participating players and cooperation channels or modes must be explored. For example, links between trade negotiations and cooperation on development agendas may be effective in obtaining desirable outcomes from our economic integration. There is ample room for developing PPPs, sometimes combined with ODA and other official flows. ASEAN has adopted the “ASEAN way,” in which various policy modes and participating players can be catered to in its integration effort. ASEAN and Japan can also try to design and implement creative multifaceted forms of cooperation.

RECOMMENDATIONS¹⁴

We propose the following eight directions for ASEAN-Japan cooperation going forward:

(i) Integration

- ASEAN integration is approaching a critical juncture. The AEC is to be realized by the end of 2015. Five ASEAN+1 FTAs have been concluded, and negotiations on the RCEP have just begun. ASEAN is attempting to drive economic integration in East Asia and to remain at the center of these efforts. Japan can cooperate with ASEAN on a number of aspects of their economic integration efforts. In particular, the two sides should work together to achieve the timely conclusion of the RCEP negotiations with respectable levels of liberalization and ample facilitation and cooperation that suit the region's novel development model.
- To focus on narrowing the development gaps within and among countries, ASEAN has worked extensively on various regional and subregional development initiatives. ASEAN-Japan cooperation that promotes linkages and coordination between existing and new regional and subregional initiatives will optimize the use of scarce resources by streamlining approaches taken at the regional and subregional levels and at the same time harnessing synergies between regional and subregional initiatives.
- Advanced institutional aspects of deeper economic integration, such as intellectual property rights protection, competition policy, consumer protection, and standards will become crucial issues in the lead-up to 2015 and beyond. In this regard, technical assistance in the dissemination of information on international standards, as well as the establishment of a testing center for standards compliance through PPPs, would be appropriate immediate-term measures for ASEAN-Japan cooperation.

(ii) Connectivity

- Enhancing connectivity within and beyond ASEAN is a key to further stimulating industrial activities with the second unbundling, as well as achieving geographic inclusiveness by pushing out the frontier of production networks. CLMV countries still require primary infrastructure networks, while countries already at the middle-income level need to upgrade their infrastructure to make industrial agglomeration efficient and innovative. ASEAN-Japan cooperation should continue to work toward enhancing connectivity through various channels, including ODA, other official flows, and PPPs.

- In particular, a more effective PPP scheme needs to be introduced in ASEAN in the medium term. Based on a thorough assessment of the impact of existing initiatives on infrastructure development, ASEAN-Japan cooperation can help extend PPP schemes in ASEAN through financial, technical, and managerial channels.
- To supplement ASEAN's efforts at narrowing development gaps, ASEAN-Japan cooperation may work with the IAI to further improve inclusiveness.

(iii) Human resource development

- Human resource development is the ultimate source of economic development. Particularly as countries develop from middle-income to fully developed economies, human resource enhancement in ASEAN has to catch up with the rapid pace of industrialization and economic growth. Mismatches between the demand for and the supply of human capital would cause various difficulties in economic, social, and political contexts and thus is to be avoided. Science and engineering are important focuses in ASEAN-Japan cooperation to enhance R&D capabilities in ASEAN.
- As for the CLMV countries, in the short term, ASEAN-Japan cooperation should focus on assisting ASEAN countries to develop basic infrastructure that is important to their efforts to upgrade their human resource and innovation capabilities. These include, among others, ICT development, training, and improvements in their respective educational systems. Longer-term measures need to address educational reforms and knowledge management in the CLMV countries as well as labor market reforms that would facilitate greater mobility of workers in the region.

(iv) SMEs and innovation

- The development of SMEs in ASEAN is critical to efforts to enhance the region's inclusivity and competitiveness. In this regard, capability building and upgrading are needed to facilitate the development of ASEAN's SMEs. ASEAN-Japan cooperation needs to draw on Japan's wealth of experience in developing its SMEs and also to leverage their need to expand their overseas operations and networks to build up ASEAN's SMEs.
- A key area of focus for ASEAN-Japan cooperation is the use of Japan's competencies in industrial technology and technological education to foster human resource development in technology and management in the ASEAN member states. In particular, ASEAN can learn from the Japanese certification system for SME support officers, as certifying

them will enhance their professionalism and improve the management of these SMEs. Similarly, Japan's credit facilitating systems can be adopted to improve access to financing for ASEAN SMEs.

- ASEAN-Japan cooperation to create a credibility index for SMEs will help ease the entry of SMEs into international production networks. This index should be a composite index of firm-level capabilities and can help to reduce information and search costs in business matching. ASEAN-Japan cooperation to create space for business matching in actual exhibitions or virtually can help to promote SMEs' participation in regional production networks and exports. Cooperation measures to develop both physical and soft infrastructure conducive to SME development are needed in the medium and long run.
- Given that Japan has the most comprehensive country statistics on SMEs in Asia, ASEAN can tap Japan's know-how to construct an ASEAN SME databank that can be used to facilitate research for policy purposes.
- Upgrading innovation particularly by local firms is crucial in order for ASEAN to swerve away from the so-called middle-income trap. FDI promotion is an important measure for technology transfer and learning in order to spur innovation in ASEAN.
- Japan's assistance in the form of technical and financial support for the development of economic zones can help to create local employment opportunities for these countries, with the participation of Japanese enterprises in these zones.

(v) Economic security

- ASEAN member countries are diverse in terms of food, energy, and other areas of nonconventional security, providing ample room for ASEAN-Japan cooperation to take multiple approaches.
- Disaster management is another subject suitable for ASEAN-Japan cooperation, which could take the form of sharing advanced technology and developing innovative managerial abilities.
- Other forms of assistance include Japanese research expertise to examine food insecurity, malnutrition, and vulnerability among social groups in ASEAN countries; joint mechanisms to address macroeconomic instability; the development of a community-based monitoring system at the regional level; and the continued support of Japanese investment in the region.
- Further efforts to close the development gap include a special focus on social safety nets and food security programs for the CLMV countries. Japanese expertise in managing funds for elderly people can be used to formulate

mechanisms and build capacity for developing contingency support in these countries, particularly during times of crisis. Institutional capacity for the development of a consistent overall framework for poverty reduction that incorporates food safety and social security programs in these countries should also be enhanced using technical expertise from Japan.

(vi) Macroeconomic and financial cooperation

- ASEAN-Japan cooperation should focus on enhancing the effectiveness of the Chiang Mai Initiative Multilateralization (CMIM) and ASEAN+3 Macroeconomic Research Office (AMRO). In the short run, Japan needs to ensure that the CMIM has sufficient funds to prevent and resolve crises, while AMRO has to focus on providing transparent assessments of the economic and financial health of members' economies.
- Medium-term measures for fostering greater financial integration require Japanese assistance to focus on building the soft infrastructure needed for financial integration. Japan can also encourage its financial institutions to increase their purchase of local ASEAN currency bonds. Finally, ASEAN-Japan cooperation needs to promote and strengthen financial literacy to reduce asymmetric information and to increase knowledge of the capital markets in the region, as this will encourage greater investment in these markets.

(vii) Energy and the environment

- Rapid economic growth in ASEAN, together with industrialization and urbanization, will inevitably enhance energy use in the short and medium term. In order for ASEAN to come back to a sustainable path, substantial energy conservation as well as drastic advancements in energy-related technologies are needed. ASEAN-Japan cooperation should nurture various channels, both governmental and private, to address long-run sustainability.
- People's awareness of environmental issues in ASEAN will surely be enhanced in the coming years. ASEAN-Japan cooperation is essential to ensure that all countries have access to advanced technologies and governance know-how.

(viii) Policy research

- Enhancing indigenous capabilities for conducting policy research aimed at achieving better policy formulation and improving ASEAN's status in international forums is crucial. Through the five-year experience of ERIA, which was established using seed money from Japan, both policymakers and academics have recognized the importance of

high-quality policy studies in international cooperation. ASEAN and Japan must cooperate to strengthen efforts to establish an ASEAN or East Asian version of the Organisation of Economic Co-operation and Development (OECD).



The economic relationship between ASEAN and Japan, manifest in cooperation through various channels, is already tight and robust in many arenas. The two areas have established a new development model in which a new type of international division of labor achieves sustained economic growth and a rapid reduction in poverty. And now, ASEAN and Japan are coming into a new era of *de facto* and *de jure* economic integration. ASEAN-Japan economic cooperation should also evolve accordingly.

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14. This section is based on the Study Group on ASEAN Economic Community background papers included in this volume.

ASEAN-Japan Strategic Partnership in Southeast Asia: Political-Security Pillar

RIZAL SUKMA and YOSHIHIDE SOEYA

ASEAN-JAPAN COOPERATION has the potential to make an important contribution to regional security as the two sides share a common vision of a rules-based regional order. The guiding philosophy of such a regional order is internationalism, sustained by the principle of a people-based approach. ASEAN and Japan can and should take the initiative to deepen their cooperation to create a regional infrastructure for peace and prosperity. To that end, one of the most prominent and urgent items on this common agenda is to bring ASEAN's community-building efforts to fruition.

Such a cooperative endeavor between ASEAN and Japan could be regarded as a proactive contribution to regional stability at a time when historic changes are underway due to the rise of China, the United States' search for its new role in the region and the world, the growing role of India, and the shift of geo-economic gravity to East Asia. No single country can deal with such fundamental shifts in the international order alone, and the critical considerations for the countries concerned, particularly East Asian countries, should be how to deepen and expand cooperation. In this respect, ASEAN and Japan are natural partners, and can establish a model of regional cooperation toward institutionalizing a new regional architecture for democracy, peace, and stability in the years ahead.

In the past, particularly since the second half of the 1970s, Japan has contributed substantially to the regional integration of Southeast Asia primarily through economic means. After the end of the Cold War, ASEAN undertook an important initiative by establishing the ASEAN Regional Forum (ARF), the first multilateral institution to discuss political and security issues in the region. Japan sought to be a political partner of ASEAN not

only in the creation of the ARF, but also in the Cambodian peace process, and more recently in the establishment of the East Asia Summit. Building on these past achievements, Japan should now commit itself to becoming a genuinely equal partner of an ASEAN Community.

Building on the five papers prepared for this project on the ASEAN Political-Security Community (APSC) by experts from ASEAN nations and Japan, this overview chapter will first examine the long-term global and regional trends and challenges ASEAN and Japan are likely to face from 2015 to 2030, and then will discuss common interests and five priority issue areas for ASEAN-Japan cooperation: (1) democracy and human rights, (2) maritime security, (3) nontraditional security, (4) peacekeeping and preventive diplomacy, and (5) defense cooperation. It will then conclude with recommendations on how to strengthen ASEAN-Japan cooperation in building the APSC in the years beyond 2015.

REGIONAL AND GLOBAL TRENDS AND CHALLENGES FOR ASEAN AND JAPAN

As a macro trend, the steady progression of world history toward democratization is undeniable, and that in turn provides the foundation for the APSC. This of course does not mean that the role of governments will become obsolete, but the domains of government intervention and control are constantly diminishing both in domestic and international affairs among the member countries of ASEAN. The flipside of the coin is that the role of civil society organizations (CSOs) in building a democratic base for the APSC is growing.

This long-term trend makes it a natural goal for ASEAN and Japan to strengthen linkages among CSOs in ASEAN as well as between CSOs in ASEAN and Japan. In the medium and short terms, however, this should be pursued carefully, paying due attention to the convergences and divergences in the movement toward democratic practices in the region.

In sharp contrast to the domain of democracy and human rights, the dimension of maritime security still faces the danger of traditional security uncertainty and instability, mainly due to the unresolved maritime disputes in the South China Sea and the East China Sea. ASEAN and Japan should encourage all parties involved to place the focus of joint efforts on the legal and civilized management of these difficult issues, emphasizing the importance of a rules-based order. It is our belief that this approach is more in line with the long-term evolution of an international order premised on democratic values and a people-based perspective.

The same principles of internationalism and liberalism would apply to ASEAN-Japan cooperation in the domain of nontraditional security. Indeed, there is much overlap between the domains of maritime security and non-traditional security, both of which require comprehensive and multilateral approaches to new security issues emerging against the backdrop of globalization. These issues include piracy, irregular migration, natural disasters, climate change, resource scarcity, infectious diseases, food shortages, people smuggling, drug trafficking, and other transnational crimes. A recent addition to the list is cybersecurity, as cybercrimes have been intensified by the unstoppable forces of technological innovation and globalization.

After the end of the Cold War, the concept of UN peacekeeping operations (PKO) has been undergoing a transformation, shifting toward operations aimed at solidifying peace beyond the mere absence of military conflict. Thus, a wider definition of peacebuilding has emerged, calling for the international community's efforts to support post-conflict reconciliation and humanitarian assistance. Such assistance would go beyond ensuring basic safety and security in a country to supporting political and economic processes and even efforts to revitalize human security.

As such, a primary challenge to peacekeeping cooperation between ASEAN and Japan may not be a lack of ability or resources, but rather a question of norms and political will. ASEAN traditionally adheres to the norm of noninterference in a country's internal affairs as part of the "ASEAN way." Yet new challenges and ambitions, especially the drive to create the APSC, require a commitment to wider principles of peace and security, and in this area Japan can provide an important impetus. For both ASEAN and Japan, the wider definition of peacebuilding, as compared with the relatively narrow definition of traditional UN peacekeeping, offers opportunities to contribute to post-conflict humanitarian and technical assistance.

ASEAN-Japan defense cooperation is most sensitive given the memories of Japanese military aggression in the past. ASEAN, however, has more or less overcome the burden of historical baggage, while Japan also has worked hard to convince ASEAN of its peaceful intentions toward the region. As a result, there is a reasonably solid understanding among ASEAN countries that the Japan Self Defense Forces (SDF) have been a force for peace and stability for the last 60 years.

This means that there is no expectation from the ASEAN side for Japan to play a traditional military role for regional security. Rather, comprehensive and common security is a conceptual tool that should guide ASEAN-Japan defense cooperation. The broadening of security issues to include "non-traditional" threats and concerns allows for a multidimensional approach to peace and stability. In addition, common security places a premium on

the identification and targeting of threats that are pervasive and common to all. A threat that impinges on the security of one state will also imperil the interests of others. This guides us to focus on achieving a “security for” doctrine as opposed to the realist tradition of “security against.”

COMMON INTERESTS AND PRIORITY ISSUES

The ASEAN-Japan Plan of Action 2011–2015, adopted during the 14th ASEAN-Japan summit in 2011, stipulates areas of cooperation in the field of **democracy and human rights** promotion. These are (1) supporting the work of the ASEAN Intergovernmental Commission on Human Rights and the ASEAN Commission on the Promotion and Protection of the Rights of Women and Children through training, capacity building, and technical cooperation; (2) conducting women’s studies to address issues such as human trafficking and mail-order brides; (3) promoting democratic values and the empowerment of people in the region by seeking cooperation through seminars and other joint projects within the framework of the APSC Blueprint and the Bali Democracy Forum; and (4) continuing to promote capacity building in the law and justice sector in order to strengthen the rule of law, judicial systems, and the legal infrastructure.

These issue areas essentially require a bottom-up approach (strengthening the social basis for gradual democratic transition) rather than a top-down approach (imposing external pressure on regimes to conduct political reform). This approach should continue to inform ASEAN-Japan cooperation from a mid- to long-term perspective (2015 to 2030). Our study group findings emphasize the development of a more vibrant civil society as the key to a successful bottom-up approach. It is civil society–led advocacy and campaign activities that help promote citizen awareness and understanding of democratic norms and values, such as human rights, civil liberties, and social justice. This is exemplified by the democratic transitions occurring in Indonesia, the Philippines, and Thailand.

The strengthening of civil society also serves to consolidate democracy in democratic ASEAN members. Promoting the rule of law requires not only the establishment of elaborated judicial institutions for limiting the abuse of state authority but also the building of autonomous media and watchdog civic organizations, such as anti-corruption and election-monitoring groups. The role of civil society in checking and limiting the potential abuse of state power is vital to the deepening of democracy in democratic ASEAN member states.

Yet, the expansion of CSOs does not automatically lead to successful democratization. The limited role of civil society in Southeast Asia in terms of democracy promotion has stemmed not only from the lack of a legally protected realm for civil society—one that ensures the liberties of individuals and groups—within many of the region’s countries, but also from the shortage of capability and expertise on the part of the CSOs. In order to remedy this, it is important to strengthen connectivity both among ASEAN CSOs and between CSOs in ASEAN countries and Japan.

In the area of **maritime security**, combating piracy was initially the primary driving force for Japan’s interest in cooperation with ASEAN. The Malacca Strait has been the focus of Japanese antipiracy efforts. Japan has long cooperated with Singapore, Malaysia, and Indonesia in the area of navigation safety and seabed mapping through joint research, sharing of equipment, and training. The Japan International Cooperation Agency funds the Japan Coast Guard’s seminars to train maritime authorities in Southeast Asia, and Japan’s aid is critical in helping to create maritime patrol authority where local capacity is lacking (especially in the Philippines and Indonesia).

With regard to the traditional side of maritime security, especially tensions in the South China Sea and East China Sea, Japan has been a strong advocate and supporter of a regional code of conduct to maintain a rules-based order in the South China Sea. Bilaterally, Japan has stepped up its support to several ASEAN member states to enhance their law enforcement capability, by supplying both the necessary hardware (i.e., coast guard ships) and software (i.e., training, techniques, etc.). We believe cooperation between ASEAN and Japan is thus on the right track in this field and should be strengthened beyond 2015 as well.

Another key aspect of the APSC has to do with the ASEAN concept of comprehensive security, where ASEAN-Japan cooperation on issues involving **nontraditional security** should play an important role in beefing up the foundation of the APSC. In this context, the aspirations of ASEAN and Japan have been converging on many issues, including humanitarian assistance and disaster relief (HADR), transnational crime, counter-terrorism, and cybersecurity.

Regarding HADR, the APSC Blueprint itself has 12 action lines that are related to strengthening intra-ASEAN cooperation in this area. Most of these are covered in the ASEAN Agreement on Disaster Management and Emergency Response, through which ASEAN and Japan cooperation is being enhanced in emergency preparedness and HADR efforts.

There is also consensus on the need to help combat *transnational crime* through ASEAN-Japan cooperation. In the APSC Blueprint, there are

18 action lines mentioned that relate to this issue, covering a variety of concerns including trafficking in drugs, persons, and small arms and light weapons, and the need for a common legal framework to address these problems. The 2011 Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together, known as the Bali Declaration, has also made explicit the interest in ASEAN-Japan cooperation in addressing “non-traditional security challenges such as terrorism, trafficking in persons and other transnational crimes through the existing ASEAN-initiated mechanisms,” as well as to “cooperate in combating illegal transfer and excessive accumulation of small arms and light weapons in accordance with the UN Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects.”

Counterterrorism has also been a continuing concern for ASEAN-Japan cooperation. Cooperation in countering chemical, biological, radiological, and nuclear terrorism, as well as cyberterrorism, are priority areas on which ASEAN and Japan have agreed to focus as part of their continuous counterterrorism efforts. ASEAN and Japan have cooperated in these areas through the ASEAN-Japan Counter-terrorism Dialogue and through Japan’s support to the Southeast Asia Regional Centre for Counterterrorism in Malaysia and the Jakarta Center for Law Enforcement Cooperation in Indonesia.

Cybersecurity, while not a new area for ASEAN, requires a recognition of the current limitations that have to be addressed by the individual member states of ASEAN. For instance, the political and economic diversity of ASEAN has led to different appreciations of the nature of the issues concerned. More politically liberal societies like the Philippines are debating the idea of giving people easier access to state information, a situation that would not necessarily be replicated in other countries. An even more fundamental concern is capacity. In this context, there is much that ASEAN-Japan cooperation can aspire to address, but at the same time it should be recognized that the extent of cooperation will be affected by these differences in the capabilities and needs of ASEAN member states.

In the domain of *peacekeeping and preventive diplomacy*, ASEAN countries face far fewer legal restrictions on the deployment of their armed forces compared with Japan. Several ASEAN member countries already make significant contributions of personnel to UN peacekeeping efforts. Looking ahead, ASEAN members have committed to playing a greater role in ensuring the Asian region’s peace and security as part of the APSC. Under the APSC blueprint, ASEAN members have agreed to promote peacekeeping capabilities within the grouping, and five ASEAN member states have already established national peacekeeping centers for training purposes, namely Cambodia, Indonesia, Malaysia, the Philippines, and Thailand.

In May 2011, at the 5th ASEAN Defense Ministers Meeting in Jakarta, ASEAN members agreed to tie their national centers into an ASEAN-wide network of peacekeeping centers and to establish the ASEAN Peacekeeping Centres Network. It is hoped that Japan will commit itself to these multilateral efforts of ASEAN, which would provide an opportunity for Japan to be a good citizen in the domain of international security.

As stated above, for both ASEAN and Japan, the wider definition of peacebuilding offers opportunities to contribute to humanitarian assistance, undertaking actions that would not be considered political or military involvement or interference in another state's internal affairs. Timor-Leste is one example where ASEAN members and other Asian states such as Japan have taken the initiative to offer assistance beyond the remit of UN peacekeeping operations. Another potential area of action for ASEAN and Japan is preventive diplomacy within the Asia-Pacific region. The concept of preventive diplomacy is in line with the political culture of ASEAN, as well as Japan's own norms and principles.

Last but not least, Japan's engagement with ASEAN in **defense cooperation** must be managed delicately given the sensitivities on matters that pertain to territorial defense and sovereignty. Fundamental to these concerns is to keep ASEAN at arm's length from major power rivalry. Accordingly, Japan should focus on soft—as opposed to hard—security forms of defense cooperation. As such, areas of defense cooperation between ASEAN and Japan should include defense industry cooperation, search and rescue operations, antipiracy, capacity building for coastal operations, HADR, and nonproliferation. These are elaborated in the ensuing section on recommendations.

SUMMARY OF RECOMMENDATIONS

Democracy and Human Rights

Given the limitations of regional civil societies discussed above, ASEAN-Japan cooperation should focus on the task of overcoming fragmentation. One effective measure that Japan and ASEAN could implement together would be the fostering of linkages among civic organizations that bridge ethnic, urban-rural, and religious divides, allowing the engagement and mobilization of local constituencies.

To help regional civil societies overcome their weaknesses, Japan and ASEAN should actively support the growth of CSO networks in Southeast Asia. For instance, Japan and ASEAN could set up a special fund providing

necessary financial assistance to those CSOs that contribute to the building of nationwide CSO networks and to the empowerment of local CSOs on the forefront of democracy building and the protection of human rights. Furthermore, Japan and ASEAN should consider the possibility of establishing CSO networks between them.

Also, Japan and ASEAN should work together to consolidate the rule of law among democratic ASEAN members. Considering the differences in political development among ASEAN member states, the successful implementation of the APSC project will depend on efforts taken by democratic ASEAN members, in particular Indonesia and the Philippines. Although the two countries have already established special government bodies to fight corruption, such as an anticorruption commission and the office of ombudsman, these institutions have often been plagued by dysfunctional judicial systems in which corruption also prevails.

Japan is one of a small number of countries possessing the necessary expertise for judicial reform in Indonesia and the Philippines. Japan could help both of these countries to improve their educational and training programs for law students, judges, prosecutors, and other legal practitioners in order to increase the professional skills of law practitioners while strengthening the ethical performance of their judicial systems. Such collaboration would contribute to the empowering of democratic ideals in both countries, thus helping to strengthen their ability to lead the APSC project.

Maritime Security

ASEAN and Japan both need to recognize that the maritime security environment of Asia Pacific is holistic, interconnected, and continuous from the Indian Ocean through the Malacca Strait, from the South China Sea to the East China Sea, and it affects the security and prosperity of the whole region. It is therefore in the interests of ASEAN and Japan to promote nationwide cooperation to help ensure the security and stability of the Indo-Pacific maritime belt.

On the basis of this recognition, ASEAN and Japan need to cooperate to strengthen the principles of and respect for international law, and especially the 1982 UN Convention on the Law of the Sea (UNCLOS), as the basic framework for the regional maritime order. ASEAN and Japan should work together to encourage the region to identify areas and issues particular to East Asia that UNCLOS has not been able to address, or has addressed but inadequately.

In order to strengthen the rules-based order at sea, Japan should fully support ASEAN's "Six-Point Principles on the South China Sea," and particularly ASEAN's efforts to conclude a Code of Conduct on the South China Sea. Japan and ASEAN should jointly conduct confidence-building activities in accordance with international law, and particularly with UNCLOS.

Japan should further extend assistance to ASEAN to help enhance ASEAN's capacity to maintain maritime order in waters under their jurisdiction, as this will contribute to the overall security and stability of the region. The assistance should continue to be in the form of hardware (such as patrol boats, surveillance equipment, telecommunication equipment, etc.) and software (awareness promotion and training, joint exercises, etc.). Japan might want to consider extending the use of its official development assistance to the region more for strategic uses, such as those noted above.

Japan and ASEAN should conduct more joint maritime operations involving the coast guards or defense forces, which could include port visits; joint patrols; search and rescue training, exercises, and operations; disaster relief; scientific research; joint military exercises; and training.

Nontraditional Security

In the area of HADR, ASEAN and Japan should sustain the operations of the ASEAN Coordinating Centre for Humanitarian Assistance on disaster management (AHA Centre). Japan has contributed to the establishment of the AHA Centre, especially in providing technical support. While the AHA Centre is focused on addressing Southeast Asian needs, the framework of cooperation could potentially be extended to facilitate ASEAN-Japan mutual support in the event of contingencies. Also, ASEAN and Japan should build closer cooperation between the AHA Centre and the Japan-initiated Disaster Management Network in the implementation of the comprehensive disaster management cooperation plan developed by Japan. Special attention should be given to the proposal to use satellites for disaster management to develop early warning systems for remote, poor areas across the region. An institutionalized framework of integrating elements of the Japan SDF and emergency response agencies within the AHA structure would solidify Japan's continuing support for HADR in the region.

To combat transnational crime, ASEAN should consider establishing an ASEAN Coordinating Center on Combating Transnational Crime as a monitoring office for compliance by the ASEAN states with specific ASEAN-related commitments on transnational crime issues. On combating drug trafficking, this center would work with the Japanese government

to assess the results of the mid-term review of the ASEAN Work Plan on Combating Illicit Drug Production, Trafficking, and Use (2009–2015) and identify gaps that need to be addressed. Similarly, the center should monitor efforts toward the implementation of an ASEAN common course of action against trafficking in persons. The APSC commits ASEAN to the establishment and implementation of an ASEAN Convention on Trafficking in Persons (ACTIP). Japan should encourage ASEAN leaders to adopt a more institutionalized commitment to ACTIP.

Cooperation on counter-terrorism was given a great boost with the entry into force of the ASEAN Convention on Counter-Terrorism (ACCT). More importantly, Malaysia's ratification ensures the participation and commitment of all member states of ASEAN in the ACCT. Building on that, ASEAN and Japan should consider the following recommendations that go beyond what is addressed in the Bali Declaration,

As with the issue of transnational crime, the weakness of ASEAN's counter-terrorism efforts has to do with the inadequacy of institutional mechanisms that enforce implementation and compliance. Consequently, counter-terrorism remains largely based on national-level responses. It is in this context that Japanese assistance in enhancing national-level capabilities, especially on information processing and real-time response to tactical intelligence, becomes important.

Japan should encourage and assist ASEAN in strengthening institutional cooperation. Increasingly, however, institutional cooperation should emphasize counter-ideological operations, even as law enforcement and effective police work remain mainstays of counter-terrorism efforts in the region. Japan and ASEAN should jointly create programs within the context of the ACCT that will be directed at countering extremist teachings and weaning away young people from the influence of extremist ideologies.

The issue of cybersecurity did not receive much attention in the Bali Declaration. While the proposed ASEAN Masterplan on Security Connectivity is still very much a sensitive issue, there is nonetheless a need to put together a document that outlines ASEAN concerns, goals, and strategies on cybersecurity. This would provide the basis for collective action and cooperation with Japan on this issue.

The absence of such a master plan or strategy paper notwithstanding, Japan could assist ASEAN in the implementation of capacity-building and technical-assistance measures. Also, it is important to harmonize laws among the countries of the region in combating cybercrimes. Japanese laws and experience could be important in helping shape laws and legal standards that would be the bases of these laws.

Peacekeeping and Preventive Diplomacy

Both ASEAN and Japan have participated actively in peacekeeping, peacebuilding, and preventive diplomacy. Therefore, there is considerable potential for ASEAN and Japan to become more involved in cooperative efforts on peacebuilding, providing humanitarian and technical assistance in post-conflict situations, as well as in the practice of preventive diplomacy.

ASEAN and Japan should cooperate to build the peacekeeping capacity of ASEAN member states via efforts such as ASEAN's move to create an ASEAN Peacekeeping Centres Network. By anchoring these efforts within a framework set by ASEAN collectively and within principles of peace and cooperation, ASEAN can assist Japan by ensuring that growing efforts in this area are directed toward peace.

Both ASEAN and Japan should invest more in peacebuilding initiatives, providing not only troops or police officers, but also sharing technology and training to help create the conditions for long-term stability. Given their wealth of experience, ASEAN and Japan are well placed to help countries or territories in the region create civic institutions, construct key physical infrastructure, and build their human resources.

ASEAN and Japan should consider building greater capacity for preventive diplomacy, be it at the bilateral, multilateral, or regional level. In addition to hosting forums like the ARF and potentially providing a platform for such diplomacy, there is also a need for the foreign ministries of ASEAN countries and Japan to train and equip diplomats to play the role of envoys and mediators.

Defense Cooperation

To optimize resources and to foster intraregional defense industry cooperation, the ASEAN Defense Ministerial Meeting in May 2011 established the ASEAN Defense Industry Collaboration (ADIC). In light of the Japanese cabinet decision in December 2011 to lift the arms export and joint development ban, Japan and ASEAN could explore a strategic partnership for collaboration within the ADIC framework.

The waterways between the Indian and Pacific Oceans are some of the world's most vital and busiest. The possibility of a collision or an incident at sea cannot be discounted and merits consideration and planning for regional cooperation. The armed forces—particularly the navies—are often the first responders to such contingencies. Indeed the navy is positioned to play an instrumental role in search and rescue operations. Submarine

search and rescue operations are highly technical and sophisticated and not many countries that operate submarines have such capabilities. Japan, which operates the largest submarine fleet in East Asia and has the most experience in sub-surface operations, could take the lead in establishing an ASEAN-Japan framework for sub-surface search and rescue operations.

Japan has made immense contributions to curtailing the problem of piracy in the Strait of Malacca. While threats in those waters are contained and well managed under the framework established by the three littoral states—Indonesia, Malaysia, and Singapore—Japan and ASEAN shipping interests face a long-standing and sustained threat in the Gulf of Aden and the Indian Ocean. At present, Japan, Malaysia, and Singapore deploy naval assets in support of anti-piracy efforts off the coast of Somalia. While Singapore is a party to the multinational efforts of the Combined Task Force 151, Japan and Malaysia have opted for an independent mode of operation. Combining the Japanese and Malaysian resources would optimize their limited resources while providing the additional gain of enhancing interoperability and familiarization between the two navies. If it comes to fruition, the cooperation would be the first “live” out-of-area defense cooperation between Japan and an ASEAN country. Thus, Japan should explore opportunities to partner with the relevant ASEAN states to patrol the waters in the Gulf of Aden and the Indian Ocean.

The protection of exclusive economic zones (EEZ) is a top priority for littoral states, and the coast guard is the frontline agency for building capacity for the coastal operations necessary to safeguard and enforce rights within the EEZs. Japan has taken the lead in engaging regional coast guards through the establishment of the Heads of Asian Coast Guard Agencies Meeting in 2004. In addition, it has contributed material and capacity-building resources to ASEAN member states. Japan played an important role in the establishment of the Malaysian Maritime Enforcement Agency, and most recently it extended soft loans to the Philippine government to purchase 10 patrol boats. Japan’s continuing support for efforts to boost the capacity and strength of the ASEAN coast guards is a positive contribution toward regional peace and security.

Japan has long been at the vanguard of nonproliferation efforts and could contribute toward the implementation and consolidation of the Southeast Asia Nuclear-Weapon-Free Zone (SEANWFZ). Signed in 1995 but only coming into effect in 2001, when the last ASEAN member state (the Philippines) ratified the treaty, the SEANWFZ seeks to establish a region that is free of nuclear weapons. The ASEAN states have pledged not to possess, develop, or “have control over” nuclear weapons, which is akin to Japan’s Three Non-Nuclear Principles. Japan could also assist and

collaborate with ASEAN to set up mechanisms to manage and provide oversight capabilities to guard against possible proliferation.



In sum, while ASEAN-Japan cooperation in the promotion of the APSC has not advanced as far as it has in the domains of economic or socio-cultural community building in Southeast Asia, this conversely means that the opportunities and potential for expanded cooperation are perhaps greatest in this area. Indeed, the time is now ripe for ASEAN and Japan to act given the regional and global trends of deepening democratization and globalization, which point to the increasing importance of a rules-based regional order for democracy, peace, and stability.

The lack of substantial political-security cooperation between ASEAN and Japan in the past was partly—but quite importantly—due to the self-imposed restrictions on the part of Japan that stem from its past history of military aggression and its ensuing postwar pacifism. Japan, however, has now succeeded in convincing many ASEAN countries that internationalist pacifism continues to inform Japanese engagement with ASEAN. Moreover, the nature of the political-security cooperation needed in the years ahead is basically *soft* cooperation, the kind that is essential to the further strengthening of the community-building efforts of ASEAN. Consequently, Japan's hesitation to engage in this field is no longer necessary. As recommended in this report, it should examine a variety of avenues, including the potential expanded role of the SDF, to actively engage in political-security cooperation with ASEAN.

ASEAN-Japan Strategic Partnership in Southeast Asia: Socio-cultural Pillar

CAROLINA G. HERNANDEZ and MOTOKO SHUTO

IN ITS EFFORTS to build a regional community based on three pillars (political-security, economic, and socio-cultural), ASEAN requires the support and cooperation of its dialogue partners. This is especially critical at this historical juncture where the global economy is experiencing unprecedented stress and the regional and global geostrategic environment is going through tectonic shifts. These developments have created new forms of uncertainty and complex dynamics. Globalization in various guises has effectively broken down whatever illusions states and individuals might have to shield or insulate them from developments taking place in distant physical locations. This makes cooperation among friends as well as like-minded partners an imperative for our time.

It is in this context that strengthening bilateral cooperation among like-minded partners needs to be undertaken with utmost seriousness. Japan and ASEAN are well-advised in their efforts to strengthen their decades-long partnership, including in support of building the ASEAN Community.

Usually seen as a residual category or even an afterthought among the pillars of the ASEAN Community, the socio-cultural pillar ought to be at its center. After all, the preamble of the ASEAN Charter resolves “to place the well-being, livelihood and welfare of **the peoples at the centre** of the ASEAN community building process,”¹ while the blueprint for the ASEAN Socio-cultural Community (ASCC Blueprint) clearly states that “the primary goal of the ASCC” is “to contribute to realizing an ASEAN Community that is **people-centered** and socially responsible.”² Moreover, a commonsense view would argue that any community needs people, whose wellbeing must be its top priority.

Adopted as part of the Roadmap for an ASEAN Community 2009–2015 at the ASEAN Summit in Cha-am, Thailand, on March 1, 2009, the ASCC

Blueprint seeks to realize a people-centered ASEAN Community through various activities grouped according to 340 action lines that are intended to achieve the six characteristics of the ASCC Blueprint. As the scope of the socio-cultural pillar is broad, the study group on the ASCC of this joint project,³ otherwise called the Yamamoto Project,⁴ selected areas that are not only central to the achievement of a people-centered ASEAN Community but also those already identified by ASEAN and Japan as critical to their strategic partnership.

Thus, the study group focused on ASEAN-Japan cooperation through their Plan of Action 2011–2015 for the implementation of their Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together (POA) adopted on November 18, 2011, in Bali, Indonesia, in regard to the socio-cultural pillar of the ASEAN Community. The study group members put the peoples of ASEAN at the center of their analysis on how ASEAN-Japan strategic partnership could be strengthened through cooperation in contributing to the realization of the socio-cultural pillar of the ASEAN Community. This necessitated a bottom-up approach in each of their background papers.

ASSUMPTIONS

Three interrelated assumptions guided the study group's work. The first is that ASEAN integration and community building that is people-centered is critical to ASEAN's role as a civilian power in East and Southeast Asia. A civilian power is one that does not rely on military might or armaments to achieve its foreign policy goals.

In this regard, it should be emphasized that ASEAN has never aspired to become anything other than a group of states whose influence in external relations would depend on what today we generally call "soft power."⁵ Soft power consists of values such as peaceful settlement of disputes, equality among states, respect for national sovereignty among states, non-aggression, and even non-interference in the domestic affairs of other states. In fact, ASEAN's definition of "security" as comprehensive is radically distinct from the traditional view of security as military defense from external aggression in an effort to dispel the mistaken notion on the part of outsiders—especially the superpowers (the United States and the former Soviet Union) during the Cold War—that the original ASEAN member states were forming a military alliance. In this regard, ASEAN shares with Japan a conception of security as comprehensive in character rather than constituting merely military capacity for external defense. ASEAN and Japan might have had

two different rationales for framing security differently from the West, but it is a conception they have shared since the early 1970s and most certainly since before the end of the Cold War. Notions like “redefining security” only became current outside East Asia after the Cold War ended.⁶

The second assumption is that the ASEAN Community can only be fully realized through an ASCC whose referent object or target population is the peoples of Southeast Asia.⁷ Thus their development and security are critical to a people-centered ASEAN Community.⁸ As already stated, people are at the core of community building and a people-centered community is an idea that ASEAN has consistently emphasized in its vision documents and is supported by ASEAN’s dialogue partners, including Japan. Japan as a single actor in international relations has taken the most prominent role in supporting the people-centered importance of community building. This view is evidenced by the inclusion of human security in Japan’s Official Development Assistance (ODA) Charter in 2003 and its support for the Commission on Human Security in 2000–2003.

The third assumption is that the promotion of human security in Southeast Asia is influenced and shaped by global megatrends that present both challenges and opportunities to ASEAN member states and their dialogue partners, especially Japan. In this present age of globalization where national borders are increasingly being eroded by giant leaps made possible by the technological revolution especially in information, communication, and transportation, societies have become increasingly sensitive and vulnerable to developments that take place in distant locations. The Asian financial crisis of 1997–1998 clearly demonstrated to East Asians that they could no longer remain impervious to developments external to their countries. In this context, it is crucially important to consider the global trends most likely to affect and influence or even shape the wellbeing of people, including those of East and Southeast Asia.

GLOBAL TRENDS CHALLENGING EAST ASIA

In determining the global trends that present challenges to East Asia, the most relevant to the aspects of the socio-cultural pillar addressed by the study group’s background papers are selected for analysis. The ASCC Blueprint has six goals: (1) human development, (2) social welfare and protection, (3) social justice and rights, (4) environmental sustainability, (5) building of an ASEAN identity, and (6) narrowing of the development gap. These goals are to be met through the implementation of activities along 340 action lines before the ASEAN Community is realized in 2015.

The background papers focus on the Millennium Development Goals (MDGs) unanimously adopted by the UN in 2000; protection of vulnerable people, including migrant workers; building of the ASEAN identity including through culture and community engagement and narrowing of the development gap; and natural disaster response and management to realize disaster-resilient nations and safer communities in the region. The MDGs and the ASEAN Community share the same year—2015—for completion. The MDGs set 8 goals and 21 targets to eradicate poverty worldwide by 2015. These goals have become “milestone indicators in a country’s struggle to improve the condition and welfare of their people,”⁹ especially among the marginalized and vulnerable sectors.

The MDGs are among the actions set in the ASCC Blueprint under the goal regarding social welfare and protection, while the protection of the rights of migrant workers is among the actions to be undertaken to advance social justice and rights. The importance of culture and community engagement is emphasized in the goal of building an ASEAN identity, while a more economically cohesive (or a less economically uneven or inequitable) region is sought in the goal to narrow the development gap. The role of education, youth, and the media is recognized in the ASCC Blueprint as a cross-cutting issue. Hence, action lines in this regard are found in all six goals of the ASCC.

As a result of the frequency and fatality of natural disasters, which are related to environmental risks such as global warming and climate change, improving the region’s capacity for humanitarian response to and management of natural disasters is an urgent task. However, there is also a need to effectively address complex disasters, such as the earthquake, tsunami, and nuclear power plant disaster that occurred in Japan, in a region as prone to natural disasters as East Asia. This reality is compounded by the fact that the region’s leaders seek alternative sources of energy, including nuclear. Saving lives from natural and complex disasters is indeed a priority recognized by the social welfare and protection goal and one that takes many forms, such as building disaster-resilient nations and safer communities.

That these issues will be affected by global trends is made clear in the background papers. In varying ways and forms, the authors integrate into their analysis the most relevant global trends and how they are likely to impact the respective aspect of the ASCC they chose to address. These global trends include economic development and inequities; climate change and increased intensity of natural disasters; demographic change, especially aging societies; natural resource scarcities, especially food, water, and energy; and human rights.

Economic development and inequities have created social and economic gaps within and across countries in the world in general and in East Asia in particular. This global trend is likely to persist into the future. The background papers on the ASCC touch on this, especially those on migration and narrowing the development gap. The Asian Development Bank (ADB), for example, points out that the trend toward increasing inequalities within Asian societies has the potential to undermine social cohesion and stability and increase income disparities across countries; these could destabilize the region.¹⁰ Moreover, while the Gini coefficient in the developing parts of Asia (ranging from 28 to 51) is still lower than in Sub-Saharan Africa (ranging from 30 to 66) and Latin America and the Caribbean (ranging from 45 to 60), nevertheless, developing Asia compares poorly with other regions in regard to changes in inequality during the last decade. Here, the Gini coefficient worsened in 11 Asian countries, representing some 82 percent of the region's population.¹¹

Urbanization will continue to rise. The global urban population will grow from the present 50 percent (3.5 billion of the world's 7.1 billion people) to 60 percent (4.9 billion of the projected 8.3 billion people) in 2030.¹² Moreover, urbanization will occur in both the developed and developing worlds. In the developed world, the urban population is projected to rise by 5.7 percentage points to 81 percent, while that in the developing world is expected to rise by 9.9 percentage points to 55 percent.¹³ The urban-rural divide and other gaps across and within countries are likely to exacerbate existing inequities unless they are strategically addressed. They will remain drivers of migration both within and across countries, processes that feed into a cycle of development gaps, inequities, migration flows, and the attendant multiple challenges they create for peoples and their governments. An understanding of these interconnected processes is seen in ASEAN's emphasis on narrowing the development gap, even in its present limited application to only the economic dimensions of development.

Similarly, climate change and the increased intensity of natural disasters are likely to have severe consequences for peoples. Global warming has been linked to the increasing intensity of tropical storms and is projected to lead to an increase in the maximum wind speed by 0.5 on the Saffir-Simpson scale by 2050. Since the 1970s, major tropical storms in both the Atlantic and Pacific regions have already increased in duration and intensity by 50 percent. Climate change has also raised the sea surface temperature by 0.5 percent, thereby increasing the number of major storms.¹⁴ By 2030, the average global temperature is expected to rise between 0.5 and 1.5 degrees Celsius, and developing societies are likely to suffer more than developed ones due to the fact that the former have

fewer social, technical, and financial resources to adapt to climate change than the latter and also because they are more dependent on agriculture than are developed societies.¹⁵

Indeed, if one looks at the occurrence of great natural disasters between 1950 and 2006 in Asia Pacific, there has been an increase since the mid-1980s. Particularly exposed to natural disasters, this region contributed 82 percent of human fatalities from disasters between 1970 and 2011 and 80 percent (or US\$294 billion) of the total annual global economic losses due to disasters. Amidst the increase in the number, frequency, and intensity of natural disasters, the number of human fatalities in some subregions of Asia Pacific has declined mainly due to better disaster risk management, including early warning systems, disaster preparedness, and social safety nets.¹⁶ Surely, the lessons learned from the region's major disasters such as Cyclone Nargis and Fukushima, discussed in Moe Thuzar's paper, are of utmost value to ASEAN-Japan cooperation.

Demographic change is another global trend relevant to this study group. Population growth has accelerated in recent decades, growing from 5.3 billion in 1990 to 6.9 billion in 2011 and to a projected 8.3 billion in 2030. By 2030, the developing world is expected to post a growth of 24 percent of its 2011 population of 5.7 billion, increasing to 7.0 billion people. This translates into greater challenges to developing societies than to those in the developed world, where its 1.2 billion population in 2011 is projected to grow to 1.3 billion people by 2030.¹⁷ No doubt, the achievement of many MDG targets on health and education in the developing world, including within ASEAN as demonstrated by Risako Ishii, is a key driver of this population growth.

Other dimensions of demographic change include the dramatic 50 percent drop in the world's one billion people living in extreme poverty by 2030, an expansion of the world's middle class, the shrinking demographic arc of instability (where the 80 countries in 2012 whose median age was 25 years or less will shrink to 50 countries by 2030),¹⁸ and the rise in the number of people in urban areas already noted.

Among these dimensions, the study group focused on aging societies whose speedy rise is seen as a more defining challenge to East and Southeast Asia in the near future than to other parts of the world. A study states that unprecedented and widespread aging throughout the world, including Asia's rich and developing societies, will result in acute labor shortages and precipitate mass global migration.¹⁹ That the phenomenon of population aging is already upon us cannot be ignored. The median age is projected to increase by five years (to age 34) globally, by 4.4 years (to age 44) in developed societies, and by 5.5 years (to 32 years) in developing societies by 2030.²⁰

More telling and compelling in its conclusions, an ADB study warns of the consequences of an aging population for society. Recognized for its economic dynamism, fast growth, and development, the shrinking share of the youth in Asia's population will deprive the region of one of the main drivers of its past economic success and turn the region's demographic dividend into a demographic tax.²¹ Even as there will be varying scenarios of this transition across Asia's diverse economies—where the demographic dividend will continue until 2030 for societies that experienced their demographic transitions later, such as Indonesia, Malaysia, and the Philippines—the dividend will decline in 2021–2030 relative to 2011–2020.²² As the economic burden shifts to the younger population in aging Asia, there is an urgent need to address the welfare and future of the youth sector.

Natural resource scarcities (especially food, water, and energy) that trigger cross-border conflicts are also expected to increase. By 2030, half of the global population is projected to live in areas of great water stress. The total demand of developed countries for water will increase by 40 percent, even as their share of global demand will decrease from 27 percent to 24 percent, while the water withdrawal of developing countries is expected to increase by 58 percent, with agriculture accounting for the biggest share at 82 percent. Meanwhile, the world's energy consumption is predicted to rise by 26 percentage points, with the demand from developed countries increasing only slightly (2.6 percent) and their share of global energy consumption projected to fall to 35 percent. Much of the increased demand for energy is to come from the developing world, whose energy consumption is expected to grow by 45 percent and its share of global energy consumption is expected to rise to 64 percent.²³ Both energy and water consumption relate to food availability, affordability, and accessibility to a global population that is projected to grow dramatically, as discussed above.

In addition, there are 14 critical raw materials required for manufacturing consumer goods as well as for other purposes, such as physical infrastructure and military goods. The dependence of developed countries on imported raw materials from the developing world is expected to increase by 2030 and create risks of interstate conflict, transferring wealth from import-dependent countries to commodity suppliers as the price of metals skyrockets. Inequitable access to critical raw materials can also cause concerns especially in the high technology sector, where new technologies are hugely dependent on both minor as well as specialty metals.²⁴

The implications for migration of the above global trends make the urgent establishment of a credible and effective migration regime critical. Meanwhile, attention to human rights has also been on the rise. Not only has there been a shift in the development paradigm of donor countries to

a rights-based approach as shown by Amara Pongsapitch, but the sphere of human rights has also expanded to include nonstate actors, such as liberation movements within states and business actors. The arrival of human security on the global agenda since the mid-1990s no doubt helped the cause of human rights to rise in prominence globally. Since human security is seen as constituting two groups of freedom—freedom from fear and freedom from want—the conceptual connection between human security and international human rights principles is inevitable. Freedom from want can be generally linked to the wide scope of economic freedoms already recognized in international human rights instruments, primarily the International Covenant on Economic, Social and Cultural Rights (ICESCR), while freedom from fear can be linked to the International Covenant on Civil and Political Rights.

The accountability of nonstate actors for human rights observance has been recognized in the 1986 Limburg Principles on the implementation of the ICESCR; the 1997 Maastricht Guidelines on violations of economic, social, and cultural rights; and more recently in the adoption by the UN Human Rights Council (UNHRC) of the study led by Prof. John G. Ruggie on the issue of human rights and transnational corporations and other business enterprises, which proposed guiding principles based on his “protect-respect-remedy” framework. This was subsequently reflected in the adoption by the UN General Assembly of “business and human rights” as one of the UN’s activities.

MAIN FINDINGS

While high-level commitment and political will exist behind the ASEAN Community blueprints and the ASEAN-Japan POA 2011–2015, there has not been enough specific and sustained activity to implement priorities in those instances when priorities were set. Most of the projects have started and stopped at workshops, with little impact on the lives of the people for whom they are intended.

For instance, the ASCC Blueprint and the POA are mainly aspirational statements. They need to be transformed into more implementable agendas, specific targets, and actionable plans. Moreover, while overlaps in the ASCC Blueprint (and among the ASEAN Community blueprints, for that matter) are unavoidable, they create confusion in implementation, dysfunctional turf wars, and inefficiencies. To be fully integrated, the ASCC priorities need to be linked to, and complement, the work carried out in the other community pillars. This becomes even more important

with the ever-increasing movement of people, culture, and information within and across countries.

The implementation of the ASCC Blueprint and the POA has been found to be insufficient thus far. This insufficiency is primarily because most of the priorities are largely the responsibility of national governments. The diverse levels of development in each country also hamper concerted regional action. Thus, ASEAN's value has been more as a convener that facilitates further focused action at bilateral or subregional levels than as an implementing body.

Many good mechanisms exist, or are emerging, in areas like disaster resilience, including the ASEAN Coordinating Centre for Humanitarian Assistance as well as the ASEAN Agreement on Disaster Management and Emergency Response; and people-to-people exchanges in the education, culture, and youth spheres, including the ASEAN University Network and the Ship for Southeast Asian Youth Programme. However, more work is needed to assess regional readiness for ASEAN's future role in disaster management and humanitarian action, achieve the MDGs, prepare to achieve the post-MDG agenda, effectively respond to the movement of peoples (especially migrant and unskilled workers), build an ASEAN identity and culture, and sustain people-to-people connectivity especially in education (formal, informal, etc.), youth, media (mainstream and social), and Internet use.

In the global community of nations, the ASEAN-Japan partnership can facilitate the further development of these activities as discussed in the study group's background papers and outlined in the recommendations below.

RECOMMENDATIONS

The main findings made by the study group point to a number of recommendations. The priority is on those that must be achieved by 2015 as a matter of great urgency.

The bottom-up approach of the ASCC also demands an inclusive and participatory process particularly because the ASCC responsibilities are far too important to be left to governments alone. Thus, civil society participation is crucial, but it must begin with the formulation and design of projects undertaken by ASEAN singly or in partnership with others like Japan. Moreover, building a sense of identity—the achievement of a “we feeling” among ASEAN's peoples—cannot be realized if the security of the state sought by the security pillar or the economic prosperity sought by the economic pillar are not felt by the people on the ground. Hence, the

wellbeing of ASEAN peoples that the ASCC targets is both foundational and essential.

Building an ASEAN identity and culture urgently needs some deliberate advocacy in support of the concept of “ASEAN identity,” without which there can be no genuine ASEAN community. ASEAN’s diverse culture requires a coexistence of diverse forms of cultural relations, including local heritage, cosmopolitanism, fusion culture, and cultural pluralism. To achieve this, the ASEAN-Japan partnership must take the following steps:

- Design and adopt an ASEAN Identity Project that celebrates ASEAN cultural diversity.
- Support the ASEAN Identity Project by encouraging civil society organizations (CSOs) to perform political and cultural functions for cultural groups, especially the marginalized among them who need support for social services and socio-cultural activities.
- Promote ASEAN awareness and strengthen ASEAN cultural identity through the following:
 1. Support for programs identified in the POA such as media partnerships, exchanges, and other person-to-person activities
 2. Support for capacity building in new media technology together with the development of new content
 3. Support for collaboration between Japan’s public broadcasting network, NHK, and the other ASEAN broadcast networks at the regional and bilateral levels.
- Promote cultural creativity and industry by establishing a low-interest rate small and medium-sized cultural enterprises (SMCE) program loan to encourage ASEAN entrepreneurs who wish to venture into the new cultural market.
- Encourage local governments to develop and promote innovative people-to-people exchanges such as the following:
 1. community-to-community exchanges
 2. sister-city networks, including among ASEAN countries
 3. community-based food and crafts enterprises (like Japan’s *isson ippin* “one community one product” model)
 4. grassroots networks.
- Promote ASEAN consciousness and sense of community through preservation and promotion of ASEAN cultural heritage, highlighting the region’s unique cultural diversity.
- Promote cultural creativity and industry by supporting local craftsmanship, SMCEs, and other innovative projects as activities to

generate income and to strengthen an ASEAN sense of ownership and identity through, for example, grants and loans to governments and the private sector.

- Preserve and promote ASEAN cultural heritage through the following activities:
 1. Supporting the revitalization of local culture, indigenous culture and knowledge, and cultural heritage as an alternative cultural process to counter globalism. This process should help resist the spread of mass culture in manipulating the marginalized and the powerless
 2. Supporting the concepts of cultural diversity, local cultures, and community identity by establishing a Cultural Heritage and Local Wisdom Fund.

Regarding the MDGs and post-MDG issues, ASEAN countries must achieve the following by 2015:

- Attend to gaps in MDG implementation within countries, while priority is given to Cambodia, Laos, Myanmar, and Vietnam (CLMV).
- Encourage intrasectoral coordination of initiatives of the different ASCC sectoral bodies, such as issue-based working groups. These groups could prioritize cooperation needs on a specific issue and harmonize cooperation and other activities undertaken in the region.
- Utilize regional cooperation resources by enhancing the coordination of South-South cooperation, the donor countries of which should align their cooperation with the ASCC's regional priorities.

Similarly, ASEAN countries and Japan should accomplish the following by 2015:

- Analyze development gaps in MDG-related areas across and within countries to prioritize the ASCC's cooperation needs.
- Identify potential social and human development issues that may become common regional problems, to be addressed in the post-MDGs era (e.g., social welfare in aging societies and falling birth rates, etc.). In this regard, Japanese experiences may be relevant and should be shared by having Japan's CSOs play a more active role, working closely with CSOs in ASEAN countries.
- Ensure that projects funded by Japanese ODA are aligned with the ASCC's regional priorities.
- Promote knowledge and information sharing on regional best practices and support experts in each policy area through a knowledge databank as proposed in the ASEAN MDGs Roadmap. This may be supported by the Japan ASEAN Integration Fund, or through regionwide projects

based on the Japan International Cooperation Agency (JICA)–ASEAN cooperation agreement.

- On its own, Japan should consider a multilateral cooperation scheme that would not be limited to the present Third Country Training Program. Joint projects should be initiated with donors to ASEAN’s South-South cooperation activities through greater flexibility in Japan’s ODA schemes.

The ASEAN-Japan partnership should take several steps to promote and protect human rights and welfare, especially of the most vulnerable populations:

- Support activities that prevent the negative impacts of development on vulnerable peoples, including women, children and youth, the elderly, people with disabilities, indigenous peoples, and migrant workers. An ASEAN Code of Conduct for Corporate Social Responsibility (CSR) should be developed to prevent negative social impacts on vulnerable groups and undesirable exploitation of natural resources.
- Support CSR and business and human rights activities of Japanese and ASEAN multinational firms, such as by establishing an award scheme honoring multinational firms with best practices in CSR and business and human rights programs.
- Support social safety net programs for humanitarian assistance and human rights protection schemes for vulnerable groups.
- Strengthen the functioning of the ASEAN Commission on the Promotion and Protection of the Rights of Women and Children.

Since migrant workers are a huge sector in East Asia, the promotion and protection of rights of migrant workers is a priority. By 2015, the ASEAN-Japan partnership should have achieved the following measures:

- Support regional and bilateral programs at the national level to promote and protect the rights of migrant workers.
- Establish an independent body for promoting migrant workers’ rights (not intergovernmental or beholden to any governments) by 2015.
- Support CSOs working on migrant workers’ rights through financial, programmatic, and other means.
- Take the following steps to effectively implement the POA:
 1. Double their efforts to establish updated, reliable, and systematic datasets and information on migration
 2. Conduct mapping exercises to identify the target groups, actors, and entry points for policy intervention
 3. Develop a policy matrix for implementation by focusing on different programs to protect the rights and welfare of migrant workers.

To improve disaster management networks and humanitarian action, ASEAN-Japan cooperation should do the following:

- Support relevant priorities of the Initiative for ASEAN Integration such as rural infrastructure development, particularly in the CLMV countries, focusing on disaster-resilient structures in rural coastal communities exposed to natural disasters and other hazards.
- Strengthen existing capacities in ASEAN member countries and Japan for evaluating disaster risks and vulnerabilities, disaster preparedness, and resilience, especially in responding to complex disasters (such as Fukushima) requiring massive humanitarian operations.
- Undertake national and regional studies that assess national disaster inventory, system capacities, and needs, and further assist those that need to be developed and strengthened.
- Strengthen disaster awareness education in the communities most exposed and vulnerable to natural hazards.
- Promote greater public dialogue and discussion on disaster preparedness, including government-NGO consultations.
- Develop and conduct sector-specific capacity-building programs for government officials and CSOs to effectively manage disaster relief and emergency responses.
- Strengthen institutions and human capacities, (including local CSOs) to respond to disasters and emergencies.
- Continue enhancing the people-to-people linkages in post-disaster relief and reconstruction efforts, such as encouraging volunteerism, especially among the youth, to assist rehabilitation and recovery efforts in disaster-affected areas.
- Strengthen institutions and human capacities (including local CSOs) to respond to disasters and emergencies.
- Support and complement national commitments to common objectives under the MDGs and Rio+20 goals through existing bilateral, subregional, and regional frameworks, and identify priorities where capacity-building or other technical and financial support can complement and assist ASEAN members' national commitments to common global undertakings for sustainable development.
- Support greater resilience to disasters by assisting with the development of integrated approaches in environmental, economic, and social policies in ASEAN member countries that are most vulnerable or exposed to disasters.

To better connect people through education, youth activities, and the media, there is an urgent need to undertake measures leading up to 2015 to

promote awareness and knowledge about each other beyond the modalities of traditional education and media, as well as to strengthen existing connectivity among youth in ASEAN countries and Japan. In this regard, ASEAN and Japan should do the following:

- Strengthen at the tertiary level multidisciplinary ASEAN studies including language education.
- Strengthen existing programs involving the youth in ASEAN and Japan.
- Sustain the new Japan–East Asia Network of Exchange for Students and Youths Programme.

To narrow the development gap, there is an urgent need to broaden the concept of development beyond economic growth. The ASEAN-Japan partnership should work with diverse groups of people to identify gaps in development within and between ASEAN countries. The partnership should take the following steps:

- Adopt multidirectional funding mechanisms for bridging inequalities within ASEAN.
- Develop partnerships among government, private, and community-based organizations to improve the delivery of social services and narrow gaps and inequalities.
- Support social safety net programs for the needy CLMV countries.
- Support gender empowerment programs for all ASEAN countries.

Recommendations for Actions Beyond 2015

- ASEAN countries should work continuously to identify development gaps within the ASCC. Cities and communities can be supported or subsidized to keep the momentum for adequate human-centered development strong, similar to the Structural Funds of the European Union.
- ASEAN countries need to consider post-MDG issues within the ASCC framework. Working groups for MDG-related issues could be developed as discussion arenas for emerging human-centered development issues. The databank is also a potential tool for sharing information and knowledge among the ASEAN countries and with external regional partners including Japan.
- Both ASEAN countries and Japan should work together as partners for social development in prioritized cities and communities since many of the ASEAN countries will have graduated from Japanese ODA and will be likely to share common social problems with Japan.

- Japan should pursue qualitative goals for development with ASEAN countries (e.g., beyond quantitative discussions of ODA). By this time, Japan can provide new shared goals for development regarding quality of life, such as food safety, risk management, rule of law, and good governance.
- Japan should further reconsider its ODA schemes—especially multi-lateral ones—to enhance its flexibility to nurture its partnership with ASEAN. For example, the ODA scheme could open up its bidding system to contractors or experts from all countries in the region.



Without doubt, the challenges facing ASEAN and Japan in their quest to strengthen their strategic partnership in the context of building the social pillar of the ASEAN Community are enormous. Not only is the scope of the ASCC Blueprint extremely broad, but most of the measures that are needed to realize it lie also at the national level. ASEAN countries are hugely diverse across many dimensions and the social impact that globalization has on them is also diverse. Their readiness to meet the demands of the blueprints for the ASEAN Community touch on national sovereignty, and their diverse capacities need to be relatively on par with one another. Thus, the notion of narrowing the development gap must be understood beyond its current narrow conception.

Needless to say, there are antecedent measures that must be considered seriously by ASEAN member states if their organization is to succeed in realizing a people-centered ASEAN Community. Among these is a genuine rethinking of its operational norms that can begin with its charter. If ASEAN becomes more effective in undertaking these challenges, it will overcome a major hurdle toward creating a more effective partnership with Japan and other nations.

NOTES

1. Preamble of the Charter of the Association of Southeast Asian Nations, adopted on November 20, 2007.
2. Section II Characteristics and Elements, paragraph 4 of the ASCC Blueprint; emphasis by the authors.
3. This project is the ASEAN-Japan Strategic Partnership in Southeast Asia funded by the Japan-ASEAN Integration Fund (JAIF) and jointly convened by the Indonesian Centre for Strategic and International Studies (CSIS Jakarta) and the Japan Center for International Exchange (JCIE).

4. The short name of the joint project is in honor of the late Tadashi Yamamoto, founder and life-long president of the Japan Center for International Exchange; preeminent track two pioneer in many fields in his native Japan, the broader Asia Pacific region, and beyond; as well as an outstanding human being.
5. Since Joseph Nye coined this term in the late 1980s, it has been widely used by political leaders and scholars in the context that soft power lies in the attractiveness of a country's culture, political ideas, and policies, while hard power lies in the ability to coerce others. Joseph Nye Jr., *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004).
6. See for example, Jessica Tuchman Matthews, "Redefining Security," *Foreign Affairs* (Spring 1989); and Barry Buzan, *People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era* (Boulder, Colorado: Lynne Rienner Publishers, 1991).
7. Barry Buzan, Ole Waever, and Joap de Wilde, *Security: A New Framework of Analysis* (Boulder, Colorado: Lynne Rienner Publishers, 1998), 32 f.
8. The concept of development and security as being two sides of the same coin of human wellbeing is drawn from the three-volume work on *Development and Security in Southeast Asia*, co-edited by David B. Dewitt and Carolina G. Hernandez, and published by Ashgate Publishing Limited in 2003.
9. Herman Joseph S. Kraft, "The Millennium Development Goals (MDGs): A Pathway Towards Mainstreaming Human Security in ASEAN," in *Mainstreaming Human Security in ASEAN Integration: Lessons Learned from the MDGs Implementation in Southeast Asia*, ed. Herman Joseph S. Kraft, (Quezon City: Institute for Strategic and Development Studies, 2012), 14.
10. Asian Development Bank (ADB), *Asia 2050: Realizing the Asian Century* (Manila: ADB, 2012).
11. ADB, *Asian Development Outlook 2012: Confronting Rising Inequality in Asia* (Manila: ADB, 2012).
12. National Intelligence Council, *Global Trends 2030: Alternative Worlds* (2012).
13. Roland Berger Strategy Consultants, *Trend Compendium 2030: Demographics/Globalization & Future Markets/Scarcity of Resources/Climate Change/Technology/Knowledge Society/Global Responsibility* (2011), <http://www.rolandberger.com/gallery/trend-compendium/tc2030/content/assets/trendcompendium2030.pdf>.
14. Peter Hoeppe, *Trends of National Disasters—The Role of Global Warming* (Munich: Geo Risks, 2007), 11.
15. Berger, *Trend Compendium 2030*.
16. The data on Asia Pacific are from the Asia Pacific Disaster Report, *Reducing Vulnerability and Exposure to Disaster* (2012).
17. Berger, *Trend Compendium 2030*.
18. National Intelligence Council, *Global Trends 2030*.
19. Ibid.
20. Berger, *Trend Compendium 2030*.
21. ADB, *Impact of Population Ageing on Asia's Future Growth* (Manila: ADB, 2011), 16.
22. Ibid., 17.
23. Berger, *Trend Compendium 2030*.
24. Ibid.

BACKGROUND PAPERS

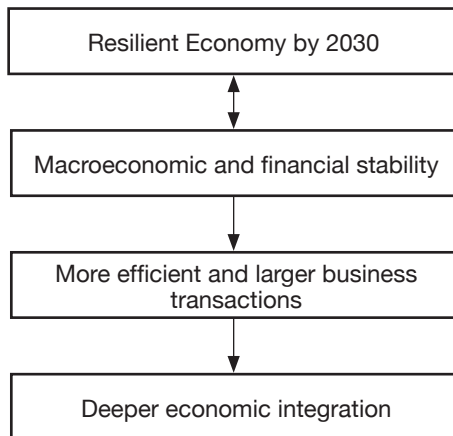
Study Group on ASEAN Economic Community

Financial Cooperation in ASEAN

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FINANCIAL COOPERATION IS one important aspect of ASEAN integration. ASEAN, in its aspiration for integration by 2030, aims to be “RICH” (resilient, inclusive, competitive, and harmonious). Of these features, the one that is most relevant to this chapter is the first feature, which is that ASEAN aims to be a resilient economy by 2030. According to an Asian Development Bank (ADB) publication on the ASEAN 2030 aspiration, ASEAN needs macroeconomic and financial stability if it is going to be resilient. Stability refers to conditions that are predictable and insusceptible to shocks from both domestic and external sources. Predictable macroeconomic variables help reduce unexpected risk and hence produce more efficient business flows. In brief, achieving macroeconomic and financial stability is important for the region’s business flows—and thus its integration—in its pursuit of a resilient economy as it moves toward ASEAN 2030.

Figure 1. Logical Framework



Regional financial integration is important for several reasons. First, the more open an economy, the more exposed it is to external shocks. Therefore, cooperation is needed to anticipate the risks that countries face. Policy cooperation can be more economically beneficial than individual nations' efforts to manage risks and prevent crises.¹ Second, a larger market due to integration would improve cost efficiency. Financial cooperation tends to insure countries from country-specific shocks.² Financial integration is also said to bring direct and indirect benefits, which consist of improving growth opportunities and lowering systemic risk.³

Since macroeconomic and financial stability needs at least financial stability, financial integration, exchange rate coordination, and fiscal policy coordination, this chapter addresses all of those elements except for fiscal policy. Each element is discussed starting with an overview of the importance or current level of progress on that element in ASEAN, followed by an explanation of the existing ASEAN-Japan initiatives in that element. The chapter draws policy recommendations in light of what ASEAN aims to achieve by 2030.

Table 1. Topics covered by the chapter

Targets	Initiatives/Actions
Financial stability	CMIM
Financial integration through existing infrastructure/mechanism through a deeper/more developed market	ABF and ABMI
Exchange rate coordination	An initiative for RMU
Fiscal policy coordination	Dialogues

It seems that ASEAN member countries have learned substantially about financial stability from the Asian financial crisis in 1997–1998. Currently the financial condition seems to be much less vulnerable than it was in 1997–1998, at least in terms of currency and maturity mismatches. This is the result of the prudent policies that countries adopted. Central banks in Asia have strong mandates to execute monetary policy for financial stability. That kind of mandate is not found on other continents. Also, since the global financial crisis began in 2008, several Asian countries have applied new regulations to control their capital flows in order to maintain the stability of their exchange rates.⁴

The Chiang Mai Initiative Multilateralization (CMIM) serves as evidence of regional cooperation in providing financial safety nets. The reserve pool under the CMIM is apparently lower than the EU's regional financial arrangement (RFA), and the region's access limit under

the CMIM is much lower than its access limit under the International Monetary Fund (IMF). Also, the reserves pool under the CMIM is very low compared with the total of the individual countries' foreign reserves. It is worth mentioning that funds under the CMIM mechanism have never been used despite the mechanism being in existence since 2010. Hence, either its effectiveness has never been tested or it is not effective enough for any country to have wanted to make use of it since 2010. Along with the CMIM, the ASEAN+3 Macroeconomic Research Office (AMRO) has also been operating since 2010. Its function as a surveillance unit on the macroeconomic condition of the ASEAN+3 countries needs to be strengthened in both capacity and authority.

The process of financial integration in Southeast Asia runs slowly. There are relatively few intraregional financial transactions, and people prefer to conduct financial transactions at home, probably because they think that they know domestic financial markets better than foreign ones. The literature also reveals possible explanations for this sluggish progress of regional financial integration: shallow financial infrastructure, relatively low capital account liberalization, relatively high exchange rate volatility, differences in the level of development, and differences in geographical settings and languages.⁵ The Asian Bond Fund (ABF) and the Asian Bond Markets Initiative (ABMI) are ASEAN+3 initiatives set up to address this lack of financial integration with the specific purpose of developing local bond markets.

High exchange rate volatility inhibits businesses in the region. This situation calls for exchange rate coordination. However, the idea of forming a regional monetary unit (RMU) should be assessed cautiously to determine whether the coordination that would result from its introduction is more beneficial than the restrictions it would generate as authorities would lose part of their sovereignty.

ASEAN: FINANCIAL STABILITY AND INTEGRATION

Level of Stability

Masahiro Kawai and Peter Morgan emphasize the significant risk of financial crisis, which suggests the need for macroprudential policy (i.e., policy dealing with systemic risks). They believe that Asian economies are subject to large and volatile international capital flows.⁶ According to Kawai and Shinji Takagi, large capital flows are prone to the following risks:

- a. Macroeconomic risk in which large capital flows may induce excessive domestic credit growth, economic overheating reflected by high inflation, and appreciation of real exchange rates. In the end, all of these may lead to unsustainable economic growth.
- b. Financial instability, in terms of maturity and currency mismatches.
- c. Sudden reversal of capital flows, which may lead to depreciation of exchange rates.⁷

Learning from the Asian financial crisis of 1997–1998, there are at least two indicators that countries should be concerned with to avoid a recurrence of the crisis: currency mismatch and maturity mismatch. Currency mismatches occur when there is a difference between foreign-currency liabilities and export earnings. Table 2 shows that the recent ratio is much lower than that of a decade and a half ago.

Table 2. External debt to export earnings (percent)

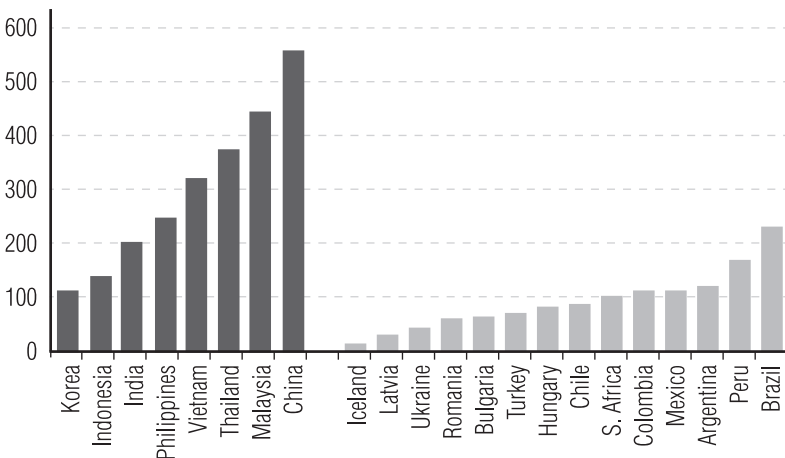
	2010	2007	1997
Indonesia	101	100	209
Malaysia	32	28	49
Philippines	103	102	105
Thailand	30	24	144

Source: CEICData.com.

Maturity mismatches are the difference between long-term illiquid assets and short-term debts. Figure 2 shows that the ratios in Asia are higher than those in Latin America and Central and Eastern Europe.

According to the ADB report, Singapore has excessive credit

Figure 2. Reserves to external financing requirement, 2009 (percent)



Notes: Gross international reserves (December 2008) as a percent of external debt maturing in 2009 (projected) plus projected current account deficit for 2009 (zero, if current account is in surplus).

Source: Morris Goldstein and Daniel Xie (2009), "The Impact of the Financial Crisis in Emerging Asia," Working Paper 09-11, Peterson Institute for International Economics, Washington DC.

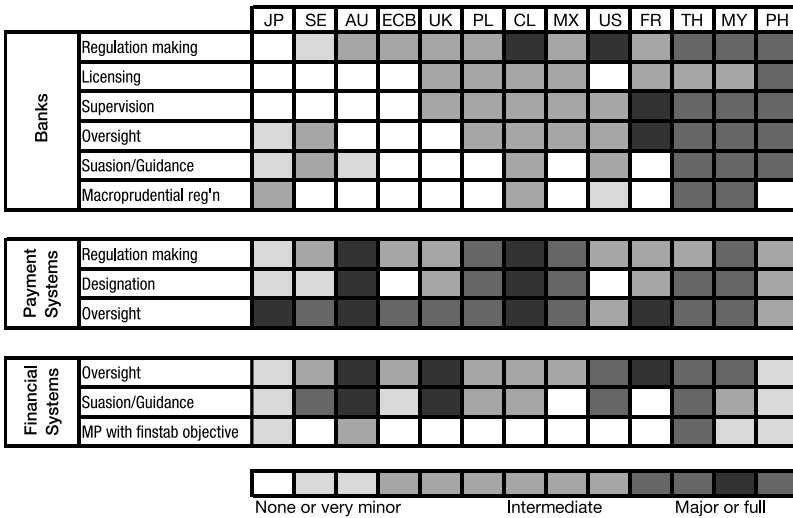
growth, asset price bubbles, and banking vulnerabilities. It also points out that Indonesia is experiencing risky capital flow and exchange rate volatility.⁸ And in the past few years, Singapore, together with China and Hong Kong, have witnessed soaring housing prices, which is seen as a sign of new speculative bubbles.⁹

The portrait of financial stability can also be seen by looking at the central banks’ mandates toward financial stability.¹⁰ Table 3 depicts the level of mandates owned by central banks of various countries for financial stability in their respective economies. The assessed mandates include those addressing the banking, payment, and financial systems. Thailand, Malaysia, and the Philippines have strong banking system mandates relative to the other countries in the table. And these three countries adopted explicit monetary policies to achieve their financial stability objectives while many other countries in the table did not.

Moreover, central banks use monetary policy instruments and macroprudential policy tools to achieve financial stability. Monetary policy instruments, through open market operations and reserve ratio requirements, manage the supply of and demand for money. Macroprudential policy

Table 3. Financial stability–related mandates of central banks in 2009

(The darker the shading the bigger the mandate)



Notes: AU = Australia; CL = Chile; ECB = European Central Bank; FR = France; JP = Japan; MX = Mexico; MY = Malaysia; PH = Philippines; PL = Poland; SE = Sweden; TH = Thailand; UK = United Kingdom; US = United States;

Source: Adapted from Bank for International Settlements (2011), cited in Masahiro Kawai and Peter J. Morgan, “Central Banking for Financial Stability in Asia,” *Public Policy Review* 8, no. 3 (2012): 215–46.

tools are designed to lessen the likelihood of systemic financial crisis. The macroprudential policy tools adopted by some ASEAN member countries include loan-to-value ratios, tighter lending criteria, tighter supervision, exposure limits on specific sectors, capital surcharges for systemically important banks, and limits on currency mismatches.¹¹

Managing capital flow is another tool to control exchange rate fluctuation, and some countries have recently used this tool to maintain financial stability. In 2010, Indonesia imposed a minimum one-month holding period on central bank notes, and in 2006, Thailand imposed an unremunerated reserve requirement (30 percent) on loans, bonds, mutual funds, swaps, and non-resident baht accounts. Then in 2008, Thailand put limits on commercial banks' net foreign currency exposure and in 2010 imposed a 15 percent withholding tax on capital gains and interest income on foreign bonds.¹²

In all, financial stability in terms of currency and maturity mismatches has been well controlled. From a policy perspective, Southeast Asian central banks' mandates for financial stability were relatively strong. Likewise, macroprudential tools and recent measures regulating capital flows indicate the good will of the Southeast Asian authorities to create financial stability.

CHIANG MAI INITIATIVE MULTILATERALIZATION

The ASEAN+3 Finance Ministers and Central Bank Governors' Meeting in Manila in May 2012 resulted in an agreement to double the size of the reserve pool under the CMIM without changing the share of contributions. ASEAN contributes 20 percent and China, Japan, and Korea contribute 80 percent. The meeting also agreed to increase the portion of the fund that a country can access without being linked with the IMF-adjustment program; it used to be 20 percent but it is now 30 percent of a country's access limit. Table 4 shows members' contributions to the CMIM, their maximum swap amounts, and voting rights. Moreover, the meeting agreed on new CMIM facilities for its members: a precautionary line (PL) for crisis prevention mechanisms and a stability facility (SF) for crisis resolution mechanisms. A country may use a PL or an SF up to the maximum swap amount. The maturity period of a PL and a non-IMF binding SF is six months, with three renewals, supporting a total period of two years. Meanwhile, the maturity period of IMF-linked SFs is one year with two renewals, supporting a total period of three years.

Ideally, the RFA's assistance to its members does not need to be linked to an IMF-adjustment program. In East Asia, assistance is usually needed to overcome a short-term liquidity problem in the market. Linking the

Table 4. CMIM contributions, purchasing multiple, and maximum swap amount

Countries	Financial contribution (billion US\$)		Share (percent)	Purchasing multiple	Maximum swap amount (billion US\$)
Plus Three	192		80		117.3
Japan	76.8		32	0.5	38.4
PRC	PRC	68.4	32	0.5	34.2
	Hong Kong, China	8.4	3.5	2.5	6.3
Rep. of Korea	38.4		16	1	38.4
ASEAN	48		20		126.2
Indonesia	9.104		3.793	2.5	22.76
Thailand	9.104		3.793	2.5	22.76
Malaysia	9.104		3.793	2.5	22.76
Singapore	9.104		3.793	2.5	22.76
Philippines	9.104		3.793	2.5	22.76
Vietnam	2		0.833	5	10
Cambodia	0.24		0.1	5	1.2
Myanmar	0.12		0.05	5	0.6
Brunei	0.06		0.025	5	0.3
Laos	0.06		0.025	5	0.3
Total	240		100		243.5

Source: "Fact Sheet: CMIM Contributions, Purchasing Multiple, Maximum Swap Amount and Voting-Power Distribution," <http://www.amro-asia.org/wp-content/uploads/2012/05/Fact-Sheet-at-AFMGM+3-in-Manila.pdf>.

RFA's facility with IMF programs to address this problem would lead the beneficiary to bear political costs that are higher than its economic benefit.¹³ Furthermore, the IMF link reduces the amount of money that CMIM members can enjoy. Under the CMIM arrangement, only 30 percent of each member's access limit can be used without an IMF-adjustment program. This of course diminishes a country's preference to make use of the CMIM, as IMF stigma is still attached to those economies. For example, Indonesia has a right to swap up to US\$22.8 billion according to the agreement; however, merely US\$6.8 billion is de-linked from the IMF and can be used by the country. This amount is insignificant compared with the country's own foreign reserves of around US\$105 billion in 2013. Therefore, in this case, the linkage with the IMF lessens the relevance of the RFA to its member economies because when crisis strikes, countries would rely on their own foreign reserves instead of the CMIM. Hal Hill and Jayant Menon demonstrate that this will also occur even for ASEAN's newer, smaller members, Cambodia, Laos, Myanmar, and Vietnam.¹⁴ Hill and Menon illustrate the insufficiency of the CMIM facility by reflecting on the Asian financial crisis experience and mention that during the crisis Thailand and Indonesia

received US\$17 billion and US\$40 billion respectively as emergency funds while currently their IMF-delinked CMIM rights are US\$6.8 billion.

A further decrease of IMF-linked funds is one action that could be taken to raise the level of funds countries can use. Another option is expanding the membership to include Australia, New Zealand, and India. Chalongsob Sussangkarn argues that more members means a larger reserve pool, and he thinks that these countries together with current CMIM contributors should be included because they are members of the East Asia Summit.¹⁵ This may be a good proposal since many regionalization processes under the East Asia Summit overlap with ones under ASEAN+3, which comprises CMIM members. Hill and Menon add that having a large number of members would serve the principle of risk diversification. Economic crisis may hit any country in the group, possibly spreading to neighboring countries. Having a larger number of members therefore increases the possibility that more countries will be unaffected by the crisis and thus can assist those hit by it.¹⁶

In addition to size, another key to the functioning of the CMIM is time. The execution of the fund should be fast enough to halt the spread of the crisis. Moreover, the certainty of assistance should not lead to moral hazard. Hill and Menon point out that the disbursement of the CMIM facility fund is time consuming, as it requires a high-level meeting of representatives from all member countries.¹⁷ This is contrary to the bilateral swaps, which can be disbursed quickly. The inability of the CMIM to provide quick and liquid funds may lead to its irrelevancy as members prefer bilateral swaps to the CMIM facility.

Theoretically, regional assistance should step in first as economies in the region are usually more connected and therefore have stronger interest in avoiding contagion. Furthermore, neighboring countries usually obtain information about a country's problems faster than others do as a result of their geographic proximity. In cases in which an RFA has a surveillance unit—like the CMIM with AMRO—the monitoring unit is expected to watch the members' economies more intensively than the IMF does for its near universal group of members. Therefore, regional support in this case is likely to be the first line of defense for an economy in a critical moment. If short-term support from the region does not solve the issue, then IMF support might be needed even with its conditionality.

Moral hazard may appear as a result of the size and certainty of the CMIM safety nets. However, at this stage the probability of moral hazard occurring seems relatively low, as fund disbursement requires a long administrative and decision-making procedure. Nonetheless, the likelihood of moral hazard can be lowered with the establishment of an effective surveillance

unit. The CMIM has AMRO as its surveillance unit, and its presence should lessen countries' tendencies to adopt imprudent economic policies. The publication of regular economic reviews produced by the unit should put pressure on the economy to improve its performance. This situation would also create peer pressure among member economies, which can encourage governments to manage their economies well.¹⁸ Consequently, the unit should produce credible economic reviews. Given this responsibility, Hill and Menon think that AMRO should decide who should receive funds from the CMIM facility and how the funds should be given at any point in time. While AMRO currently cooperates with multilateral institutions such as the ADB and the IMF, Hill and Menon emphasize that AMRO should have the final say regarding the amount of loans and conditionality given to members. Here, the independence of AMRO is very important for swift disbursement as well as for the CMIM to remain relevant to its members.¹⁹ According to Hill and Menon, the IMF should be a complementary, instead of the primary, source of funds for the region.²⁰

FINANCIAL INTEGRATION

Level of Integration

A financial market is said to be well functioning when it helps boost the real sector and when funds can move freely according to the rate of return. A well-functioning integrated financial market in ASEAN will provide liquidity and trade financing useful for advancing intraregional trade as well as infrastructure development. However, ASEAN financial markets are highly segmented with few cross-border transactions. According to IMF data from 2009, only 8.3 percent of Southeast Asia's outward securities portfolios were invested in the region. Moreover, the 2010 data show that although Asians owned 23 percent of the world's total invested assets, which is equal to US\$7.4 trillion, only 6 percent of that amount was managed in Asia. The majority is invested in North American and Western European countries.²¹

There are a number of possible reasons for this. First, price differences between two countries' financial services reflect the differences in underlying risks of those services. Moreover, information asymmetry is by its nature prevalent in every financial transaction. As a result, people prefer to transact with an institution that they think they know. Second, there is a mismatch in the quality of investment instruments that Asian investors want to hold and that Asian companies offer. This is one reason why Asians prefer intermediation in New York or London.

One study that compares real integration and financial integration in East Asia finds that real integration has been advancing fast but that financial integration lags behind. Increasing intraregional trade among countries in the region is evidence that integration based on goods proceeds rapidly. The East Asian goods market is integrated both regionally and globally. On the other hand, regional financial markets are integrated relatively more with global markets than with each other.²²

Another study utilizes the gravity model to investigate the determinants of financial integration in East Asia. It finds that integration is impeded by underdeveloped financial infrastructure, a low level of capital account liberalization, and higher exchange rate volatility in East Asia as compared with Europe.²³

An earlier study asks the question as to why there has been less financial integration in Asia than in Europe. It finds that the reasons include very different levels of economic development as well as differences in other factors such as geographic settings and languages. The authors also suggest that, since intraregional exports as a percentage of GDP are only a third of what they are in Europe, Asia needs additional cross-border financing to support further intraregional trades.²⁴

The argument that one reason why financial markets in East Asia are less integrated is that financial infrastructure is underdeveloped implies that well-developed markets are one condition for a well-integrated regional market. While the development gap among financial markets is large, in general they are underdeveloped. To be more precise, Cambodia, Laos, Myanmar, and Vietnam have yet to build solid banking systems.²⁵ Meanwhile, ASEAN-6 members need to make huge efforts to develop their capital markets, such as the corporate bond market. In 2010, the size of the Asia Pacific bond market was only one tenth of the size of the equity market. Furthermore, the shallow nature of the capital market is reflected by the fact that 74 percent of the Asia Pacific debt market in 2010 was denominated only in renminbi and not fully traded or marketed.²⁶

ASIAN BOND FUND 2

The Asian Bond Fund 2 (ABF2) was launched to develop and integrate the regional market.²⁷ The initiative, which was born in December 2004, aims to invest US\$2 billion in government and semi-government bonds issued in eight places (China, Hong Kong, Korea, Singapore, Indonesia, the Philippines, Malaysia, and Thailand) and denominated in local currencies. The objectives of the initiative are to increase the liquidity of the bond

market, stimulate the market's activity, and encourage regulatory reform and improvement of market infrastructure. Different from the ABMI, the objective of which is to support the bond's suppliers so that governments and corporations may have additional financing sources through bond issuance, the ABF emphasizes its focus on the demand side, which is meant to invigorate local bond markets by both domestic and foreign investors.

A 2012 study to evaluate the performance of the ABF2 found that it has served its purpose to a certain extent. The study demonstrates the success of the ABF2 by showing the emergence of interdealer brokers as market makers to the newly issued bonds in the eight countries. The authors provide figures of outstanding government and corporate bonds in 2005 and 2010 for every country wherein the amounts rose substantially over the years. These indicate a higher degree of market activity and participation of a larger number of market players. They also mention that several countries relaxed their restrictions on non-resident investors to increase the market's transaction volume. For example, Malaysia, Thailand, and Korea removed their regulation of withholding tax on interest income to nonresidents. Malaysia and Thailand also allowed foreign parties to issue bonds denominated in their local currencies. The authors of the study assert that these policy changes were the result of the ABF2 initiative. However, the study notes that liquidity is still a major challenge in the corporate bond markets.²⁸

It is worth noting that this need to remove barriers to foreign investors implies that more integrated markets may be contradictory to the objective of financial stability. More intense cross-border capital flow, while indicating less-segmented markets, may threaten the financial stability of an economy. And risk of sudden capital flight would jeopardize the host economy. This has led some countries to put restrictions on capital flows. Thus, there is a trade-off between financial stability and financial integration to some extent.²⁹ In line with this idea, Philip Turner observed that in normal times, foreign capital inflow provides a great deal of liquidity, but too much of it may trigger a crisis. Therefore, he suggests that an economy not be too dependent on foreign capital but have a solid domestic investor base.³⁰ This idea is in line with the development of local bond markets. In addition to developing local bond markets, one prerequisite for integrating financial markets is the adoption of a solid regulatory framework. As Mitsuhiro Osada and Masashi Saito found in their study, countries with good institutions and well-developed financial markets could benefit more from financial integration.³¹

ASIAN BOND MARKETS INITIATIVE

Another initiative to develop the region's financial markets is the ASEAN+3 ABMI. The initiative, which was born in 2002, was a reaction to the Asian financial crisis of 1997–1998. The crisis was triggered by a sudden reversal of capital flight in the face of currency and maturity mismatches. Afterward, policymakers were aware of the need to lessen their dependency on short-term foreign capital, so they tried to build solid domestic bond markets whereby domestic savings could be channeled to local currency-denominated bonds. Therefore, the ABMI was introduced to develop local currency bond markets. To achieve this purpose, the ABMI makes efforts to increase the number of bond issuers; expand the types of bonds to include those issued by foreign authorities, national governments, and corporations; and create a conducive environment for the bond market to grow.

Although the 2008 New ABMI Roadmap is not binding for the ASEAN+3 member countries and does not have specific numeric targets within a certain timeframe, A. Noy Siackhachanh reports on several success stories concerning the ABMI during the period from 2002 to 2012.³² First, over that period, the size of government bonds outstanding in the region rose more than five times to US\$3.77 trillion by the end of 2011. The share of local currency government bonds to GDP also rose for each country except for Indonesia and the Philippines, since those two countries had recently brought their fiscal deficits under control. Second, there have been many new issuers of domestic currency bonds such as national governments, state-owned enterprises, the ADB, the World Bank Group, the International Finance Corporation, the Japan Bank for International Corporation, multinational corporations, foreign banks, and policy banks. New issuers emerged because countries changed their policies to allow those institutions to issue bonds. Siackhachanh asserts that the foreign institutions bring about positive impact to the newly emerging domestic bond markets through their international standards of practice in bond issuance. Local market participants can then learn from and imitate the foreign institutions' practices. Third, the share of local currency corporate bonds to GDP for China, Korea, the Philippines, Thailand, Malaysia, and Vietnam rose over the 10-year period. Siackhachanh argues that this is the result of the better environment created for the market through, for example, generation of the yield curve as the benchmark of bond prices and improved and more liberal capital market regulation.³³

Despite the recent developments in the countries' bond markets, Siackhachanh also notes the limitations of bond markets in the region. First, the number of issuers is limited. For instance, 94 percent of Indonesia's

corporate bond outstanding value is issued by only 50 firms, and 70 percent of Thailand's corporate bond outstanding value is issued by only 30 firms. Furthermore, the majority of the issuing firms are state-owned enterprises. Second, many of the bond markets are not deep or liquid.³⁴ A market is deep and liquid if the size of bond outstanding is above US\$100–200 billion.³⁵ Only China, Korea, and Malaysia have exceeded this threshold.

Moreover, ASEAN+3 policymakers have an ongoing discussion on many aspects such as market infrastructure and standardization of regulations. Standardization of credit rating, accounting, and bankruptcy procedures are examples of issues they are now discussing.

Thus, it is clear that despite the improvement brought about by the ABF and the ABMI, local bond markets still need to be strengthened on the demand and supply sides, with the purpose of creating a solid domestic investor base that is resilient to crises and ready for regional and international integration.

EXCHANGE RATE COORDINATION

As ASEAN aims to be a resilient economy, which can be translated as macroeconomic and financial stability, the region should attempt to stabilize exchange rates. Intra-Asian exchange rate volatility tends to harm trade more than benefit it due to the intense production networks in the region.³⁶ Depreciation of currency A against currency B in the region would lower import demand of B from A. The low demand will also reduce country A's need for parts and components from B. Hence, trade is reduced because of the depreciation. In this respect, coordination of exchange rate policies among countries in the region is needed. One idea is to have greater coordination in exchange rates through the introduction of an RMU. An RMU may serve one or more of several purposes. First, the RMU is calculated as a weighted average of member countries' currencies, and then each currency is seen relative to the RMU. This would lead to more stable currencies, as the RMU serves as a surveillance tool for the region's exchange rates. Second, the RMU can be used in the RFAs like the CMIM. An RMU may also play a role in special drawing rights in the IMF. Calculations of contributions and withdrawals can be done in the RMU. The stabilizing mechanism is that countries that can maintain the stability of their exchange rates may be rewarded with higher multiples and countries whose exchange rates fluctuate heavily will merely obtain lower multiples. This would lead to a convergence of exchange rates. Third, the RMU may serve as an alternative to international reserve assets. The

idea, supported by China, is to make the RMU a supranational currency. Fourth, the RMU would be introduced with the objective of having a single currency like the euro in the European Union.³⁷

A survey of ASEAN+3 leaders found that leaders think that the most challenging aspects to realizing the idea of an RMU are political and institutional. Regarding the political aspects, it may not be easy to agree on currencies and their respective weights to be calculated as the benchmark of the RMU. Regarding institutional aspects, leaders think that there is no institution capable of taking responsibility to establish the RMU. The authors of the survey suggest using the proportion of CMIM voting weights as the basis for the RMU's calculation. They also suggest delegating the tasks of preparing the technical aspects of the RMU and establishing it to AMRO.³⁸ However, AMRO's website explicitly states that its core objectives are (1) to address balance of payment and short-term liquidity difficulties in the region and (2) to supplement existing international financial arrangements. Therefore, preparing the technical aspects of the RMU may not be a priority for AMRO, which is a relatively new institution that is now struggling to gain relevance as a surveillance unit of the CMIM.

While pursuing exchange rate stability through an RMU as a surveillance tool might enhance further integration in the region, there are at least two points that should be heeded if the region is to work toward the final aim of a single currency. First, member countries should exhibit more or less similar trends in macroeconomic variables such as inflation. Coordinating exchange rates of countries with similar movements of economic variables would be beneficial to every member economy. However, a single currency for countries with very large development gaps can be disadvantageous for certain members. The application of a single currency implies the release of a country's sovereignty over exchange rate policy tools even though the tools are crucial when the country needs to adjust its economy against shocks. Hence, a single currency allows its member countries to fall into crisis, which could possibly contiguously expand to its neighbors. Greece's experience with the euro seems strong enough to validate this opinion. Second, it may not be easy for Asian countries to peg their exchange rates relative to the RMU, as suggested as a purpose above, since Asian countries just removed their pegs in the 1980s and 1990s.

WAY FORWARD TO ASEAN 2030

As mentioned at the outset of this chapter, ASEAN aspires to be "RICH" by 2030: (1) managing macroeconomic and financial stability for **resilience**,

(2) promoting economic convergence and equitable growth to ensure **inclusiveness**, (3) using and developing comparative advantages and innovation for **competitiveness**, and (4) nurturing natural resources and sustaining the environment for **harmonious** growth.³⁹ Maintaining macroeconomic and financial stability are challenges that have to be overcome if the region is to have a resilient economy. Cooperation among countries to achieve macroeconomic and financial stability has at least two objectives. The first objective is to further support the enhancement of a real sector wherein intraregional trade growth has been very high. Favorable macroeconomic and financial systems would help tap the region's growth opportunities. The second objective is to anticipate hand-in-hand the likelihood of crisis and thus maintain economic stability against shock.

Several recommendations can be made based on this author's findings. Southeast Asian economies are in general less vulnerable to financial instability than they were in 1997 in terms of currency and maturity mismatches. However, there are risks associated with macroeconomic stability, including among others the housing price bubble and excessive credit growth that Singapore is facing and the volatile capital flows and exchange rate movement that Indonesia is facing.⁴⁰ Nevertheless, most Asian countries currently adopt prudent policies to maintain stability, policies related to the financial, banking, and payment systems. The existing ASEAN-Japan initiative for financial stability is the CMIM, an arrangement of ASEAN plus China, Japan, and Korea to keep a reserve pool of US\$240 billion to be disbursed to any member country disrupted by unexpected shocks. This initiative is explicitly written in other forms of ASEAN-Japan cooperation (see table 5).

Given the fact that the CMIM and AMRO have never proved effective at preventing or resolving crises, in the short run Japan is very much expected to strengthen the CMIM as the region's safety net and AMRO as the surveillance unit with the following goals:

1. That the CMIM have *sufficient* funds for crisis prevention and crisis resolution in the event that a crisis strikes one or more of its members. While the amount of funds that will be sufficient is unpredictable, the amount of emergency funds deployed to deal with the Asian financial crisis in 1998 can be a good reference. In addition, the amount should not be too small relative to countries' foreign reserves and their IMF borrowing limits if the CMIM wants to gain relevancy.
2. That AMRO make *independent* decisions on disbursing the facility funds regarding the timing, amount, and conditionality.
3. That AMRO produce a *transparent* assessment of members' economies.

Table 5: ASEAN-Japan financial cooperation

	ASEAN 2030	Jakarta Framework	ASEAN-Japan Plan of Action	Tokyo Declaration	Bali Declaration	ASEAN-Japan Comprehensive Economic Partnership
Trade finance, relating to ASEAN export credit agencies	x		x			
ASEAN Infrastructure Fund	x		x			
Asian Bond Markets Initiatives	x		x			
AMRO	x		x			
CMIM	x				x	

Source: Author's research, drawing on information from the ASEAN+3 Macroeconomic Research Office, www.amro-asia.org.

Note: x represents the existence of the initiative in each form of ASEAN-Japan cooperation.

The financial integration process in East Asia has been moving slowly. The economies in the region are more integrated globally than regionally. A few probable reasons include the tendency to avoid the risk of investing money in foreign financial markets due to lack of information on foreign markets and unpredictable exchange rates, unattractiveness of financial products due to the dearth of innovation and shallow financial development, countries giving different treatment to foreign and domestic investors, the persistence of the development gap, and differences in language and geographical distance. Existing ASEAN-Japan initiatives include the ABF and the ABMI. Both aim for development of domestic bond markets. The ABF2 invests US\$2 billion in local-currency bonds in eight countries. Meanwhile, the ABMI encourages bond issuance by government, private, and other institutions and improves regulatory frameworks and infrastructure. Recommendations for Japan should focus on ASEAN financial development.

1. Japan should help equip the market with infrastructure, such as clear rules for various markets (e.g., the derivative and repurchase agreement markets). As building soft infrastructure like this usually takes time, this may be tackled as medium-term cooperation.
2. Japan, through its various institutions, should increase its purchase of ASEAN's local-currency bonds in order to stimulate the growth of the market. This should be done in the short run as some initiatives to develop local-currency bonds have already been implemented.

3. Japan should involve itself in promoting financial literacy among ASEAN countries to reduce asymmetric access to information so that people have enough knowledge to invest in capital markets both at home and abroad. As learning is an ongoing process at all times and new innovation in financial markets will always occur, promoting financial literacy should be seen as a continuous mode of cooperation.

Exchange rate coordination is also believed to enhance the business sector, and the idea has been floated of building an RMU—a unit of accounting formulated from Asian local currencies with a range of levels of functions from surveillance to use as a single regional currency. Nevertheless, formulating an RMU will involve political will. The race for influence by China and Japan should not jeopardize the economic interests of other countries in the region or disturb the purpose of exchange rate coordination. One should also consider what the final goal of an RMU is and whether the goal benefits all economies. This should be done while reflecting on what has happened in the EU, where several countries are locked in their commitment to euro application, which then exposes their economies to calamity.

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Sustainable Development: Food Security and Social Safety Nets in the CLMV Countries¹

VO TRI THANH

AS THE NEWER members of ASEAN, Cambodia, Laos, Myanmar, and Vietnam (CLMV) consider deeper regional economic integration as a necessary and unavoidable process that will ultimately benefit them but will also present challenges. In this context, the key question for the CLMV countries is how they can catch up with the more advanced economies in the region given their limited resources and the limitations on their knowledge and practical experience.

While advocating rapid and sustainable development in the longer term, the CLMV countries need to address several challenges inherent in their socioeconomic situation that may be magnified as ASEAN integration deepens. On the one hand, the CLMV countries are in the early stages of development and still experience a sizeable development gap with respect to ASEAN-6.² On the other hand, the CLMV countries face a severe lack of institutional and financial capacity to properly address the impacts of adverse shocks. Finally, social structures with sizeable proportions of people living in or near poverty or in disadvantaged areas give rise to much concern over the sustainability of social stability, especially in the presence of shocks.

In that context, ensuring both food security and effective social safety nets aimed at more sustainable development plays a critical role in ensuring more viable participation in the regional economic integration process. Each of the CLMV countries has its own framework for food security and social safety nets, and they remain heterogeneous in terms of financial capacity, demographic structure, and institutional settings that may in turn affect the sustainability of food security and social safety nets themselves. In that context, intra-CLMV support is important, and it may take the form

of technical support, agricultural trade, or other forms of budgetary support. As such, this chapter discusses the current state of social safety nets and food security in the CLMV countries with reference to how they may impede sustainable development in the long run.

CONCEPTS OF SOCIAL SAFETY NETS AND FOOD SECURITY

Social protection has several definitions depending on the scope it covers. Aris Ananta provides a rather good recapitulation of the concept. In its most primitive form, social protection is narrowly defined as being inclusive of interventions in the labor market, social insurance, and social safety nets. Accordingly, social protection only comprises activities related to the protection of child laborers, protection of industrial relations, pensions, and social funds to support vulnerable groups.³ Although these represent specific areas of popular concern in most countries, social protection should occupy a wider scope. Specifically, social protection should cover all public interventions that enable individuals, households, and communities to manage risks and support the critically poor.⁴ In other words, a social protection system should directly target poverty and vulnerability and cover all efforts to minimize incidences of each. The focus of the social protection system thus changes from short-term “social safety nets and social funds” to protection of basic consumption levels, particularly for poor groups, and to investment in human capital to help people escape the intergenerational poverty trap.⁵ In this regard, social protection serves as an attempt by the state to correct market failures, which happen at times and can lead to a severe deterioration in people’s living standards.

Within the social protection system, thus, food security and social safety nets play important roles. In the first instance, food security refers to attempts by the state to guarantee a minimum level of consumption of food products. Depending on the consumption patterns in different countries, the targeted food products under food security programs may vary. For instance, some countries (like Vietnam) seek to ensure security in rice consumption, while African countries target cassava as a food security crop. But even with sufficient consumption levels of food products, food security may not be ensured if those food products fail to provide enough nutrition. This aspect of possible malnutrition may invoke concerns in food security programs.

Food security has different levels: national, regional, and household. Addressing food insecurity at each level requires a different approach, with

different resources. Programs at the national and regional levels may focus more on development of infrastructure and food production, while those directly targeting households seek to enhance their food sufficiency.

Meanwhile, social safety nets take the form of non-contributory transfer programs that are aimed at preventing the poor or those vulnerable to adverse shocks and poverty from falling below a certain income or consumption level. Examples of such transfers may include monetary transfers, in-kind transfers, and price subsidies for basic products (e.g., education, electricity, etc.) providing either regular or contingent support. As part of the social protection framework, social safety net programs can be provided by the public sector, generally the state or development partners. Alternatively, the private sector (such as nongovernmental organizations, private firms, charities, etc.) may help to maintain sustainable income or consumption above a minimum level. By nature, thus, social safety nets aim at reducing vulnerability and poverty among various social groups.

In the context of accelerating globalization and regionalization, food security and social safety nets are becoming more closely linked. This is because shock-induced price volatility in international and regional markets can be quickly transmitted into the domestic economy, which may lead to sudden changes (even reversals) in food production decisions and thus in food security. For instance, farmers may decide to move away from agricultural production if the price is expected to remain low for a long time; yet if the price then surges unexpectedly, attempts to increase export of agricultural outputs may threaten food security in the domestic economy, particularly for the poor and disadvantaged groups.

The regional integration process also adds further impetus for considering food security and social safety nets. More fundamentally, during this process, food security and social safety programs must somehow connect more with attempts to generate employment for the poor and vulnerable groups. Such attempts will ensure certain flows of income to the targeted groups and, in turn, help them purchase locally produced or imported food products. But while integration is expected to bring about new opportunities and net benefits to the participating economies, those opportunities and net benefits are not equally accessible to all groups in the economies. Attention thus should be paid to those who are likely to suffer from integration-induced impacts either indirectly, by increasing their ability to adapt and mitigate risks, or directly, by enforcing transfers (perhaps from those who have benefited). In particular, small farmers should be targeted, since they lack sustainable food sufficiency and are exposed to the risk of agricultural land reclamation for urban or industrial development.

By targeting the poor and vulnerable groups, food security and social safety nets are indispensable components of social protection. Social protection cannot be implemented in the absence of viable efforts to ensure food security and social safety net programs. Leaving certain proportions of the population with insufficient access to food will deter progress toward hunger eradication while undermining confidence in the poverty reduction programs. Meanwhile, a lack of effective social safety net programs may magnify people's exposure to adverse shocks (such as natural calamities, diseases, etc.), which may threaten the livelihood of vulnerable groups as well as overall social stability. To proceed along the line of social protection, one should acknowledge the importance of developing food security and social safety net programs. Nonetheless, the scope of social protection goes well beyond food security and social safety nets, so efforts are needed to make food security and social safety nets consistent with the broader framework of social protection.

FOOD SECURITY AND SOCIAL SAFETY NETS IN THE CLMV COUNTRIES⁶

Food Security

Cambodia, Laos, and Vietnam (CLV) have enjoyed significant progress in reducing hunger incidence. Compared with the base period of 1990–1992, the number of undernourished people in Cambodia decreased by almost 33.0 percent in 2010–2012, while that of Laos went down by 9.8 percent. Vietnam's progress in hunger reduction was most dramatic, with the number of undernourished dropping by 75 percent in the same period.⁷ In other words, Vietnam has already fulfilled the World Food Summit goal for 2015⁸ and progressed far more rapidly than Southeast Asia as a whole (which has achieved hunger reduction of only 51 percent). Meanwhile, Cambodia should dedicate further efforts to achieving this goal, while Laos needs a significant change in approach to realize the goal by 2015.

The data show even greater progress when considering the proportion of people living in hunger. Compared with the base period of 1990–1992, the proportion of the population that was undernourished in Cambodia went down by 57.5 percent in 2010–2012, while that of Laos dropped by 37.8 percent. Vietnam's figure was again the most impressive, reaching 83 percent, meaning that the country's hunger incidence in 2010–2012 was around one-sixth of that in 1990–1992. In this regard, Vietnam and Cambodia already proceeded beyond the Millennium Development Goal (MDG) to cut the

proportion of the population that is undernourished by 50 percent by 2015. Meanwhile, Laos needs to progress further on hunger reduction before the country can fulfill this MDG target.⁹

The Global Hunger Index (GHI) also shows a significant reduction in hunger incidence in the CLV countries. Vietnam has the most notable achievement, with its GHI rating falling continuously from 25.6 in 1990 to 15.5 in 2001 and to 11.2 in 2012. Meanwhile, that of Laos decreased from 28.6 to 19.7 in 1990–2012, and the figure for Cambodia went down in a similar pattern from 31.8 to 29.6. Still, as classified by their GHI rating, the CLV countries remain in states of serious hunger, despite improvements relative to their previously alarming levels.¹⁰

There are several reasons for the CLV countries' progress in hunger reduction. First, their paddy output has been rising in recent decades. For instance, Vietnam's paddy output went up drastically from 19.2 million tons in 1990 to 32.5 million tons in 2000 and to more than 42.3 million tons in 2011. Meanwhile, thanks to mine clearance, improved security, and reclamation of unused or deforested land, cultivation areas for rice in Cambodia expanded from 1.9 million hectares in 1990–1991 to 2.6 million hectares in 2009–2010, while rice yield also increased from 2.1 tons per hectare to 2.6 tons per hectare during 2000–2008.¹¹

Second, together with regional trade expansion, trade in agricultural products within the CLV countries and with other countries has also grown significantly. While rice trade among the CLV countries may not be significant, as they (especially Vietnam and Cambodia) are largely net exporters of rice, this still helps enhance food security in the region since it provides protection against supply disruptions in their domestic markets.

Nevertheless, certain features of food insecurity remain a concern in the CLV countries, though the extent tends to vary from one country to another. On the one hand, undernourishment still prevails. In Cambodia, the majority of farmers enjoy no net surplus of paddy rice and thus become vulnerable to food insecurity.¹² As of 2008, 65 percent of Cambodian farmers still produced less than enough or just enough for consumption needs. The problem is also prevalent in Laos and Vietnam, with the respective proportions of undernourished people reaching 28 percent and 9 percent in 2011.¹³

On the other hand, even for the populations who could avoid undernourishment, malnutrition could become a major concern in the CLV countries. According to a 2010 survey in Vietnam, 17 percent of children suffered from malnutrition.¹⁴ The situation is worse in Cambodia, where 40 percent of children under five years of age suffered from chronic malnutrition as of 2010, and 11 percent were acutely malnourished.¹⁵ While the

official malnutrition rate in Laos has not been published in recent years, officials there remain wary of the state of malnutrition in their country. Accordingly, even though the CLV countries have progressed toward the MDG goal of hunger reduction, the process may risk being reversed if nutrient supply is not ensured.

Social Safety Nets

Social safety net programs constitute only a small part of the social protection and poverty-reduction system in Vietnam. Such programs include interventions under geographically targeted development and poverty reduction programs and under household-targeted programs such as subsidized access to health insurance for the poor and near-poor. Parts of the social safety net programs are also developed and implemented at the district and commune levels, which are not covered in national policies.

In the geographically targeted development programs, poor people are not the direct specific targets, yet poverty is addressed indirectly through general socioeconomic development. This includes national targeted programs (such as general education, electrification, etc.), budget reallocation mechanisms, and targeted anti-poverty programs. Specifically, the provinces formulate their need-based development plans to submit to the central government, and these plans lay the foundation for subsequent budget allocations.

The geographically targeted poverty reduction programs are aimed at addressing structural poverty in remote regions, many of which have a high share of ethnic minorities. The most notable program since the late 1990s has been Programme 135, which—via targeted resource allocation to geographic regions with high concentrations of ethnic minorities and with the poorest communes—is aimed at equipping local people with market-oriented production capabilities. This program has focused largely on investment, with the majority of expenditures going to infrastructure development. Meanwhile, the program does not incorporate any instruments for contingent support to people experiencing adverse shocks, even though there is some monthly subsistence benefit for children in primary and preschool education. Another program, targeting the poorest 63 districts, was implemented in 2009 as part of the stimulus package following the global financial crisis and economic downturn. This program targets poor areas instead of poor households, with support going directly to agricultural production, job creation, and income generation, including preparations for labor export and programs to enhance education and training.

Box 1: Experience of poverty reduction in China and Vietnam

Vietnam and China experienced some common trends and characteristics regarding poverty during their reform processes. First, poor people are largely concentrated in rural, mountainous, and remote areas with poor infrastructure and other unfavorable conditions. Second, poverty incidence is highest among ethnic minority populations. Third, farmers are likely to be the poorest in the population. Finally, the poor tend to have more children, have less access to land, and be less educated.

Several major factors affecting the pace of poverty reduction have also been identified. First, poverty reduction is closely linked with growth in GDP per capita, though economic growth is not sufficient for poverty reduction. Second, macroeconomic fluctuations and external shocks can adversely affect the poor, as they typically have limited opportunities to insure against income shocks. Finally, government investment and spending—particularly in technology, infrastructure development, and education—have been crucial to growth and poverty reduction in China and Vietnam.¹⁶

Among the key challenges with the geographically targeted programs has been the lack of adjustment to outbreaks of major adverse shocks. As noted by the World Bank, such programs were not adjusted or expanded in response to the economic crisis in 2009 and could not be used as a safety net after the crisis. For instance, people who lost their jobs in urban areas or industrial zones received little support (in terms of income or access to job opportunities) upon returning to their previous jobs or to their rural areas of origin.¹⁷

Despite the lack of adjustment in existing programs, Vietnam made several efforts to provide social relief during the domestic economic downturn in 2009. As part of the stimulus package adopted around Tet—the Vietnamese New Year—in February 2009, the government provided a once-off targeted transfer to poor people (VND 200,000 per poor person, or about US\$9.50). Numerous other poverty reduction and social security policies were implemented in 2009 using resources from the stimulus package. For example, Vietnam emphasized attempts at constructing water systems for populated areas and areas with large populations of ethnic minorities and constructing housing projects for workers in industrial parks. Credit subsidies were also offered to support the purchase of agricultural machines, payment of wages and salaries, and the provision of social insurance for enterprises. Those programs have contributed to the stabilization and improvement of people's lives, especially poor people.¹⁸

Meanwhile, Vietnam has a variety of programs aimed at households, including preferential access to credit, education and social service subsidies, and cash transfers. First, the country set out a range of policies and projects under the Comprehensive Poverty Reduction and Growth Strategy

as well as under the National Targeted Programme for Poverty Reduction (NTP-PR) to enhance access to economic assets and services for poor people. Those policies and projects are summarized in table 1. Second, non-contributory social assistance cash transfers are provided to different social groups, especially those who are particularly vulnerable to adverse shocks, mainly in the form of income transfers. Nevertheless, these cash transfers are not adjusted and, by design, fail to serve as a tool to cope with income shocks.

For the past several decades, Cambodia has carried out various projects and programs with a view to ensuring social safety nets, and the country was supported by various major donors in this process. Still, Cambodia suffers from a lack of an effective and affordable social safety net system.¹⁹ In fact, the current social safety net system in Cambodia focuses on support for pensioners (including civil servants and veterans), support for employees in the formal private sector, food for school students, food for workers, and scholarships targeted at female students. Cash transfers are also available solely as support for the victims of natural disasters.

Nonetheless, there are limitations to the existing social safety net system. First, the programs and projects still target particular geographic areas, sectors, and social groups. Second, the programs employ different methodologies for identifying beneficiaries. Third, the social safety net programs are often funded largely by development partners through specific projects, while the broader framework for social protection and harmonization of donor support remains ineffective.²⁰ In addition, there is a lack of effective coordination between the relevant ministries, local agencies, and civil society organizations.²¹

Laos still has very limited experience with social safety nets. Social security and health insurance are still confined to employees in the public sector and in the formal private sector in urban areas. There are only a few elements of social safety nets that are being used as instruments against adverse shocks. As one example, the country has adopted some cash transfer programs for disaster relief, particularly in rural areas. Transfers of cash or food for work are also available. Finally, support is provided to school children (via feeding programs) and those children and women who are at risk of being trafficked.

Like the situation in Cambodia, however, such transfers are largely implemented and financed by international donors in cooperation with the relevant ministries. Therefore, it appears that the support has been fragmented and uncoordinated. At the same time, the scope of such transfer programs remains quite limited. The existing schemes for social safety nets in Laos usually seek to mitigate the impacts of natural disasters or target

Table 1: NTP-PR policies and projects and objectives

NTP-PR Project or Policy	Objective
Policies and projects facilitating production development and increased income for poor people	
1 Policy on preferential credit for poor households	Enhance poor people's financial capital in order to make investments that will increase cash income
2 Policy on provision of productive land for poor ethnic households	Provide poor ethnic minorities with a principal asset—land—through which to increase food security and income-earning potential
3 Project on agricultural-forestry-fishery extension and support for development of production and occupation	Increase the human capital base of poor people to enable them to make commercially oriented decisions that maximize the use of the household's available assets
4 Project on development of necessary infrastructure for communities with special difficulties in coastline and island areas	Strengthen the enabling environment in poor communes to enable poor households to access markets and income-earning opportunities and to stimulate commercial activity in poor areas
5 Project on vocational training for poor people	Strengthen the human capital of poor people, equipping them with knowledge and skills to access employment or market opportunities
6 Project on replication of good practices in poverty reduction	Develop models and share experience to ensure that production models are transmitted from successful areas
Policies facilitating poor people's access to social services	
7 Policy on healthcare for poor people	Enable poor people to access state health services free of charge in order to enjoy better health as an end in itself and also to be more productive
8 Policy on education for poor people	Enable poor students who would otherwise be unable to attend school to participate in education, strengthening their human capital, their future employment and income-earning prospects, and the long term economic prospects of their households
9 Policy on housing and clean water supply	Improve the environmental sanitation conditions in poor communes to improve communal health and the productivity of villagers who should then be less prone to disease
10 Policy on legal support for poor people	Enable poor people to access information and support in pursuance of their rights to access state services
Projects on capacity building and awareness raising	
11 Project on enhancement of poverty reduction capacity	
12 Monitoring and evaluation	

Source: NTP-PR Mid-Term Review (cited in Human Development Sector Unit 2010).

only the very poorest areas, and they are very short in duration. Accordingly, there remain various social groups who have to cope with shocks without any support.²²

In summary, the CLMV countries have made progress on ensuring food security while attaching greater importance to strengthening social safety nets with a view to addressing shocks. The increasing attention toward developing the social safety nets in recent years was largely induced by the severity of shocks at both the global and regional levels, including the global financial crisis, food price shocks, and natural calamities. In this regard, there has been a closer link between ensuring food security and enhancing social safety nets in the CLMV agenda. Nonetheless, social safety nets are being developed as new shock-mitigating instruments, while the existing programs and projects have not been adjusted in response to the shocks. Moreover, except in Vietnam, the social safety net programs and projects are largely donor driven and, notwithstanding their relevance to actual needs, remain fragmented and uncoordinated. Finally, the institutions that help invoke social safety nets against adverse shocks lag far behind in terms of efficiency given the CLMV countries' lack of experience with the instruments.

RECOMMENDATIONS

Drawing on the above discussion of food security and social safety nets in the CLMV countries, with a view to enhancing the efficient use of such instruments, several major lines of action can be recommended, to be undertaken with possible support from Japan.

First, the CLMV countries should change their approach by identifying and formulating action plans that target poor and near-poor households more directly. At this stage, the various poverty reduction programs and activities still target socioeconomic development, hoping to produce positive spillover impacts to poor and near-poor people. While these programs serve the purpose of enhancing access to economic assets and opportunities, they fail to incorporate sufficient flexibility. In other words, by design they seek to achieve certain goals related to poverty reduction and food security within the broader framework of socioeconomic development and are too rigid to be adjusted when a major shock occurs. Moreover, as poverty reduction and food security are indirect targets, the extent of adjustments that are necessary cannot be identified with any level of accuracy while a shock is occurring.

By attaching greater importance to reducing poverty at the household level, the CLMV countries should put poor (and if possible near-poor)

people at the center of their food security and social safety net programs. While this involves more efforts by governments and civil societies, the outcomes would certainly be more fruitful. The successful experience of Vietnam in providing cash transfers to poor people during the Tet holiday should be replicated. This poor people-centered approach, if enacted, would also be attractive to donors like Japan and would therefore help raise additional resources.

Second, using this approach, the CLMV countries should amalgamate and develop a consistent framework at the national level to ensure food security and to strengthen social safety nets. While the CLMV countries have certainly made progress in consolidating food sufficiency, they should dedicate further efforts to address malnutrition. Given that the CLMV countries are net exporters of food products while a significant portion of the population still suffers from food insecurity, the complicated net impacts from food price hikes require broader consideration to smooth out transfers from net beneficiaries to those who are worse off following such hikes. Cooperation between ASEAN and Japan may be used to benefit the CLMV countries by giving their agricultural products more open access to Japan's markets.

At the same time, the framework for social safety nets should attain wider scope and greater consistency. Specifically, it should set out the roles for different agencies, civil society organizations, and donors in contributing to better social security and in enhancing people's capacity to cope with shocks. The geographic areas and sectors with existing or potential concerns should also be identified, thereby helping align development programs and projects. The connection between social safety nets and socioeconomic development should be further enhanced, particularly for poor and remote areas. In this regard, Japan's support for infrastructure development and better connectivity of the poor and remote areas should play an important role.

Third, community-based monitoring mechanisms should be strengthened in the CLMV countries to ensure more timely identification of poor households and people. This should be part of a decentralization framework that permits greater voices from the local communities. This mechanism has already been implemented to some extent in the CLMV countries and helps generate household- and individual-level data on the different dimensions of poverty. Yet the connection between the mechanism and the relevant government agencies, civil society organizations, and donors should be reinforced to avoid double monitoring and related waste of resources. With the help of community-based monitoring, governments' social safety net programs may become more effective as they can target the relevant households without leakages or exclusions.²³

Finally, the CLMV countries should work more closely with development partners such as Japan to engage them in food security and social safety net programs. On the one hand, in consultation with local governments, donors and other agencies and organizations may develop and implement relevant programs to build capacity in areas related to ensuring food security and social safety nets. Examples of such areas may include identifying different dimensions of poverty at the household or individual level, maintaining sufficiency of nutrients in daily food intakes, and coping with various types of natural calamities. On the other hand, by working with different donors and development partners, the CLMV countries should better harmonize their activities and contributions to food security and social safety net programs, thereby avoiding the fragmentation and lack of coordination among donors' activities. Vietnam has so far done a good job at harmonizing donors' efforts, and this experience should be disseminated to Laos and Cambodia promptly.

In this context, Japan, in coordination with other donors, can help the CLMV countries achieve food security and social safety nets at the regional level. To complement efforts at both national and subnational levels, the line of action at the regional level should focus more on provision of regional public goods. Specifically, infrastructure, service links, and access to basic utilities for poor and vulnerable groups should remain the core pillars of development programs supported by Japan and other donors, even though this only addresses poverty indirectly.

At the same time, Japan can participate more actively in regional initiatives such as the ASEAN Food Security Information System and the ASEAN+3 Emergency Rice Reserves, which also benefit food security in the CLMV countries, even though they are net exporters of food products. Various studies support this recommendation.²⁴ It is worth noting that the participation of Japan is in line with Article 20 of Japan's 1999 Basic Law on Food, Agriculture and Rural Areas, which states that "national food security cannot be achieved without regional and global food security." Thus, a regional food security framework needs to incorporate the following elements:

- Channels for sharing information and knowledge, including a comprehensive and standardized food information system
- Assessment, early warning, and prediction
- Response plans
- Steps to address food insecurities, including investment in production capacity, post-harvest infrastructure, and distribution and market systems; as well as poverty and hunger alleviation²⁵

Considering Japan's vast experience, it can also play an active role in supporting the CLMV countries' social safety net programs, starting with **dissemination of expertise**. For example, Japan may consider sharing its experience managing funds for elderly people. In addition, Japan can teach the CLMV countries how to formulate relevant mechanisms and build capacity to provide contingent support, particularly during times of crisis. The CLMV countries should by no means expect an event of equal severity as the recent tsunami and nuclear crisis in northeastern Japan, but they could still learn from how Japan has coped with these crises.

In addition, Japan may consider supporting the CLMV countries in various ways. Japan may support **the enhancement of institutional and technology capacity** in the CLMV countries. A key area would be the development of an overall consistent framework for reducing poverty that incorporates food security and social safety net programs. While this depends on the recognition of the framework's importance by the CLMV countries, technical assistance from Japan may play a critical role. Japan can enhance productivity in their agricultural sectors by transferring technology and know-how and supporting collaborative research and development (R&D) activities. The CLMV countries (and ASEAN more widely) are likely to become the resource base, particularly in agriculture, for Japan.

Japan can also work with the CLMV countries to **develop infrastructure aimed at enhancing connectivity for poor and remote or mountainous areas**. Based on lessons from Vietnam, this may contribute to reducing poverty in the region. Importantly, financial support from Japan may target the primary infrastructure network linking with the secondary network. Japan can take part in developing regional funding schemes to co-finance national investments in agricultural and rural infrastructure. Moreover, as economic relations with the CLMV countries proliferate, Japan may be in a good position to link poverty reduction and social safety nets with the development of economic zones. In this process, involvement from the Japanese side may include both enterprises (as creators of employment for local people) and the government (via technical and financial support).

At the regional level, Japan may also channel **support to various other initiatives** focused on food security and social safety net programs (or, more broadly, poverty reduction) for the CLMV countries. First, detailed research on the current situation, issues, and future trends of food insecurity, malnutrition, and vulnerability among social groups in the CLMV countries may constitute a pillar for future resource allocation. Second, via dialogue with the CLMV countries, Japan may propose some joint mechanisms to address both macroeconomic instability and food insecurity. Finally, Japan may help the CLMV countries develop a community-based monitoring

system at the regional level, which can be readily linked to the existing circumstances within each country. Of foremost importance in this process is renewed commitment alongside investment within the developing countries themselves.²⁶

In general, these recommendations are not really new when compared with the visions, approaches, and programs proposed in the existing ASEAN-Japan cooperation frameworks to narrow the development gap, develop agriculture, ensure food security and social protection, and manage natural disasters (see appendix). They are more or less consistent with those frameworks. But three points warrant special emphasis.

First, issues of food security and social protection in the CLMV countries should be viewed in the much broader context of regional development and integration. As emphasized by the Economic Research Institute for ASEAN and East Asia (ERIA), “A challenge here is how far we can utilize private market forces to achieve inclusiveness rather than heavily depending on social policy for direct income distribution.”²⁷

Second, to be effective, any ASEAN-Japan or CLMV-Japan cooperation initiative needs to be accompanied by an appropriate implementing institution. Thus, capacity building is a most essential element for support.

Third, regional cooperation for social protection has become increasingly possible thanks to wider and deeper interconnections in areas such as science, technology, and business. The region has also become more vulnerable to natural disasters and climate change. But the regional framework also faces obstacles. One is the uncertainties associated with the capability to anticipate an impending food crisis or potential disruptions in the production of food.²⁸ Another is the potentially high cost of sustaining various kinds of “regional public goods” and operating them effectively. That is why there is a need for more in-depth research, taking into account the dynamic changes and new development now occurring in the region and in the world.



This chapter has covered issues of food security and social safety nets in the CLMV countries with a view to addressing their major challenges through actions that can be taken with support from Japan. But the issues should not be considered only within the framework of CLMV-Japan cooperation. They can be extended to a broader framework of ASEAN-Japan cooperation.

In fact, following the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium (2003), and in order to implement the Joint Declaration for Enhancing ASEAN-Japan Strategic

Partnership for Prospering Together (Bali Declaration), ASEAN and Japan adopted a Plan of Action 2011–2015, which presented five strategies:

Strategy 1: strengthening political-security cooperation in the region

Strategy 2: intensifying cooperation toward ASEAN community building

Strategy 3: enhancing ASEAN-Japan connectivity for consolidating ties between ASEAN and Japan

Strategy 4: creating together a more disaster-resilient society

Strategy 5: addressing together common regional and global challenges

The ASEAN-Japan Plan of Action emphasizes a number of activities to enhance ASEAN-Japan cooperation and Japanese support for ensuring food security and developing agriculture, as well as for creating a disaster-resilient society in the region (see appendix). Moreover, the Jakarta Framework endorsed by ASEAN leaders at the 2011 Bali ASEAN Summit consists of interdependent pathways for moving ASEAN forward beyond 2015 to become a community with the following traits:

- a dynamic, resilient, competitive, and sustainable regional economy
- a thriving, healthy, equitable, and harmonious regional community
- a globally connected, influential, important, and engaged ASEAN

Several topics have been defined for studies to “clarify” the Jakarta Framework, including those associated with the issues of social protection (e.g., growth, poverty, and income inequality in ASEAN; exploring the food security and environment nexus in ASEAN; addressing the social safety net challenges in ASEAN; and disaster management in ASEAN).²⁹ Those approaches, views, and studies could serve as a good background and foundation for further strengthening meaningful cooperation between ASEAN and Japan in the areas of food security and social protection.

**APPENDIX: ASEAN-JAPAN COOPERATION ON
SOCIAL PROTECTION AND FOOD SECURITY**

	AEC Mid-term Review, 2012	Jakarta Framework, 2011	Tokyo Declaration on ASEAN-Japan Cooperation, 2003	ASEAN- Japan Plan of Action 2011–2015
Narrowing the development gap				
- Priority in ASEAN integration/ ASEAN-Japan cooperation	X	X (including geographic inclusiveness,	X	X
- Initiative for ASEAN Integration	X	industrial	X	X
- Small and medium enterprise development	X	inclusiveness, and social in- clusiveness)	X	X
- Connectivity/subregional development	X		X	X
Agriculture development				
- Minimization of “core non-tariff measures” to lower non-tariff barriers	X		X	X
- R&D cooperation and technol- ogy transfers	X		X	X
- Capacity building, sharing best practices	X			
- Development of regional funding schemes to co-finance national investments in agricul- tural and rural infrastructure	X			
Food security				
- (Full) implementation of ASEAN +3 Emergency Rice Reserves	X	X	X	X
- Food safety cooperation	X		X	X
- Networking for capacity build- ing and information exchange			X	X
Social protection & disaster management				
- Regional schemes for unskilled labor mobility & migrants	X			X
- Early warning system, moni- toring, disaster relief, and responses				X
- Schemes/networking for capac- ity building and training	X		X	X

Source: Author's compilation from various sources.

NOTES

1. The author would like to thank the members of the Economic Community Study Group for their comments, especially at the workshop on “ASEAN-Japan Strategic Partnership in Southeast Asia” in Tokyo on February 2–4, 2013.
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4. World Bank Group, *Social Protection Sector Strategy: From Safety Net to Springboard* (Washington DC: World Bank, 2001).
5. Ananta, “Sustainable and Just Social Protection.”
6. This section focuses specifically on the situation in Cambodia, Laos, and Vietnam. Reference to the situation in Myanmar is only drawn where possible due to limited access to data for the country.
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8. That is, to reduce the number of undernourished people by 50 percent by 2015.
9. World Bank, “Prevalence of Undernourishment (% of Population),” <http://worldbank.org/indicator/SN.ITK.DEFC.ZS>.
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Human Resources, Innovation, and Harmonization of Standards

CHAYODOM SABHASRI

ASEAN IS MOVING toward the creation of an ASEAN Community by 2015. Industrialized countries such as Japan can play an important role in narrowing the development gaps that persist in the region and supporting the development of the community. ASEAN-Japan cooperation will certainly support an ASEAN economic integration platform. ASEAN is more than just a source of cheap labor and natural resources, and collective efforts between ASEAN and Japan can be used to enhance the competitiveness of East Asia as a whole. More value creation can be fostered through human resource development and innovation. A single production base and market can be realized through harmonization and conformity of standards. Corporate investment from Japan can encourage ASEAN members to eliminate non-tariff measures and barriers caused by different standards and levels of conformity. The benefits of ASEAN economic integration will certainly spill over to the other parts of East Asia and will constitute an important economic pillar of the region. Ultimately, ASEAN will be less dependent on any single country in the long term but will be a bridge to connect East Asian countries through East Asian economic integration based on the “ASEAN Plus Plus” model.

ASEAN and Japan have had a close economic and political relationship for many decades. The Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium was signed at the Japan-ASEAN Commemorative Summit in Tokyo in 2003 to celebrate 30 years of the relationship between ASEAN and Japan. The ASEAN-Japan Plan of Action (POA) in 2003 was approved to set the direction for cooperation between ASEAN and Japan from 2004 to 2011, and the ASEAN-Japan POA 2011–2015 was approved at the 14th ASEAN-Japan Summit in 2011. ASEAN and Japan signed the ASEAN-Japan Comprehensive Economic Partnership

(AJCEP) agreement in April 2008. As a part of ASEAN-Japan cooperation, such Japanese agencies as the Japan Overseas Development Corporation (JODC), the Association for Overseas Technical Scholarship (AOTS), the Japan Bank for International Cooperation (JBIC), the Japan International Cooperation Agency (JICA), and the Japan External Trade Organization (JETRO) also play important roles in economic and social development in ASEAN at the regional and national levels.

While there are many dimensions of ASEAN-Japan cooperation that can assist the process of ASEAN community building, this chapter focuses on only three areas, namely, human resource development, private sector innovation, and mutual recognition arrangements and harmonization of standards.

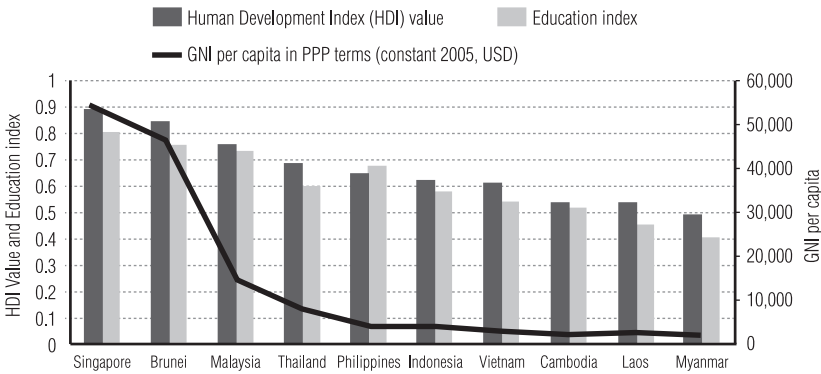
INNOVATION AND HUMAN CAPITAL IN ECONOMIC DEVELOPMENT

Human Capital and Innovation in ASEAN: Current Assessment

Human resources can be transformed to human capital through education, training, healthcare, and encouragement of moral values. The idea of human capital was introduced to the economics field in the 1960s and 1970s during the modern neoclassical economic period. Expenditures on education, training, and medical care should be seen as forms of investment in human capital that can improve people's knowledge, skills, health, and values. Higher income and living standards will result from productivity improvements. Not only does formal education improve productivity, but workers also learn from job training. New technological advances can increase economic growth where there are adequately skilled workers who know how to employ them. Education and training, together with advances in technology, will contribute to significant economic growth.

Human capital is directly related to human development. The UN Human Development Report illustrates the rate of human capital formation.¹ The Human Development Index (HDI) is a composite index measuring nations' average achievement in three basic dimensions of human development—a long and healthy life, knowledge, and a decent standard of living. Figure 1 shows HDI, education index, years of schooling, and gross national income in the 10 ASEAN member states in 2012. According to the report, the ASEAN members can be classified into three groups: (1) those enjoying high HDI ratings, such as Singapore, Brunei, and Malaysia; (2) those with mid-level

Figure 1. HDI, educational index, and gross national income (2012)

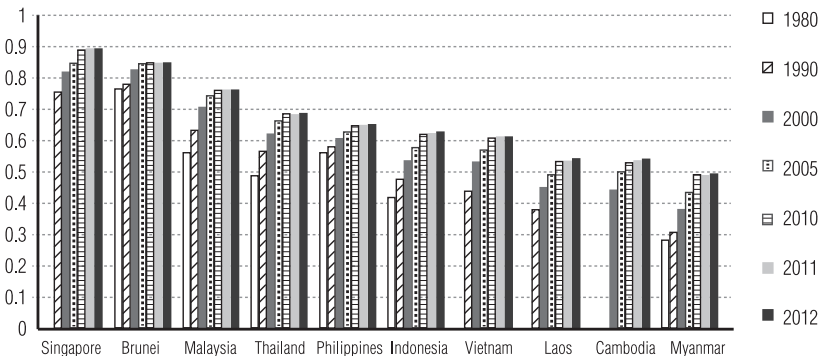


Source: United Nations Development Programme (UNDP), “International Human Development Indicators,” <http://hdrstats.undp.org/en/indicators/default.html>.

HDI ratings, such as Thailand, the Philippines, Indonesia, Vietnam, Laos, and Cambodia; and (3) one with a low HDI rating, Myanmar. There are some correlations among HDI, education index, and per capita income, which implies that investment in education is needed to raise the national income level. Such investment will also help to narrow development gaps among the ASEAN members, as shown in figure 2.

The World Economic Forum Global Competitiveness Index’s human capital indicators for 2012–2013 are shown in tables 1 and 2. The tables show the linkage between human capital and education and training on the one hand and between human capital and innovation on the other.

Figure 2. Trends in HDI



Source: Ibid.

Table 1. Education ranking of the ASEAN members and Japan (2012–2013)

	Linkage with education and training											
	Education rank	Education Score	Quality primary	Primary enrollment	Secondary enrollment	Tertiary enrollment	System quality	Quality math & science	Quality management	Internet access	Research and training	Staff training
Brunei	57	4.4	20	75	12	98	25	23	58	34	109	52
Cambodia	111	3.3	87	45	118	118	58	90	96	83	78	74
Indonesia	73	4.2	60	44	95	85	47	45	70	56	57	39
Malaysia	39	4.8	24	46	103	61	14	20	26	38	17	7
Philippines	64	4.3	86	101	81	76	45	98	39	73	62	32
Singapore	2	5.9	4	1	15	19	3	1	6	5	16	3
Thailand	60	4.3	83	97	92	54	78	61	62	63	66	49
Vietnam	96	3.7	80	26	94	87	72	58	125	41	126	116
Japan	21	5.3	21	2	22	36	43	27	80	43	12	5

Source: "Global Competitiveness Report 2012–13," <http://reports.weforum.org/global-competitiveness-report-2012-2013/>.

Table 2. Innovation ranking of ASEAN members and Japan (2012–2013)

	Linkage with human capital								
	Innovation rank	Innovation Scores	Capacity	Research institute quality	Private spending on R&D	R&D collaboration	Government procurement of advanced technology	Scientists & engineers	Patents
Brunei	59	3.3	68	82	60	50	18	95	55
Cambodia	67	3.2	65	68	52	71	24	109	119
Indonesia	39	3.6	30	56	25	40	29	51	101
Malaysia	25	4.4	17	28	16	18	4	20	34
Philippines	94	3.0	86	102	58	79	107	91	83
Singapore	8	5.4	20	12	8	5	2	13	13
Thailand	68	3.2	79	60	74	46	98	57	72
Vietnam	81	3.1	78	87	75	97	39	70	97
Japan	5	5.5	1	11	2	16	48	2	5

Source: "Global Competitiveness Report 2012–13," <http://reports.weforum.org/global-competitiveness-report-2012-2013/>.

On overall education, Singapore scores higher than the rest of the ASEAN members, with a score of 5.9. Ranking 2nd in the world, Singapore outperforms Japan, which ranks 21st. Malaysia ranks highest of the second group, which also consists of Brunei, Thailand, the Philippines, and Indonesia. Vietnam and Cambodia are at similar levels. There are no data available for Laos or Myanmar, but they are expected to be at the same level as Vietnam and Cambodia. Regarding innovation, Singapore and Japan are nearly equivalent in rank and score. While Indonesia and Malaysia are not far from each other in innovation rank, Thailand is far behind, and its innovation rank is similar to that of Brunei, Cambodia, and Vietnam. The Philippines ranks last in innovation, given that no data are available for Laos or Myanmar. Innovation in the ASEAN members can be improved by learning from Japan. Therefore, ASEAN should cooperate more actively to improve education as well as innovation in order to promote sustainable development.

There are linkages among innovation, investment, technology transfer, and firm performance. Firms that have closer communication between engineers and customers demonstrate higher levels of innovation than firms that do not.² Investment in information and communications technology (ICT) has also been found to increase manufacturing performance.³ The exchange of engineers that occurs with technology transfer also appears to stimulate the upgrading of firms and industries through face-to-face communication at the various stages of product and process innovation.⁴ The impacts of public-private alliances on innovation are also sizable compared with the impacts of vertical linkages found in the automobile-related industry. Japanese investment in the Greater Mekong Subregion (GMS) also has implications for the ASEAN production networks, as foreign direct investment (FDI) tends to flow to countries that have the capacity to absorb new technology.⁵

ASEAN-Japan Cooperation Initiatives on Human Capital and Innovation

Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium (2003)

The main purpose of the 2003 declaration is to encourage ASEAN-Japan economic integration by minimizing trade and investment barriers, reducing business costs, improving economic efficiency, creating a production base and a larger market, and enhancing the use of capital and human

resources. Accordingly, Japan should provide official development assistance (ODA) to ASEAN member countries to enhance its cooperation on human resource development. The people-to-people connectivity should be supported in particular for the younger generation and future leaders by reinforcing partnerships and mutual assistance in education and human resource development. The interaction among people should occur through networks of research institutes, universities, and educational institutions and through youth exchanges. As far as innovation is concerned, the declaration mentions wide-ranging areas of mutual benefit in science and technology, research and development, intellectual exchange, ICT and related networks, transfer of expertise and technologies to strengthen industrial bases and infrastructure development, and cooperation in technology development.

The ASEAN-Japan POA (2003)

The first ASEAN-Japan POA, announced in 2003, covers three areas of cooperation: (1) cooperation in reinforcing ASEAN integration by narrowing the gaps among member countries through the Initiative for ASEAN Integration (IAI); (2) regional cooperation such as in the GMS and in the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), improvement in infrastructure, and cooperation to enhance economic competitiveness of the ASEAN member countries including promoting investment, education, human resource development, and institutional capacity building; and (3) cooperation to address terrorism, piracy, and other transnational issues. At least four Japanese agencies, namely, JICA, AOTS, JODC, and JBIC, support the POA.

There were seven major issues under the Japan-ASEAN Total Plan for Human Resource Development: policymaking and public administration, industry and energy, education, global issues (e.g., environment and infectious diseases), community empowerment, minimization of regional disparities (South-South cooperation), and ICT. Some of these areas of cooperation are described below.

Consider the areas related to human resource development and innovation. On international trade, the plan called for institution building for intellectual property rights (IPR), standards, logistics, and capacity building regarding the World Trade Organization (WTO) measures. In the areas of industry and energy, the plan aimed at the development of highly skilled human resources in the industry and trading business by strengthening the training center and trade promotion institutions. There were programs for executives to foster ASEAN entrepreneurs. On global issues, the plan consisted of human resource development for sustainable development of the maritime environment, fishery and forest resource conservation,

environmental protection, civic education and environmental information, and economics and environmental controls, as well as assistance programs to deal with infectious diseases. To reduce regional disparities, Japan has promoted South-South cooperation through its partnership programs. As a result, the Centers of the Human Resource Development were established in Vietnam and Laos to promote the market economy. Another important issue was developing ICT to create infrastructure and apply ICT to e-business, eliminate the digital gap among the ASEAN members, draft policies for information technology (IT) and human resource development for IT engineers, and promote markets for IT products and services.

In line with the IAI commitment to narrow the development gaps in ASEAN, JICA will provide support in technical cooperation schemes to assist Cambodia, Laos, Myanmar, and Vietnam (CLMV) as well as host seminars and training courses on enhancement of the human resource development (HRD) system for the CLMV countries.⁶ To strengthen Mekong regional development, Japan supports GMS programs such as the Mekong Institute's HRD, and promotes trade and investment activities with the Japanese private sector in the region.

In addition to GMS regional development, BIMP-EAGA is included in Japan's HRD plan. Industrial HRD was introduced, with Japanese cooperation, to increase domestic productivity by developing highly skilled human resources such as engineers and middle-level managers in the areas of occupational safety and health, ICT, and production of automobiles, electrical appliances, and electronics. The HRD programs also cover skills and management know-how for international business, trade-related procedures, and trade finance and marketing for business people in the CLMV countries. There are also HRD programs dealing with education; knowledge networks with the ASEAN University Network; exchanges of students, officers, and scholars; and exchanges aimed at social and cultural cooperation.

Japan also supports other activities, such as seminars and training programs aimed at improving science and technology, increasing joint research, exchanging information, and sharing experience and best practices. For the agricultural sector, Japanese training courses also provide programs for young ASEAN farmers to learn new techniques, farm management, and farm working ethics through hands-on learning with Japanese farm families.

The 2003 ASEAN-Japan POA also addressed innovation by including facilitation and cooperation in areas of ICT and technical cooperation on projects dealing with the environment, automobile production, biotechnology, science and technology, and sustainable forest management.

The ASEAN-Japan POA 2011–2015

The most recent POA covers eight areas dealing with human resources: (1) health and social welfare services sectors; (2) development of highly skilled and semi-skilled human resources in occupational safety and health, ICT, production of automobiles, and electrical appliances and electronics through technical cooperation and other schemes; (3) Japanese language training; (4) implementation of model projects to enhance traceability of distributed goods and to hold seminars to disseminate know-how and information from the model projects; (5) infrastructure development; (6) science and technology; (7) information sharing on labor market trends to match the needs of ASEAN and Japan; and (8) capacity-building programs for ASEAN government officials to enhance their technical knowledge for industrial development.

ICT is the main area related to innovation. There are medium- and long-term plans for ASEAN to upgrade its ICT capacity with support from Japan to bridge the digital divide and promote ICT services and make them more available in ASEAN communities. Japan will also support the promotion of professional exchange, capacity building, and HRD programs to upgrade the skills and knowledge of ASEAN ICT technicians in the fields of new and advanced ICT, creative multimedia, innovation, and green ICT. Public-private partnership is also encouraged in the areas of information exchange and e-services.

In addition, the automobile and auto parts industry is singled out for cooperation at the industry level. Cooperation in this area aims at enhancing the competitiveness of the ASEAN automobile industries and promoting the integration of ASEAN automobile markets. The standards and conformity assessment procedures should be developed together with mutual recognition arrangements for the automotive sector working toward ASEAN integration.

AJCEP (2008)

The AJCEP touches broadly on HRD and ICT in the fields of economic cooperation, which should be further explored with an eye toward future cooperation activities.

Bilateral Japan–Thailand Economic Partnership Agreement (JTEPA)—Cooperation on HRD and Innovation

The Japanese and Thai governments have established the Steel Industry Cooperation Programme along with the Thai Steel Industry Association to strengthen the technological knowledge of the Thai steel industry on

environmental technology and to develop the skills of field technicians in Thai steel mills and of Thai steel engineers. The Japanese and Thai governments have also proposed establishing an Automotive Human Resources Development Project and a Thailand Automotive Industry Institute to transform Thailand into a world-class sustainable production base for the automotive sector, to solve the problem of skilled labor constraints through HRD, and to improve the Thai automotive industry's competitiveness in the international market. Japan-related manufacturing companies in Thailand will develop a plan for energy conservation and transfer their know-how to their Thai business partners. The government of Japan will also provide energy experts to improve know-how among local Thai producers, including small and medium enterprises (SMEs).

An Assessment of ASEAN-Japan Cooperative Initiatives

There is limited information on which to assess the ASEAN-Japan POAs. According to the executive report, "The Third Executive Report on Progress of Implementation of the ASEAN-Japan Plan of Action,"⁷ some progress on innovation and human capital has been made. Japan has extended assistance to ASEAN in various sectors in industrial development, such as training courses in the energy and ICT sectors for all ASEAN member countries. Japan also extended assistance to IAI projects covering human resource development in the areas of energy, transportation, vocational training, industrial relations, environmental protection, irrigation system management, and management programs for senior officials of the CLMV countries.

To promote HRD, there are programs, for instance, to train CLMV junior diplomats in the ASEAN Secretariat and to establish the Malaysia-Japan International University of Technology, which has been envisaged as a center of excellence for higher education, research, and HRD for students in East Asia. More funding was also allocated for the Japan Human Resources Development Total Plan (2006).

An Example of an HRD program

Phase II of the ASEAN-Japan Collaboration Programme for HRD included such activities as a training course in Japan and Thailand that took place between July 28 and August 8, 2008. ASEAN-Japan HRD Collaboration Programme Phase I of the program took place between 2004 and 2007, and the second phase, which began in 2008, aimed to provide assistance for strengthening the foundation for HRD in the CLMV countries and to promote further technical

cooperation between the CLMV countries and other ASEAN member countries. The program analyzes the current situations and identifies issues to address regarding HRD systems in CLMV countries, decides on a theme for the collaborative training each year, draws up a work plan, evaluates the program, and makes recommendations for the future under the theme of Vocational Ability Evaluation Methods with Skills Testing and Certification System.

HRD AND TECHNOLOGY TRANSFER BY THE PRIVATE SECTOR

Two industries—the food and automobile industries—are worth considering as entry points for the ASEAN and Japanese governments to promote private direct investment or increased trade as indirect tools for HRD and technical transfers. In considering collaboration, it is important to bear in mind that Japanese business practices are rather different from the more traditional models found in Western countries.⁸ The more traditional Western models include partnership, voicing of concerns and sharing of experience, obligational contract relations, collaboration, and joint development and improvement. But the Japanese style of management depends on significant information exchange, high levels of commitment, close long-term relationships, use of numerous suppliers, competition achieved through quality control rather than through price cutting, punctual delivery, and dialogue with existing suppliers to resolve problems.

In the food industry, joint ventures with Japanese firms would transfer knowledge and skills to ASEAN companies on labor productivity, management, technology, production standards, and quality improvement. Japanese procedures that might prove useful to local firms are, for example, performance analysis and controls, total productive maintenance (TPM), *kaizen* (an emphasis on continuous improvement), and *keiretsu* (a system of interconnected business relationships). The trade flows would also provide an indirect benefit because of the Japanese customers' sophisticated demand and the quality controls and auditing procedures that would need to be put in place to maintain high standards for food products.

In the automobile and auto parts industry, the private sector can improve its production process, design technology, and management skills through cooperation with Japanese firms. Research and development centers can be set up by Japanese firms to serve as training and design centers. The Toyota Supplier Clubs in Thailand and Malaysia are good examples of networks between Japanese and local firms. In addition,

TPM has been demonstrated to be very beneficial to the Malaysian SMEs in the automobile sector.⁹

Under the JTEPA, the Automotive Human Resource Development Institute Project (AHRDIP) provides an example of a joint project between the Thai and Japanese governments and private sectors. The AHRDIP's activities include the transfer of knowledge in the automotive sector to enhance labor productivity and management skills and to increase the value of products in order to strengthen the competitiveness of the automotive industry in the global market.

STANDARDS HARMONIZATION AS TECHNICAL BARRIERS TO TRADE

The ASEAN Economic Community (AEC) has set as its goal the establishment of a single market and production base, with free flow of goods, by 2015. Therefore, not only are the tariff rates eliminated, but the following trade measures are also included: the removal of non-tariff barriers, use of rules of origin, trade facilitation, customs procedures, standards and conformance, and sanitary and phyto-sanitary measures.

Mutual recognition agreements (MRAs) are agreements between two or more parties to mutually recognize or accept one or more aspects of one another's conformity assessments such as test reports and certificates of compliance. MRAs are government-to-government agreements and deal with technical bodies such as testing laboratories, inspection bodies, certification bodies, and accreditation bodies. In practice, MRAs help reduce the costs resulting from the differences among ASEAN members' measures regarding product standards, product testing procedures, and in particular technical barriers to trade that tend to be non-tariff barriers. MRAs under ASEAN agreements include the ASEAN Sectoral Mutual Recognition Arrangement for Electrical and Electronic Equipment, signed in April 2002; the ASEAN Mutual Recognition Arrangement of Product Registration Approvals for Cosmetics, signed in September 2003; and the MRA for good manufacturing practice Inspection of Manufacturers of Medicinal Products, signed in 2009.

In dealing with the different standards or technical regulations, the harmonization of standards, technical regulations, and conformity assessment procedures will help to facilitate international trade. ASEAN's approaches to harmonization are based on international standards that are consistent with the WTO. As of 2012, harmonization of standards has been achieved for electrical appliances, electrical safety, electromagnetic components,

rubber-based products, and pharmaceutical products. There are also technical regulations for the cosmetics industry (signed in 2003) and the electrical and electronics sectors (signed in 2005).

Initiatives for Standards Harmonization

The ASEAN-Japan POA (2003)

Japan has committed to supporting economic integration by assisting the newer ASEAN member countries in harmonizing their institutions and standards and facilitating movement of goods and persons. Japan will collaborate on bilateral and regional initiatives to develop human resources in both government and private sectors regarding product standards, such as safety of electrical equipment, to support the development and coherence of standards and conformance of each ASEAN member country.

The ASEAN-Japan POA (2011–2015)

The automobile and auto parts industry was selected for cooperation aimed at enhancing the competitiveness of the ASEAN automobile industries and promoting the integration of the ASEAN automobile markets. Japan will also support the development and operationalization of MRAs and the establishment of the Common Rules for Standards and Conformity Assessment Procedures for Automotives toward ASEAN Integration in 2015.

AJCEP (2008)

Cooperation consists of joint studies and seminars on technical regulations and conformity assessment procedures, exchange of information on standards, development and implementation of joint programs for building and upgrading capacity in dealing with technical barriers to trade, and encouragement of the bodies responsible for standards.

POLICY RECOMMENDATIONS

The AEC aims at the free flow of goods, services, capital, investment, and skilled workers by 2015 and allows for flexibility for some ASEAN member countries. Community building is based on four ideal characteristics: a single market and production base, a highly competitive region, equity in economic development, and integration with the global economy.

Beyond the achievement of the AEC, the Asian Development Bank Institute, Asian Development Bank, and ASEAN Secretariat issued the ASEAN Vision 2030 to enhance ASEAN's regional centrality and to become a borderless economic community. Recently, the Jakarta Framework was introduced to provide a vision for ASEAN beyond 2015 as (1) a dynamic, resilient, competitive, and sustainable regional economy; (2) a thriving, healthy, equitable, and harmonious regional community; and (3) a globally connected, influential, important, and engaged ASEAN.

Of these, this chapter focuses on HRD and private sector innovation to increase ASEAN's labor and capital productivity and on standards and harmonization to support the single market and production base. Together with the AEC Blueprint, cooperation with an advanced country such as Japan will enhance the quality of the community-building process, the ASEAN Vision 2030, and the Jakarta Framework. Therefore, the policy recommendations below provide ways for ASEAN-Japan cooperation to learn from past experience, including the Tokyo Declaration for the Dynamic and Enduring ASEAN-Japan Partnership in the New Millennium (2003), the ASEAN-Japan POAs (2003 and 2011), and the AJCEP Agreement (2008).

Table 3 summarizes the ways in which ASEAN and Japan have already cooperated and the cooperation envisioned in the ASEAN Vision 2030 and the Jakarta Framework with respect to human capital development, innovation, and standard harmonization. Table 4 draws the broad picture of these policy recommendations.

Human Capital Development

According to the AEC Blueprint, the HRD plan is an important part of the IAI, with the emphasis on less developed ASEAN members in order to reduce the development gap. It involves basic infrastructure such as ICT, training of workers, job creation, and improvement of the education system. The later phase of the IAI comprises physical connectivity including highways, rail links, air links, and sea transportation, and it reforms the regulations and measures to facilitate international trade and investment.

THE NEEDS OF BASIC INFRASTRUCTURE: Basic infrastructures provides support for human capital development, such as ICT, information centers, and physical connectivity modes. In the past, the Japanese government and Japanese agencies such as JETRO, JICA, and JBIC have provided support programs for basic infrastructure to ASEAN members to upgrade their human resources on both bilateral and multilateral bases. The financial support

Table 3. ASEAN Vision 2030, the Jakarta Framework, and past ASEAN and Japan cooperation on human resource development, innovation, and standard harmonization

ASEAN Vision 2030	Jakarta Framework	Tokyo Declaration	ASEAN-Japan POA	AJCEP
Human capital	Human capital			
Workers' productivity				
Education		X	X	X
Training (engineering and management)		X	X	X
Labor market improvement			X	
	Industrial agglomerations for human capital development		X	
	Healthcare system	X	X	
Innovation	Innovation			
Technological development by learning and imitating		X	X	
Capability improvement to absorb new technology		X	X	
Enhancement of science and engineering knowledge with private sector contribution			X	
ICT		X	X	X
R&D			X	
	R&D and Industrial agglomerations for innovation	X	X	X
Harmonization	Harmonization			
MRAs and Regulatory harmonization	MRAs and harmonization of standards to support international Production networks	X	X	X
Related measures	Related measures			
Subregional cooperation		X	X	
Movement of skilled and unskilled workers				
Connectivity (physical, people, and institutions)	Connectivity (physical, people, and institutions)	X	X	
Financial support	Financial support	X	X	
	International production networks			

Table 4. Policy recommendations

	Issues	Current plans (TKY Dec, A-J POA, AJCEP)		Targeted area	Time
			Responsible parties		
Human capital	Basic infrastructure	X	Governments and their agencies	CLMV	1
	Educational reform and knowledge management	-	Governments	CLMV	3
	Labor market reform	X	ASEAN governments	ASEAN	3
	Knowledgeable local markets	-	Governments	ASEAN	2
Innovation	Basic infrastructure	X	Governments and their agencies	CLMV	1
	FDI promotion	-	Governments and private corporate associations	ASEAN	2
	Financial assistance	X	Governments and their agencies and private financial institutes	ASEAN	1
	Utilization of trade and investment liberalization	-	Governments	ASEAN	3
Standard harmonization	Dissemination of information on international standards	X	Governments	ASEAN	1
	Testing center	-	Japanese government	ASEAN	1
	Trade policy reform	-	ASEAN governments	ASEAN	3
	Utilization of trade and investment liberalization	-	Governments	ASEAN	3

Note: Governments refers to ASEAN and Japanese governments, and government agencies refers to agencies such as JBIC, JICA, JODC, and JETRO. X represents presence in the original plans, whereas 1, 2, and 3 mean short, medium, and long run.

can be in the form of ODA, soft loans, or donations by the Japanese government or agencies such as JICA and JBIC. With accurate local information on needs, funding and investment in innovation improvement will be allocated to the appropriate ASEAN countries and industry. The CLMV countries are targeted for initial infrastructure investment. Existing supportive programs, in particular those in the GMS area, shall be continued and extended to lay the foundation for ASEAN connectivity, especially for people-to-people connectivity and later for physical connectivity.

EDUCATION REFORM AND KNOWLEDGE MANAGEMENT: Education reform refers to the long-term fine-tuning of primary and secondary schools and technical colleges to be able to support populations experiencing new socioeconomic situations. The improvement of vocational schools and training camps is a medium-term goal that can be achieved as employees in ASEAN absorb new knowledge and technology via

FDI. Knowledge management is a key strategy for nations and regions to improve their productivity, strengthen their competitive advantage, develop new, innovative ideas, and share experiences and information. The GMS members should be the focal point of reforms so as to reduce the movement of skilled and unskilled workers to the more developed areas. The Japanese government could provide such educational and financial support to the less developed areas. Such a foundation will lead to flows of direct investment, creating the industrial clusters to match job availability and natural resources. Cross-country production networks and labor market efficiency will soon be achieved.

LABOR MARKET REFORM: When workers are well trained, they must have job opportunities and information about available jobs. Reforms should support new business investment to create new jobs in appropriate locations and allow skilled and unskilled workers to mobilize. The labor market should thus adopt a more efficient worker allocation. An information center that provides data on skilled and unskilled workers, worker productivity, regulations and measures, labor costs, and logistics costs should help private corporations to form industrial agglomerations or international production networks in ASEAN, which will be the foundation for community building.

KNOWLEDGEABLE LOCAL MARKETS: Sophisticated local demand for high-quality products will encourage producers to improve the quality of locally made products. To build a strong community, local consumers need to be informed and educated on standards, quality, and consumer protection. This will indirectly improve the production quality to conform to international standards.

Private Sector Innovation

BASIC INFRASTRUCTURE: Basic infrastructure is required, similar to that discussed above in the context of human capital development.

FDI PROMOTION: Improving innovation in ASEAN relies on science and technology, research and development, creativity, and knowledge that can be transferred from foreign corporations. Sole investment, joint ventures, and shareholding are forms of FDI aimed at resource seeking, market seeking, and efficiency seeking.¹⁰ Whether or not FDI innovation in such areas as management, design, production, and marketing will have a spillover effect on local firms depends on the ability of the local firms to absorb

the knowledge and enforce IPR to protect new innovations. The ASEAN Working Group on Intellectual Property Cooperation works cooperatively with other international organizations, including the Japan Patent Office, to provide information and assist ASEAN members in gaining patents. However, knowledge about and enforcement of IPR varies widely among ASEAN members, particularly between the CMLV and ASEAN-6 countries. The ASEAN-to-ASEAN approach has been introduced for information sharing, but assistance programs from industrialized countries will be beneficial in speeding up the process. The Japanese government should help Japanese corporations seek more trade and investment opportunities and strengthen production networks in ASEAN.

FINANCIAL ASSISTANCE: The Japanese government, its agencies, and private associations and corporations should work collectively to provide financial support for innovation in ASEAN. Financial support should take the form of long-term loans, and it should be implemented as soon as possible in less-developed areas. ASEAN firms will benefit directly, whereas Japanese FDI will indirectly benefit from international production networks in the near future.

UTILIZATION OF TRADE AND INVESTMENT LIBERALIZATION: The utilization of free trade agreements (FTAs) should be promoted for both trade and investment. When firms utilize trade and investment privileges, more active Japanese direct investment is expected. Hence, technology and knowledge transfer to build up ASEAN's strength in innovation should be incorporated into the process. Currently, firms are not aware of the benefits of the FTAs, and some firms find the implementation process as costly as dealing with the rules of origin. Many aspects need to be improved to promote FTA utilization.

MRA and Harmonization of Standards

The MRAs are agreements between two or more member countries on testing procedures and production standards. ASEAN members take part in the MRAs on a voluntarily basis, and they generate high benefits through lower trading costs and shorter deliverable times¹¹. ASEAN has two MRAs on electrical and electronic products and on product registration approvals for cosmetics. MRAs on processed foods and automobiles are in development.

ASEAN also has an ASEAN Marking Scheme, which represents the standards for harmonization. ASEAN members have signed an

agreement on the ASEAN Harmonized Cosmetic Regulatory Scheme and an agreement on the ASEAN Harmonized Electrical and Electronic Equipment Regulatory Regime. As far as the ASEAN Policy Guideline on Standards and Conformance is concerned, several products, including electronics, electromagnetics, electricity safety, rubber products, and pharmaceutical products, are in the process of standard harmonization development. According to the ASEAN report, the priority sectors for standard harmonization are agricultural products, cosmetics, fisheries products, pharmaceutical products, rubber products, wood products, automobiles, construction materials, medical tools, traditional medicines, and food supplements.

To achieve community building, Japan can play an important role by assisting ASEAN on the harmonization of standards in industrial sectors where Japan's FDI dominates in ASEAN. The international production networks and the industrial agglomeration that will be created benefit both parties. Recommendations for the Japanese government and its agencies are as follows.

DISSEMINATION OF INFORMATION ON INTERNATIONAL STANDARDS: Establish a strategic information center related to international standards and measures. Japan should lead a group of dialogue partners to share information and policy directives on the standards and conformances and technical know-how. In some cases, Japanese standards can be applied in ASEAN to ensure food and production safety.

TESTING CENTER: Establish an international testing center. A Japanese financial scheme should provide financial and technical support to ASEAN countries where Japanese firms have already invested. The investment should include the establishment of a testing center, training programs on new technological changes, and training for skills development for competent authorities.

TRADE POLICY REFORM: The Japanese government should provide advice on regulatory reform to eliminate non-tariff measures in ASEAN, as Japan has more experience dealing with international standards and their implications for trade and investment flows.

UTILIZATION OF TRADE AND INVESTMENT LIBERALIZATION: Local firms and FDI firms shall be encouraged to utilize FTAs and investment privileges. Trade and investment flows will increase the demand for the standard harmonization and conformances in growing industries. ASEAN

will then appropriately serve as the production base for industrial agglomeration and benefit from the fragmentation of the production line.



ASEAN and Japan must prioritize plans and implementation for the short, medium, and long term. Infrastructure and an information center are basic needs for community building and should be implemented in the short term, as soon as possible. Financial support for them should be discussed among the relevant parties with special consideration and flexibility given to the CLMV countries. Strategic policy toward community building should be based on benefit sharing in the long term, and the more advanced ASEAN countries and Japan should share the financial burden at the initial stage. The training center and related programs can be provided through government efforts, public-private partnerships, or Japanese or ASEAN multinational corporations. A training program should also be implemented as soon as possible to enhance the labor productivity and technical knowledge of the local firms. Since national and regional regulatory reforms are needed, the process should be started as soon as possible—although it takes time to negotiate—but results cannot be expected in the short term.

One weakness of the cooperative plans in the past has been the monitoring process and evaluation procedure of the action plans and their impact assessments. ASEAN and Japan should set up a responsible organization and competent authority to follow up on the implementation and to assess the impacts of the action on a regular basis. There should be a risk assessment and consideration of the limitations and conditions that may cause failure of the implementation. The plan should be modified right away to serve the final objectives of the project. The report must be transparent and submitted to the appropriate ASEAN and Japanese authorities.

ASEAN Plus Plus arrangements, such as the Regional Comprehensive Economic Partnership or the Trans-Pacific Partnership, should be closely monitored in order to make strategic changes in collective plans to produce higher benefits from ASEAN-Japan cooperation in the ASEAN community-building process.

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ASEAN-Japan Cooperation on ASEAN's Development Gap and Connectivity: Working Together with Regional and Subregional Initiatives

SANCHITA BASU DAS¹

ECONOMIC INTEGRATION AND better connectivity are integral to maximizing ASEAN's economic potential and maintaining its centrality in shaping the Asia Pacific regional architecture. Despite progressing toward its goal of establishing an ASEAN Economic Community (AEC) by 2015 and having achieved several interim goals over the past two decades, the development gap in the region continues to pose a challenge to the ASEAN members. The development gap is also present within the three subregional initiatives in the ASEAN region: (1) the Greater Mekong Subregion (GMS), (2) the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), and (3) the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT).

At the same time, "ASEAN has become increasingly interlinked as an economic bloc, and is attracting world attention as being centred in the new growth center of the world."² The regional grouping has 10 dialogue partners and 5 free trade agreement partners. Informal dialogue relations between ASEAN and Japan were established in 1973 and later formalized in March 1977 with the inception of the ASEAN-Japan Forum. Since then, significant progress has been made in ASEAN-Japan relations, and cooperation spans many more areas, from political-security to economic-financial to socio-cultural relations.

Relations between the two were strengthened by the signing of the Tokyo Declaration for the Dynamic and Enduring ASEAN-Japan Partnership in the New Millennium and the ASEAN-Japan Plan of Action at the ASEAN-Japan Commemorative Summit in December 2003 in Tokyo. However, recent regional economic developments since the 2008 global financial crisis have created an opportunity for the leaders to review the cooperation and to examine how it can further enhance economic aspects of the partnership. The Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together—also known as the Bali Declaration—was issued by the leaders at the 14th ASEAN-Japan Summit in Bali, Indonesia, on November 18, 2011, announcing their adoption of the ASEAN-Japan Plan of Action 2011–2015.

Given this background, this chapter discusses the future of ASEAN-Japan cooperation in terms of narrowing the development gap in ASEAN and enhancing connectivity. It also looks at coordination at the regional and the subregional levels.

ASEAN-JAPAN COOPERATION

For the last 40 years, the ASEAN-Japan partnership has undergone several stages of development. Starting with economic partnership in the late 1960s and 1970s, the relationship broadened to include political-security cooperation during the 1980s and 1990s and was further strengthened to enhance ASEAN's integration and community-building endeavors. This contributed to close business partnerships with total bilateral trade amounting to US\$248 billion in 2011. ASEAN member states are now major foreign direct investment destinations for Japanese enterprises. Japan was the first dialogue partner country to appoint a resident ambassador to ASEAN in 2010, and the Mission of Japan to ASEAN was established in Jakarta in 2011.

The table in the appendix summarizes what ASEAN-Japan cooperation has contributed in terms of narrowing the development gap and promoting connectivity and subregional cooperation. It is evident that Japan continues to support ASEAN's integration and community-building efforts, including the goal of narrowing the development gap in ASEAN through various subregional development endeavors.

Japan has expressed strong support for initiatives to strengthen connectivity in ASEAN. At the 14th ASEAN-Japan Summit, the ASEAN leaders voiced their appreciation for Japan's strong commitment to enhancing connectivity under the vision spelled out in their agreements on the Formation of the Vital Artery for East-West and Southern Economic Corridor and the

Maritime Economic Corridor, as well as through Japan's support for soft infrastructure projects in ASEAN. Japan identified 33 flagship projects related to the three ASEAN corridors (East-West Corridor, Southern Economic Corridor, and Maritime Economic Corridor).

Japan also plays a substantial supportive role in subregional programs such as the GMS, the IMT-GT, and BIMP-EAGA. In the GMS, Japan provides development assistance through its official development assistance (ODA) and the Asian Development Bank (ADB), where it plays a pivotal role. The Japanese government announced that 2009 would be the "Mekong-Japan Exchange Year," building on the long-term friendship between Japan and the Mekong subregion. It supports infrastructure projects in the GMS and also encourages states along the river to make appropriate reforms. The leaders of the countries in the Mekong subregion also reaffirmed that Japan is a long-lasting, reliable, and indispensable partner for the Mekong subregion during their Fourth Mekong-Japan Summit held in Tokyo on April, 21, 2012.

The ASEAN Economic and Socio-Cultural Community Blueprints recognize BIMP-EAGA as one of the subregional groups to receive support from the Initiative for ASEAN Integration (IAI) and the ASEAN Framework for Equitable Economic Development, mechanisms that aim to achieve the seamless flow of trade, investment, and people within ASEAN by 2015. Japan has also reaffirmed its commitment to assisting the BIMP-EAGA member countries in developing the East ASEAN Growth Area—as a part of efforts for regional integration—by jointly promoting and enhancing connectivity in the growth area, particularly in the areas of human resource development, physical infrastructure, and trade and investment promotion. This is considered a significant contribution to the development of ASEAN's connectivity as well as to economic development and to the narrowing of the development divide among BIMP-EAGA countries.

As an IMT-GT development partner, Japan has been active in its cooperation with IMT-GT members in the areas of food security and food safety as well as alternative energy. In the Fifth IMT-GT Summit in Hanoi in 2010, the leaders agreed to place food safety and high-value agriculture as key areas of engagement with Japan. Japan will continue to intensify its support for partnership to promote economic cooperation with the IMT-GT countries as well as to promote connectivity, trade, investment, tourism, and other areas of mutual benefit with these countries.

THE DEVELOPMENT GAP IN ASEAN, CONNECTIVITY, AND SUBREGIONAL COOPERATION

ASEAN faces an economic challenge from the developmental differences between its more developed (ASEAN-6) and newer members, Cambodia, Laos, Myanmar, and Vietnam (CLMV). These differences exist in terms of GDP per capita (income per capita), human development indicators, and soft and hard infrastructure. For example, Singapore has a first-world per capita income level (US\$49,936) that is 58 times higher than Myanmar's per capita income level of US\$849. Tables 1 through 3 illustrate the differences in economic, human development, and poverty indicators within ASEAN.

Table 1. ASEAN macroeconomic indicators

	GDP (US\$ bn), 2012	Population (mn), 2012	Per capita GDP (US\$), 2012	Share of agriculture in GDP, 2010	Share of industry in GDP, 2010	Share of services in GDP, 2010	Imports/GDP (percent), 2010	Exports/GDP (percent), 2010
Brunei	16.8	0.43	38,801	1	67	32	20	75
Cambodia	14.2	15.2	934	36	23	41	72	54
Indonesia	894.8	244.5	3,660	15	47	38	21	24
Lao PDR	9.3	6.4	1,453	33	32	35	32	29
Malaysia	307.2	29.0	10,578	11	44	45	67	81
Myanmar	54.0	63.7	849	48*	16*	35*	14	20
Philippines	240.6	97.7	2,462	12	33	55	28	21
Singapore	267.9	5.3	49,936	0	28	72	153	171
Thailand	376.9	64.5	5,848	12	45	43	66	66
Vietnam	137.6	90.4	1,523	21	41	38	86	78

Note: * share pertains to year 2004

Source: World Development Indicators, 2012, World DataBank, World Bank.

Table 2. ASEAN human development indicators

	Human Development Index (Rank) (2011)	GDP per capita (PPP US\$) (2012)	Life expectancy at birth (years) (2011)	Adult literacy rate (percent age 15 & above) (2009)	Public expenditure on health (percent of GDP) (2010)	Public expenditure on education (percent of GDP) (2010)
Brunei	33	50,526	78	95.3	2	2
Cambodia	139	2,398	63.1	77.6*	2	3
Indonesia	124	4,957	69.4	92.2*	1	3
Lao PDR	138	3,004	67.5	72.7^	1	3
Malaysia	61	16,942	74.2	92.5	2	4.1*
Myanmar	149	1,401	65.2	92	0	NA
Philippines	112	4,263	68.7	95.4*	1	2.8*
Singapore	26	60,883	81.1	94.7	1	3
Thailand	103	10,023	74.1	93.5^	3	4
Vietnam	128	3,545	75.2	92.8	3	5.3*

Note: * Data for the year 2008; ^Data for the year 2005.

Source: World Development Indicators, 2012, World DataBank, World Bank; UNDP Human Development Report 2011, "Sustainability and Equity: A Better Future for All!"

Table 3. Incidence of poverty in ASEAN

	Poverty headcount ratio at national poverty line (percentage)	Poverty headcount ratio at \$1.25 (PPP) a day (percentage)
Brunei	N.A	NA
Cambodia	30.1 (2007)	22.8 (2008)
Indonesia	12.5 (2011)	18.1 (2010)
Lao PDR	27.6 (2008)	33.9 (2008)
Malaysia	3.8 (2009)	0 (2009)
Myanmar	NA	NA
Philippines	26.5 (2009)	18.4 (2009)
Singapore	NA	NA
Thailand	8.1 (2009)	0.4 (2009)
Vietnam	14.5 (2008)	16.9 (2008)

Note: The number in brackets gives the latest years for which data are available.

Source: World Development Indicators, 2012, World DataBank, World Bank.

One key development gap also lies in the infrastructure sector. The development of hard physical infrastructure in CLMV countries is very uneven due to organizational inefficiencies, insufficient budgetary funding, heavy dependence on ODA, and lack of foreign direct investment. The CLMV countries also lack the soft infrastructure (information and communications technology, or ICT) that is an important prerequisite for the next stage of development.³ Table 4 illustrates the digital divide among ASEAN members.

Table 4. ICT infrastructure indicators, 2011

	Fixed-line telephone subscriptions per 100 inhabitants	Cellular subscribers per 100 inhabitants	Internet users per 100 inhabitants
Brunei	19.7	109	56.0
Cambodia	3.7	70	3.1
Indonesia	15.9	98	18.0
Lao PDR	1.7	87	9.0
Malaysia	14.7	127	61.0
Myanmar	1.1	3	1.0
Philippines	7.1	92	29.0
Singapore	38.9	149	75.1
Thailand	9.7	113	23.7
Vietnam	11.5	143	35.5

Source: *ICT Data and Statistics, International Telecommunications Union*, <http://www.itu.int/ITU-D/ict/statistics/explorer/index.html>.

Beyond these economic and social gaps, there are significant disparities in institutional capacity and human resources among the ASEAN member countries. The current weak human resource capabilities in the CLMV countries, together with weak policies and weak institutional and legal frameworks, make it difficult for these countries to raise their productive capacities. These challenges further constrain their capacity to make optimum use of foreign aid.

Initiative for ASEAN Integration

To address the issue of the development gap, ASEAN launched the IAI in 2001. The IAI is primarily directed at the newer ASEAN members, the CLMV. It also encompasses subregional groupings, such as the GMS, BIMP-EAGA, and the IMT-GT. This is expected to assist the CLMV countries to

meet ASEAN-wide targets and commitments. Over the years, the IAI has evolved from a platform of mutual assistance between the ASEAN-6 and the CLMV to an expanded framework that involves dialogue partners and development agencies.

The first IAI Work Plan (July 2002–June 2008) was completed within this policy framework. The work plan covered more than 100 projects in four areas, including infrastructure, human resource development, ICT, and regional economic integration. The second IAI Work Plan (2009–2015), which was endorsed in 2009, is based on key program areas covering all three ASEAN Blueprints.

In general, the CLMV countries have professed their satisfaction with the usefulness of the program and most of its projects. However, the descriptions of the projects reveal their uneven nature in terms of quality and relevance to the IAI's purposes and, therefore, presumably their effectiveness.⁴ The program also seems to suffer from insufficient participation of the CLMV countries in the projects' design and the consequent lack of a sense of ownership of the projects on the part of those countries. At the other end of the process, most projects carry no provisions for follow-through, implementation, or effective dissemination of knowledge or skills gained.

This suggests that there has to be some improvement in the IAI scheme. Coordination has to be strengthened among all agencies. The CLMV countries have to be involved at all stages—conception, selection, and design—of each project.

The Eminent Persons Group's (EPG) report on the ASEAN Charter notes that ASEAN's ability to achieve its long-term economic goals will depend on how efficiently the development gap is addressed. Given the limited financial resources, new strategies to narrow the development gap should be designed to ensure that the less-developed member countries are in a position to participate in and fully benefit from the economic integration process.

Master Plan on ASEAN Connectivity

The 17th ASEAN Summit adopted the Master Plan on ASEAN Connectivity (MPAC) in 2010 in Vietnam. The plan strives to integrate a region of more than 600 million people with a combined GDP of about US\$2.1 trillion. The master plan identifies several priority projects, including the ASEAN Highway Network, a roll-on/roll-off network, and the ASEAN Broadband Corridor. It reviewed the achievements made and the challenges encountered in building up linkages in ASEAN. It also outlined key strategies and

essential actions with clear targets and timelines for addressing the challenges. The master plan has three components: (1) physical connectivity, (2) institutional connectivity, and (3) people-to-people connectivity.

Core initiatives of the master plan include improving the economic resilience of the region through improved production and distribution networks and optimizing benefits from the free-trade agreements of ASEAN. Moreover, greater connectivity results not only in economies of scale but also in higher interaction among countries, boosting multilateral growth and reducing development gaps. Therefore, connectivity is seen as a way of promoting the economic growth and sustainability of ASEAN as a whole.⁵

According to the ADB, the achievement of complete ASEAN connectivity requires around US\$600 billion of investment during 2010–2020, underscoring the need for cooperation with the 10 dialogue partners and for public-private partnerships (PPPs).

ASEAN has come up with new ways of generating funds for its projects under the MPAC. The regional bloc, in collaboration with the ADB, established an ASEAN Infrastructure Fund (AIF) in September 2011. The fund has total capital of US\$485.2 million, of which ASEAN will contribute US\$335.2 million (69 percent), and the ADB will contribute US\$150 million (31 percent). In addition, hybrid capital of US\$162 million—a financial instrument that has both debt and equity characteristics—will be issued after the third and last tranche of the initial core equity contributions. Hence, the total capital structure of the AIF is US\$647.2 million. It has been decided that while Malaysia will be the domicile of the AIF, the ADB will manage and administer the AIF on behalf of ASEAN. The ASEAN member states and the ADB made their first contributions in June 2012.

Subregional Cooperation Arrangements⁶

In the 1990s, Southeast Asia saw the emergence of subregional cooperation arrangements that cross national boundaries but may not involve an entire country. Three important ones were the GMS, the IMT-GT, and BIMP-EAGA (table 5).

Greater Mekong Subregion

The GMS was instituted involving six countries in 1992, with crucial assistance from the ADB. These countries were Cambodia, Laos, Myanmar, Thailand, Vietnam, and China (specifically, Yunnan Province and Guangxi Zhuang Autonomous Region). As five members of the GMS also belong to the ASEAN regional process, the GMS could be seen as an important

Table 5. Subregional cooperation arrangements in Southeast Asia

	GMS	IMT-GT	BIMP-EAGA
Date established	1992	July 1993	March 1994
Population (million people)	326	70	57
Land Area (million square km)	2.6	0.6	1.6

Source: Asian Development Bank, <http://beta.adb.org/countries/subregional-programs>.

way to narrow the development divide in the region. Moreover, the GMS involved two big countries—China and Thailand—and any actions by these two had spillover effects on the smaller countries.

The GMS has largely been seen as a top-down organization facilitated by the ADB. The objective of the GMS program was to enhance connectivity, improve competitiveness, and build a greater sense of community. It covered nine priority sectors: agriculture, energy, environment, human resource development, investment, telecommunications, tourism, transport infrastructure, and transport and trade facilitation.

In 1998, the GMS adopted an economic corridor approach and recognized the development potential of specific geographic areas with improvements in infrastructure and trade facilitation measures.⁷ It designed a holistic strategy to improve and enhance investments in transport, energy, and telecommunications in the subregion. The first GMS leaders' summit endorsed this in 2002.⁸ Four key transport corridors have been identified: the North-South Corridor from Kunming to Bangkok via Chiang Mai, the East-West Corridor, the Southern Corridor, and the Northern Corridor from Nanning to Hanoi.

Apart from physical connectivity, the GMS also adopted the Phnom Penh Plan for Development Management in 2002. The goal is to build the capacity of GMS senior officials for development management by organizing short-term and in-depth learning programs. In 2004, the *Journal of GMS Development Studies* was launched to promote a better understanding of development issues in the GMS among all stakeholders. To complement the journal, a research program was also initiated to help promote a link between knowledge generation and policymaking processes in the subregion.

Despite this, the GMS could not achieve much progress. While the North-South Corridor is the most dynamic, progress on the East-West Corridor, the Southern Corridor, and the Northern Corridor has been slower.

Indonesia-Malaysia-Thailand Growth Triangle

A second subregional cooperation arrangement, the IMT-GT, was launched in July 1993 with 10 provinces from Thailand, Malaysia, and Indonesia. Later, it was expanded to 14 provinces in southern Thailand, 8 northern states in Malaysia, and 10 provinces in Indonesia.

In 2006, the ADB began providing support for the development of the IMT-GT program. It proposed a Roadmap for IMT-GT, 2007–2011, which was endorsed during the Second Leaders' Summit in Cebu, Philippines, in 2007.⁹ The roadmap identified four economic connectivity corridors as keys to strengthening regional infrastructure so as to support increased intra- and extra-regional trade, investment, and tourism: (1) the Songkhla-Penang-Medan Economic Corridor, (2) the Straits of Melaka Economic Corridor, (3) the Banda Aceh-Medan-Pekanbaru-Palembang Economic Corridor, and (4) the Melaka-Dumai Economic Corridor. A secretariat for the growth triangle was also established in Putrajaya, Malaysia, in August 2007 to coordinate activities between the private sector, foreign investors, and other development partners, including the ADB.

In 2009, a broader roadmap was launched, identifying eight potential priority projects for the IMT-GT: (1) Sumatra Ports Development, (2) Melaka-Dumai Economic Corridor Multimodal Transport, (3) Sumatra Toll Roads Project, (4) Melaka-Pekanbaru Power Interconnection in Indonesia, (5) Melaka-Pekanbaru Power Interconnection in Malaysia, (6) Southern Thailand Ports Development Program, (7) Pak Bara Cargo Port, and (8) Hat Yai-Sadao Toll Road in Thailand.

The impact of the IMT-GT on member provinces is difficult to ascertain. Such an assessment is hampered by the relative lack of IMT-GT level trade, investment, and tourism data.

Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area

Lastly, BIMP-EAGA, which covers Brunei and parts of Indonesia, Malaysia, and the Philippines, was launched in March 1994.¹⁰ It should be noted that the constituent parts have relatively weak infrastructure links to the more economically dynamic parts of their countries, i.e., to Java, the Malay Peninsula, and Luzon.

BIMP-EAGA strongly encouraged private-sector participation in the process. The BIMP-EAGA Business Council (BEBC) was launched in November 1994 and served as an umbrella organization for the private sector in the subregion. The BEBC Secretariat was established in Brunei in 1996. Among its activities, the BEBC sponsored print publications

(EAGA Business Update, Weekend Review) and established a website (www.bimpbc.org), inaugurated business forums in 1998, and established an EAGA Network of Information. The secretariat relocated in 2001 to Kuching, Malaysia, and in 2003 undertook a review and restructuring, which shifted authority to centers in other BIMP-EAGA countries. Since the restructuring, the BEBC has refocused its attention toward development of small and medium-sized enterprises.

The impact of BIMP-EAGA has been limited. With little achievement in the first decade after its establishment in 1994, the subregional program in 2005 formulated a roadmap for the next five years (2006–2010).

The December 2008 midterm review highlighted the poor institutional structure as a major factor for the disappointing progress in implementing the Roadmap to Development 2006–2010. It is widely recognized that unofficial trade and migration between the islands are rife. The limited achievements of BIMP-EAGA were also reflected in constant references to the need for re-inventing and re-invigorating.

Following this, during the Eighth BIMP-EAGA Summit in Cambodia in 2012, the BIMP-EAGA Implementation Blueprint 2012–2016 was adopted, calling for increased project delivery and strengthened institutional arrangements. The leaders reiterated their commitments to fast-tracking the implementation of various priority infrastructure projects in the subregion, particularly in the areas of transport, energy, trade facilitation, and ICT, in line with the MPAC.

FUTURE OF ASEAN-JAPAN COOPERATION

It is clear that the regional and subregional initiatives should not be seen separately. ASEAN, as a region, and the subregional cooperation arrangements have similar objectives: promoting trade and investment to increase the competitiveness of their members. Both look to invest in hard and soft infrastructure projects. It should be noted that infrastructure is a public good and hence building infrastructure for the subregion also improves the physical connectivity in the ASEAN region as a whole. The GMS and BIMP-EAGA both involve countries that are very strategically located between the fast-rising economies of China and India. This provides opportunities for forging greater economic integration beyond the ASEAN region. Finally, in the context of the MPAC, 15 priority projects have been identified (table 6). Some of these have had major impacts on individual subregional cooperation programs. Infrastructure improvements such as the Melaka–Pekan Baru Interconnection in the IMT-GT and the West

Kalimantan–Sarawak Interconnection in BIMP-EAGA are expected to improve physical connectivity. Completion of the ASEAN Highway Network and the Singapore-Kunming rail link are likely to have an impact on the GMS.

Therefore, subregional cooperation can potentially support ASEAN's efforts to realize an AEC by 2015 and vice versa.

Table 6. Priority projects under the MPAC

Physical Connectivity

- Completion of the ASEAN Highway Network missing links and upgrade of Transit Transport Routes
- Completion of the Singapore Kunming Rail Link missing links
- Establishment of an ASEAN Broadband Corridor
- Melaka–Pekan Baru Interconnection (IMT-GT, Indonesia)
- West Kalimantan–Sarawak Interconnection (BIMP-EAGA, Indonesia)
- Study on the roll-on/roll-off network and short-sea shipping

Institutional Connectivity

- Development and operationalization of mutual recognition arrangements for prioritized and selected industries
- Establishment of common rules for standards and conformity assessment procedures
- Operationalization of all national single windows by 2012
- Options for a framework/modality toward the phased reduction and elimination of scheduled investment restrictions/impediments
- Operationalization of the ASEAN agreements on transport facilitation

People-to-People Connectivity

- Easing of visa requirements for ASEAN nationals
 - Development of ASEAN Virtual Learning Resources Centres
 - Development of ICT skill standards
 - Launch of ASEAN community-building program
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Source: Master Plan on ASEAN Connectivity, ASEAN Secretariat website at <http://www.aseansec.org/wp-content/uploads/2013/06/MPAC.pdf>.

Recommendations

The next stage of ASEAN-Japan cooperation needs to seriously address three main issues in ASEAN: the developmental divide, infrastructure development, and coordination between regional and subregional cooperation arrangements. This could be done over the short, medium, or long term, depending on the need for effective regional integration.

Short-Term Measures for ASEAN-Japan Cooperation

ALIGNING SUBREGIONAL PROGRAMS TO REGIONAL INITIATIVES: Looking at the similarities between ASEAN and the subregional initiatives, ASEAN-Japan cooperation should take a more coordinated approach

between ASEAN and the subregional frameworks. Moreover, as subregional initiatives are seen to be progressing slowly, more benefits could be garnered if they are linked to regional activities. The ADB has approved a regional technical assistance project to strengthen regional cooperation and promote links between BIMP-EAGA, the IMT-GT, the GMS, and ASEAN to help implement the MPAC and actualize the AEC by 2015 and maintain it beyond that date.

BIMP-EAGA cooperation has in recent years resulted in activities that help its member countries develop, and it links well with ASEAN's goals, including the implementation of a number of priority projects under the MPAC. Officials from ASEAN and BIMP-EAGA have pledged to boost stronger linkages among sectoral working groups to further strengthen areas of collaboration and explore the untapped economic potential in some subregional groupings within the economic region.¹¹

In addition to the ADB and other efforts, ASEAN-Japan cooperation should also propose a detailed study of opportunities to combine regional and subregional activities. The study can help align the subregional and regional programs, map various activities, and optimize the use of scarce resources. It is important to keep in mind the need to streamline approaches and delineate program responsibilities in light of the many regional and subregional initiatives that often have similar or overlapping objectives, strategies, and action plans. Both initiatives can focus on narrowing the development gap in the region as this is going to be a major factor in the success of the region going beyond 2015.

This is something that needs to be done in the shortest possible timeframe in order to optimize the use of scarce resources. This has not been a feature of ASEAN-Japan cooperation in the past.

Medium-Term Measures for ASEAN-Japan Cooperation

ENHANCING CONNECTIVITY AND ENCOURAGING PPPS: ASEAN-Japan cooperation should look at infrastructure development as a tool for narrowing the development gaps between more developed and less developed countries in the region. For this to happen, ASEAN-Japan cooperation must promote the development of PPP schemes to finance the implementation of the MPAC. The cooperation can draw on lessons from previous engagement with ASEAN, and it can identify the gaps and support the MPAC accordingly.

One key and new area where ASEAN-Japan cooperation can make a serious contribution is in getting the member countries ready for PPP investment. There are several factors that ASEAN needs to have in place before it can attract the private sector to invest in its infrastructure. The region can

develop efficient PPP infrastructure projects provided its member countries have established good governance of accountability, transparency, fairness, and efficiency. The countries also need to develop a favorable regulatory environment and robust institutional framework so as to develop tax incentive policies, tariffs, and risk mitigation mechanisms. ASEAN members must have the operational maturity to oversee a PPP project. Finally, for the financing package that will determine the mix of debt and equity or mix between domestic and external financing, ASEAN states need to develop their capital markets. But to develop these, ASEAN countries, especially Cambodia, Laos, and Myanmar, need not only financial assistance but also significant technical assistance. ASEAN-Japan cooperation can definitely contribute in this area.

Long-Term Measures for ASEAN-Japan Cooperation

ASEAN'S ECONOMIC DIVIDE: Addressing this is an ongoing process under ASEAN-Japan cooperation. If the economic divide in ASEAN is not effectively addressed, a two-tier or three-tier ASEAN would clearly slow down the integration process and undermine the AEC initiative going toward 2030. ASEAN-Japan cooperation should look to enhance the effectiveness of the IAI program in ASEAN. This could be done by involving the CLMV countries from the beginning by assessing their needs and by developing projects jointly. ASEAN-Japan cooperation should also keep a provision for implementation and effective dissemination of knowledge or skills gained, which could be beneficial for the next project.

RESOURCE MOBILIZATION TO NARROW THE DEVELOPMENT GAP: One new initiative that ASEAN-Japan cooperation can undertake is to look for alternative approaches to resource mobilization to narrow the development gap in ASEAN. While funding and loans from international institutions and dialogue partners are able to fill part of the total resource needs, the total amount of the resources mobilized from these traditional sources may not be sufficient to implement all initiatives. This is also recognized by the EPG's report on the ASEAN Charter, which notes that given the limited financial resources available to ASEAN, innovative ways of sourcing development assistance will be needed to narrow the development gap. In this regard, the EPG recommends that a special fund for narrowing the development gap should be established with voluntary contributions from member countries. The group suggests that a new innovative funding mechanism should be explored by experts to raise resources for this special fund through, for example, a share of sales or excise taxes, airport taxes, or visa fees. ASEAN-Japan cooperation

should support this kind of vision of new ways of generating funding and should undertake expert-group studies to explore the feasibility of different options.



Thus, going toward 2030, ASEAN leaders must understand the importance of a harmonious approach to achieving integration. Strong political consensus is needed for cooperation and to build alignments between regional and subregional frameworks. This, if implemented, is expected to narrow the discrepancies among the economic communities and participants; overcome, to a certain extent, the problem of overlapping membership; and accelerate the progress toward an ASEAN community.

Subregional cooperation arrangements such as the GMS, the IMT-GT, and BIMP-EAGA can be viewed as bite-size models for attracting investment and technology as well as building blocks for ASEAN regionalism. Their less-rigid structure as compared with the ASEAN process could be used according to the investors' demand.

Above all, for both subregional and regional processes, most of the decisions and agreements for economic integration are to be implemented at the national level. Hence, strong national mechanisms are needed to plan, organize, coordinate, and follow up on each country's or province's commitments.

ASEAN-Japan cooperation could address all these issues holistically and could not only help ASEAN members meet their goals of integration going toward 2030 but also help ASEAN to maintain its centrality in the broader Asian integration process. This is also enshrined in the Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together, adopted in Bali on November 18, 2011.

NOTES

1. The author would like to thank Ms. Pham Thi Phuong Thao, Research Assistant at the Institute of Southeast Asian Studies, for her data inputs in the paper.
2. ASEAN Secretariat News, "Cooperation with Dialogue Partners and Strategic Partners Feature High on Summit," November 14, 2012, <http://www.asean.org/news/asean-secretariat-news/item/cooperation-with-dialogue-partners-and-strategic-partners-feature-high-on-summit> (accessed on March 12, 2013).
3. Loraine Carlos Salazar and Sanchita Basu Das, ed., "Bridging the ASEAN Development Divide: Challenges and Prospects," *ASEAN Economic Bulletin* 24, no. 1 (April 2007).
4. Rodolfo C. Severino, "The ASEAN 'Development Divide,'" in Salazar and Sanchita ed., "Bridging the ASEAN Development Divide."

5. Sanchita Basu Das, "Understanding the MPAC," in Sanchita Basu Das ed., *Enhancing ASEAN's Connectivity* (Singapore: Institute of Southeast Asian Studies, 2012).
6. This section is drawn from a longer paper on "Sub-Regional Zones and ASEAN Economic Community," by Richard Pomfret and Sanchita Basu Das, which is a part of the ISEAS-ADB Project on "Assessment of Impediments & Actions Required for Achieving AEC by 2015."
7. Asian Development Bank, 2009, <http://www.adb.org/GMS/agreement.asp>.
8. During the 1990s, activities consisted mainly of piecemeal infrastructure projects managed at the national level.
9. Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), "Building a Dynamic Future: A Roadmap for Development 2007–2011 (Manila: IMT-GT, 2007), <http://www.imtgt.org/Documents/Books/roadmap-development.pdf>.
10. Both the IMT-GT and BIMP-EAGA originally covered smaller areas in the participating countries.
11. Vietnam+, "ASEAN, Sub-regional Group Push for Stronger Linkages," March 9, 2013, <http://en.vietnamplus.vn/Home/ASEAN-subregional-group-push-for-stronger-linkages/20133/32311.vnplus>.

APPENDIX. ASEAN-JAPAN COOPERATION

	AEC Mid-term Review, 2012	Jakarta Framework, 2011	Tokyo Declaration on ASEAN-Japan Cooperation, 2003	ASEAN-Japan Plan of Action, 2003	ASEAN-Japan CEP, 2008	ASEAN-Japan Plan of Action, 2011
Narrow Development Gap	Besides the particular emphasis on the implementation towards 2015, of AEC measures that are the central and foundational elements of ASEAN economic integration and connectivity, and at the same time pushing further ASEAN's integration with the rest of East Asia, ASEAN needs to continue its strong policy emphasis on narrowing development gaps in the ASEAN's regional integration strategy.	An inclusive and equitable society should be formed by ASEAN by developing poor and peripheral regions (geographical inclusiveness), small and medium enterprises (industrial inclusiveness) and raise the incomes of the poor (societal inclusiveness).	Japan and ASEAN to work together to consolidate the foundation for economic development and Japan to continue to give priority to the actual needs of ASEAN member countries during its ODA program. Enhance support and cooperation in developing the Mekong region to narrow the gaps between the new member countries and the other countries of ASEAN, taking into account that development will contribute to reinforcing regional integration, leading to self-sustaining economic growth through integrated approach of economic cooperation, and promotion of trade and investment.	Japan and ASEAN to further cooperation to reinforce the integration of ASEAN, support for the realization of IAI and other regional and sub-regional endeavours to narrow the development gaps in ASEAN. This is one of the measures to consolidate the foundation for economic development and prosperity in the region.	The Agreement sets a framework for the enhancement of economic cooperation among the Parties with a view to supporting ASEAN economic integration, bridging the development gap among ASEAN Member States, and enhancing trade and investment among the Parties. The economic cooperation activities between Japan and ASEAN countries aim at narrowing the gaps of economic development among ASEAN countries and promoting the well-being of the people of ASEAN Member States towards further integration of ASEAN.	ASEAN and Japan to pursue joint actions and cooperation to provide macroeconomic policy support for social economic development in ASEAN member countries to narrow the development gap; enhance support for the realization of IAI and other regional and sub-regional endeavours to narrow the development gaps in ASEAN.
	The priority AEC measures for implementation in the run up to 2015 are the following: tariff elimination, addressing NTBs, trade facilitation, services liberalization, investment liberalization and facilitation, transport facilitation, completion of RCEP negotiations as well as enhancing IAI effectiveness and furthering SME development much more.					
	The MTR examined the two initiatives, including SME development and the IAI, which are important for narrowing development gap within AMIs and for narrowing development gap between AMIs respectively.					

AEC Mid-term Review, 2012	Jakarta Framework, 2011	Tokyo Declaration on ASEAN-Japan Cooperation, 2003	ASEAN-Japan Plan of Action, 2003	ASEAN-Japan CEP, 2008	ASEAN-Japan Plan of Action, 2011
<p>The agricultural development is also a major mechanism for poverty reduction and narrowing development gaps especially in the CLMV countries. IAI has played and continues to play a pivotal role in providing technical assistance from ASEAN-6 to the CLMV countries. As such, IAI is a priority policy measure where major actions should be implemented before 2015.</p>		<p>Enhance regional and sub-regional development including in the Mekong region and BIMF-EAGA to promote economic and social development, sharpen the competitive edge of ASEAN and improve standards of living.</p>	<p>Japan and ASEAN jointly take actions to develop the Mekong region comprehensively (supporting existing projects under GMD programme, e.g. East-West Economic Corridor, and East-West Corridor, improvement of transportation infrastructures, ICT, water resource management, etc.</p>	<p>The Parties to promote regional and sub-regional development through economic cooperation activities including capacity building, technical assistance, and other such activities as may be mutually agreed upon among the Parties</p>	<p>Strengthen cooperation among countries to promote economic development of the Mekong region (supporting existing projects like 11 flagship programmes under the GMS programme)</p> <p>Enhance Mekong – Japan cooperation, support for ASEAN's Mekong Cooperation mechanism and initiatives in particular the ASEAN – Mekong Basin Development Cooperation (AMBDC)</p> <p>Strengthen coordination with the Mekong River Commission in order to promote the sustainable development, utilization, conservation and management of water and resources of the Mekong River Basin</p> <p>Support the efforts of CLMV</p>
<p>Sub-regional cooperation</p>			<p>Japan to support the efforts of the new ASEAN member countries on economic integration and assist them in harmonizing institutions and standards and facilitating movement of goods and persons</p> <p>The agricultural development is also a major mechanism for poverty reduction and narrowing development gaps especially in the CLMV countries. IAI has played and continues to play a</p>		

AEC Mid-term Review, 2012	Tokyo Declaration on ASEAN-Japan Cooperation, 2011	ASEAN-Japan Plan of Action, 2003	ASEAN-Japan CEP, 2008	ASEAN-Japan Plan of Action, 2011
<p>Connectivity along with greater openness and integration are at the heart of the drive for the AEC.</p> <p>The most important MTR recommendation toward improved transport facilitation and connectivity within the region involves the full implementation of the ASEAN transport agreements.</p> <p>Efficient ICT and energy are</p>	<p>ASEAN needs to push the production frontiers in the region forward by deepening industrial agglomerations within each ASEAN country and strengthen production networks between ASEAN countries to move up to an upper middle income and developed economy. Industrial agglomerations are expanded by relying increasingly on innovation, creativity and human capital development. Moreover,</p>	<p>Japan to support the implementation of HRD projects and other IAI projects in hardware and software infrastructure development, ICT and regional economic integration in addition to the support by the ASEAN/Japan Solidarity Fund for IAI projects on HRD</p>	<p>Japan to support the implementation of HRD projects and other IAI projects in hardware and software infrastructure development, ICT and regional economic integration in addition to the support by the ASEAN/Japan Solidarity Fund for IAI projects on HRD</p>	<p>ASEAN-Japan Plan of Action, 2003</p> <p>pivotal role in providing technical assistance from ASEAN-6 to the CLMV countries. As such, IAI is a priority policy measure where major actions should be implemented before 2015.</p> <p>Render support to the Economic Cooperation Strategy among Cambodia, Laos, Myanmar and Thailand</p>
<p>ASEAN Connectivity Committee on Connectivity and Japan's Task Force on ASEAN connectivity</p>	<p>ASEAN member countries' initiatives (IAI and the Economic Cooperation Strategy). Both will strengthen coordination with ADB, GMS programme, Mekong River Commission, UNESCAP, WB and non-governmental organizations</p>	<p>countries on economic integration and assist them in facilitating the movement of goods and persons</p> <p>Japan and ASEAN to enhance cooperation in supporting ASEAN member countries' initiatives (IAI and the Economic Cooperation Strategy). Both will strengthen coordination with ADB, GMS programme, Mekong River Commission, UNESCAP, WB and non-governmental organizations</p> <p>Enhance further cooperation under other sub-regional mechanisms such as CLV-Development Triangle, CLV-Japan framework and EWEC</p> <p>Enhance cooperation under BIMF-EAGA initiatives to develop the East ASEAN Growth Area</p> <p>Promote economic cooperation between Japan and the IMT-GT member countries</p>	<p>Support the implementation of the ASEAN MPAC and promote cooperation between the ASEAN Coordinating Committee on Connectivity and Japan's Task Force on ASEAN connectivity</p> <p>Mobilize resources to support the implementation of the MPAC; promote the development of the PPP scheme to finance the implementation of the MPAC</p>	<p>ASEAN-Japan Plan of Action, 2011</p> <p>Jakarta Framework, 2011</p>

AEC Mid-term Review, 2012	Jakarta Framework, 2011	Tokyo Declaration on ASEAN-Japan Cooperation, 2003	ASEAN-Japan Plan of Action, 2003	ASEAN-Japan CEP, 2008	ASEAN-Japan Plan of Action, 2011
<p>critical for any economic activity. They can also be major facilitators of deeper regional connectivity and integration</p> <p>In view of the critical importance of transport facilitation and cooperation measures to ASEAN connectivity, single market and production base goal, and competitiveness, the recommendations on the way forward include the redoubling of AMSs efforts to finalize Protocols 2 and to "ratify Protocol 7 (seven AMSs have registered concurrence on Protocol 7) of the AFAFGIT with further flexibility, accelerate the ratification process (including air transport agreements) in a few AMSs, and necessary domestic reforms toward the full operationalization of the transport facilitation agreements.</p> <p>In addition, there is a need to support concerned AMSs to raise necessary funds, by utilizing the AIF or sharing experiences on effective PPP scheme of, for critical segments of the ASEAN Highway Network and the Singapore-Kunming Rail Link.</p>	<p>ASEAN needs to enhance connectivity within the region through free flows of goods, services, people and capital as well as further enhancement of physical infrastructure in the region.</p>				<p>Support the consideration for ASEAN Connectivity Plus in the future</p>

Source: Author's compilation from various sources: Economic Research Institute for ASEAN and East Asia (ERIA), "Executive Summary, Mid-Term Review of the Implementation of AEC Blueprint," October 2012, Jakarta; Ministry of Foreign Affairs of Japan, "Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium," 2003, http://www.mofa.go.jp/region/asia-pac/asean/year2003/summit/tokyo_dec.pdf; ASEAN Secretariat, "ASEAN Japan Plan of Action 2003," <http://www.asean.org/news/item/the-asean-japan-plan-of-action>; Ministry of Foreign Affairs of Japan, "Agreement on Comprehensive Economic Partnership among Japan and Member States of the Association of Southeast Asian Nations," <http://www.mofa.go.jp/policy/economy/fta/asean/agreement.pdf>; and ASEAN Secretariat, "ASEAN-Japan Plan of Action 2011-2015," <http://www.asean.org/archive/documents/19th%20summit/JP-PoA.pdf>.

Development of Small and Medium Enterprises in the ASEAN Economies

YURI SATO

SMALL AND MEDIUM ENTERPRISES (SMEs) have been in the spotlight in ASEAN due to dramatic changes in East Asia's trade structures associated with a massive intra-industry division of labor.¹ SMEs are seen as having significant potential to contribute to regional development through participation in international production networks, or global value chains. Greater participation of SMEs in production networks through closer linkages with multinational corporations (MNCs) is viewed as a potent means of accelerating SME upgrading in such areas as productivity, technology, and managerial knowhow.²

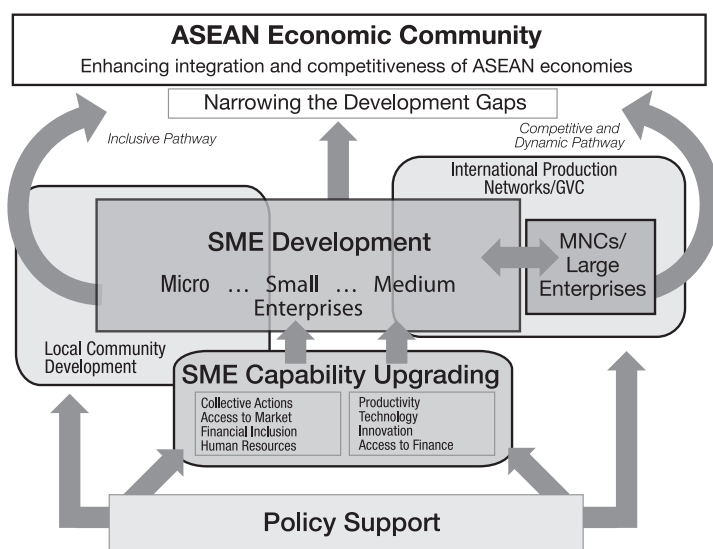
This notion, however, requires reservations in at least two aspects. First, the contribution of the ASEAN SME sector to international production networks remains limited relative to its large size in terms of the number of establishments and its contribution to employment. The average SME export share of five ASEAN member countries (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) is 23 percent, which is lower than that of their counterparts in other East Asian economies, where the export share of SMEs is 43 percent in Korea, 40 to 60 percent in China, and 56 percent in Taiwan.³ There thus seems to be considerable room for improvement in linking the ASEAN SME sector to international production networks.

Second, and more fundamentally, the ASEAN SME sector is characterized by heterogeneity.⁴ One extreme is those SMEs that are keen to improve productivity and innovative capabilities to meet the increased competition in the global market. In Singapore, more than 100,000 SMEs, which account for 70 percent of the total SMEs in the country, utilize business support programs organized by the governmental enterprise development agency and centers.⁵

The other extreme is those SMEs that dominate the SME sector in late-comer and populous ASEAN member countries. Most of them are micro in size and located in rural agrarian economies with limited access to markets and finance. An initial focus of SME development in this case should be put on human resource development to acquire basic managerial and financial skills.

Given the trends toward economic integration in East Asia on the one hand and the heterogeneity of the ASEAN SME sector on the other hand, there are two development pathways for ASEAN SMEs to take, as illustrated in figure 1.

Figure 1. Framework of ASEAN SME development: the competitive and dynamic pathway and the inclusive pathway



Source: by author, arranged from ERIA, *The Jakarta Framework: Moving AEC Forward into 2015 and Beyond* (Jakarta: ERIA, 2011).

SME development is the backbone of the ASEAN Economic Community (AEC), which aims to enhance integration and competitiveness of ASEAN economies. SME development is also viewed as contributing to narrowing the development gaps among the ASEAN economies. Development of SMEs is realized through capability upgrading. However, their processes of upgrading and the development pathways they take to achieve the aim of the AEC are far from uniform, reflecting the wide spectrum of entities in the ASEAN SME sector. Development pathways are twofold. The first is the competitive and dynamic pathway, in which SMEs increase their

competitiveness through participation in production networks with MNCs or local large enterprises. The second is the inclusive pathway, in which SMEs upgrade their capabilities in tandem with local community development. The two development pathways are not mutually exclusive, and SMEs in the inclusive pathway could have a chance to directly or indirectly take part in production networks. SME suppliers to MNCs in the competitive pathway could also utilize mechanisms of collective action emerging from local community development, such as joint purchasing and order sharing.

Government policy support can be broadly categorized into (1) direct support to facilitate SME capability upgrading, (2) indirect support to create institutional environments conducive for SME development in both of the two pathways, and (3) establishment of the foundation of ASEAN to support more effective SME policymaking and implementation.

With this framework in mind, this chapter reviews features of the ASEAN SME sector, discusses tasks that ASEAN must undertake to address problems in the sector, and attempts to identify possible areas of ASEAN-Japan cooperation in line with the mission to move the ASEAN Community forward to 2015 and beyond.

ASEAN POLICY BLUEPRINT AND ACTION PLAN ON SME DEVELOPMENT

The ASEAN leaders have recognized SME development as a vital element for the AEC to be a competitive and equitable economic region. That is why ASEAN has formulated SME-specific policies. In 2004, ASEAN drew up the “ASEAN Policy Blueprint for SME Development 2004–2014.” The blueprint aims to facilitate the emergence of an ASEAN SME sector that is entrepreneurial, innovative, outward-looking, competitive and resilient.⁶ It contains work plans, policy measures, and indicative outputs.

In 2009, the sixth year of the 10-year blueprint, the ASEAN economic ministers (AEM) decided to develop the “ASEAN Strategic Action Plan for SME Development 2010–2015” in order to accelerate the implementation of the blueprint. The Strategic Action Plan states its mission as follows:

By 2015, ASEAN SMEs shall be world-class enterprises, capable of integration into the regional and global supply chains, able to take advantage of the benefits of ASEAN economic community building, and operating in a policy environment that is conducive to SME development, exports and innovation.⁷

To realize that mission, the Strategic Action Plan set the following six goals:

- Enhancing internationalization of SMEs and SME marketing capabilities
- Improving SME access to finance
- Strengthening SME human resource development and capacity building
- Creating an incubator and promoting local SME development
- Establishing an SME service center/ASEAN SME service desk
- Setting up an ASEAN SME Regional Development Fund⁸

Under these goals, the specific plans, key activities, timeline, and responsible member countries were formulated into a policy matrix. Among the major deliverables are the following:

- A common curriculum for entrepreneurship in ASEAN
- A comprehensive SME service center with regional and subregional linkages in ASEAN economies
- An SME financing facility in each ASEAN economy
- A regional program of internship schemes for staff exchanges and visits for skills training
- A regional SME development fund to support intra-ASEAN business leaders

In 2011, the ASEAN and East Asia Summits emphasized the role of SMEs as vehicles for accelerating intraregional trade, rebalancing the economies toward domestic and regional demand, and promoting inclusive growth in Asia.

As seen in the policy blueprint, the Strategic Action Plan, and other official statements, the ASEAN leaders seem to be fully aware of the necessity of competitive and innovative SMEs and have already outlined a wide range of challenges confronting ASEAN SMEs, as well as concrete actions to address those challenges. All these policies are ongoing, and there is no official progress report yet. Though progress might have been made to a certain extent in parts of ASEAN, generating an “entrepreneurial, growth-oriented, outward-looking, modern and innovative” and “world-class” SME sector in ASEAN remains a serious challenge given the current state of ASEAN SMEs as described below.

CURRENT STATE OF ASEAN SMES

A Variety of SME Definitions

Table 1 compares official definitions and contributions of SMEs to the national economy in the 10 ASEAN member countries and Japan, based

on the latest official statistics and information from each governmental authority. As seen in the table, a variety of official definitions of SMEs among the ASEAN countries is one of the major constraints to capturing a comprehensive picture of ASEAN SMEs.

First, all the member countries use the number of workers per establishment as a common criterion, but cut-off lines between SMEs and large enterprises vary from 100 to 300 persons. Only four countries adopt a definition of SMEs as enterprises with fewer than 100 workers, which coincides with the standard Organisation for Economic Co-operation and Development (OECD) definition.

Second, except for Brunei and Cambodia, all the countries use additional criteria such as assets excluding land and buildings, annual sales, investment, and capital, some of which vary by sector. Cut-off lines valued in terms of local currencies are revised every few years.

Third, some countries do not have cut-off lines separating micro enterprises from their SME category. Micro enterprises, often defined as having fewer than five workers, are dominant in large parts of developing ASEAN economies and typically operate in the informal sector without registering their status. Whether or not micro enterprises are included significantly affects size structure, challenges, and policy implications.

Contribution of SMEs to the National Economy

Table 1 separates “small & medium” enterprises, excluding micro establishments, and “plus micro” establishments, consisting of micro, small, and medium establishments, and it lists all available data on SMEs’ shares in terms of the number of establishments, employment, and value added.

The “plus micro” row is relatively complete. Interestingly, no obvious difference is found between ASEAN countries and Japan in regard to SMEs’ dominance in the number of establishments and employment. The shares in Laos might possibly be underestimated partly due to a lack of formal registration. It can be rather safely said that, in the ASEAN economies, SMEs including micro enterprises account for 97 to 99.9 percent of all enterprises, and for 53 percent (Malaysia) to 97 percent (Indonesia) of employment, and contribute to 30 percent (Malaysia) to 58 percent (Indonesia) of GDP in each country.

The “small & medium” row demonstrates the dearth of data facing the ASEAN SME sector, although this segment plays a key role in the competitive and dynamic pathway of SME development (the right side of the framework in figure 1). Limited data indicate that the contribution of SMEs

Table 1. A comparison of official definitions of SME and contribution to the national economy in the ASEAN countries and Japan

Official Definition	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Japan
No. of workers	100	200	100	100	150	100	200	200	200	300	300
Other criteria			Assets Sales	Assets Sales	Sales	Horsepower Investment Sales	Assets	Assets Local ownership	Assets	Capital	Capital
Small & Medium											
Establishments	3,898	45,541	646,475	-	148,678	3,620	73,509	-	-	57,700	1,465,001
(% of total)	44%	12%	1%	-	23%	3%	9%	-	-	2%	25%
Employment	-	31%	7%	2.7%	34%	-	33%	-	-	2.5%	5.2%
Value added	-	-	2.3%	-	2.3%	-	n.a.	-	-	5.5%	5.4%
Plus Micro											
Establishments	8,632	376,069	55,206,444	190,002	645,136	108,491	81,675.9	161,000	2,274,525	2,718,139	5,795,161
(% of total)	98%	99.8%	99%	91%	97%	99%	99.6%	99%	99%	99.9%	99%
Employment	-	7.5%	97%	3.5%	53%	-	61%	70%	77%	77%	76%
Value added	-	-	5.8%	-	30%	-	36%	50%	3.8%	5.6%	-
Sector	All	All	All	All	All	Manufacturing	All	All	All	All	All
Year	(2010)	(2009)	(2011)	(2006/2004)	(2010)	(2007)	(2011)	(2007)	(2006)	(2002)	(2009/10)
Source of Information/ Governmental office in charge	Brunei Darussalam Statistical Yearbook www.dep.d.gov.bn	Nation-wide Establishment Listing of Cambodia, National Institute of Statistics www.nis.gov.kh	Ministry of Cooperatives and SMEs www.depkop.go.id	Economic Census 2006/ Business Establishment Survey 2004 www.nsc.gov.la	Economic Census 2011: Profile of SMEs www.statistics.gov.my	Ministry of National Planning and Economic Development/ Ministry of Industry www.dica.gov.mm	Department of Trade and Industry www.dti.gov.ph	Performance Indicators, SPRING Singapore www.spring.gov.sg	Office of SME Promotion www.sme.go.th	Ministry of Planning and Investment, Enterprise Development Agency www.business.gov.vn	White Paper on SMEs in Japan, SME Agency www.chusho.meti.go.jp

Note: For Vietnam, the percentage of value added is in terms of invested capital. For Japan, the percentage of value added is only in the manufacturing sector.

Other sources: Kudo (2010) for Myanmar, Uchikawa and Keola (2009) for Lao PDR and Cambodia, Organization for SME and Regional Innovation (2007, 2008), and Ayyagari et al. (2007) for multiple countries.

References: T. Kudo, "Industrial Policy, Structure, and Locations during the Transition Toward a Market-oriented Economy in Myanmar," in *Spatial Statistics and Industrial Location in CLMV*, ed. I. Kuroiwa (Chiba: IDE-JETRO, 2010); S. Uchikawa and S. Keola, "Small and Medium Enterprises in Cambodia, Laos and Vietnam" in *Research on Development Strategies for CLMV Countries*, ERIA Research Project Report 2008-5, ed. A. Kuchiki and S. Uchikawa (Jakarta: ERIA, 2009): 237-73; Organization for SME and Regional Innovation (SMRI), *SME Policies in the ASEAN Countries and Japan* (Tokyo: SMRI, 2007) and *SME Policies in the Six ASEAN Countries* (Tokyo: SMRI, 2008).

excluding micro enterprises varies considerably from 1 percent (Indonesia) to 44 percent (Brunei) in terms of the number of establishments and from 7 percent (Indonesia) to 34 percent (Malaysia) in terms of employment. Unfortunately, data on contribution to GDP are available in only two countries, Indonesia and Malaysia, which coincidentally both have the same significant level of 23 percent. (The level of 55 percent in Vietnam is the share of invested capital.)

Higher shares in the “small & medium” segment generally represent higher degrees of SME development, as typically shown by the figures for Japan. Except for Malaysia and Brunei, the data do not show any signs of the countries catching up. In addition, Japan’s size in the number of establishments classified as small and medium outstrips any of the ASEAN countries, including Indonesia, which has almost 10 times as many establishments if micro enterprises are included.

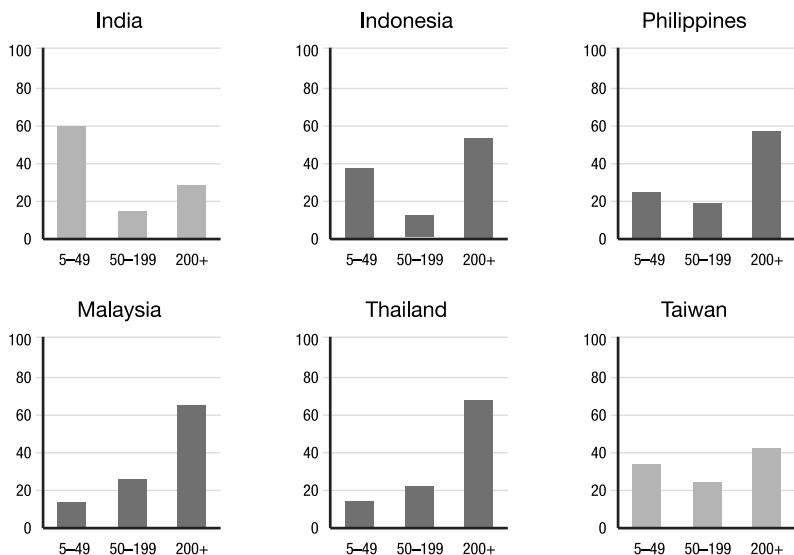
“Missing Middle” and “Dominant Large” Lead Stagnant SMEs

Dipak Mazumdar has derived three patterns in size structure of small, medium, and large enterprises from his analysis of the Asian manufacturing sector. (Micro enterprises with fewer than five workers are excluded in this study.)⁹

The first pattern is “missing middle,” or “bi-modal.” As seen in figure 2, the employment share of medium-sized enterprises is clearly lower than those of small and large enterprises in India, Indonesia, and to some extent the Philippines. What matters with this pattern is not the smallness of the medium-sized enterprise segment but the low labor productivity at the low end. Wage levels of small enterprises in India, Indonesia, and the Philippines described in figure 3 are only around 20–35 percent of those of large enterprises. Small enterprises are absorbing a great deal of employment, working with low productivity at low levels of technology, and are generally not competitive. This pattern is viewed as typical in developing Asian economies.

The second pattern is “dominant large,” or “skewed to the right.” In Malaysia and Thailand (figure 2), large enterprises with 200 workers or more account for the majority of employment. Large enterprises have been a major driver of manufactured exports, and the relative wage level of SMEs is high with increased productivity (figure 3). The problem with this pattern lies in the relatively limited labor absorption of large enterprises, and hence the manufacturing sector as a whole, due to high capital intensity. Consequently, the primary and tertiary sectors play a

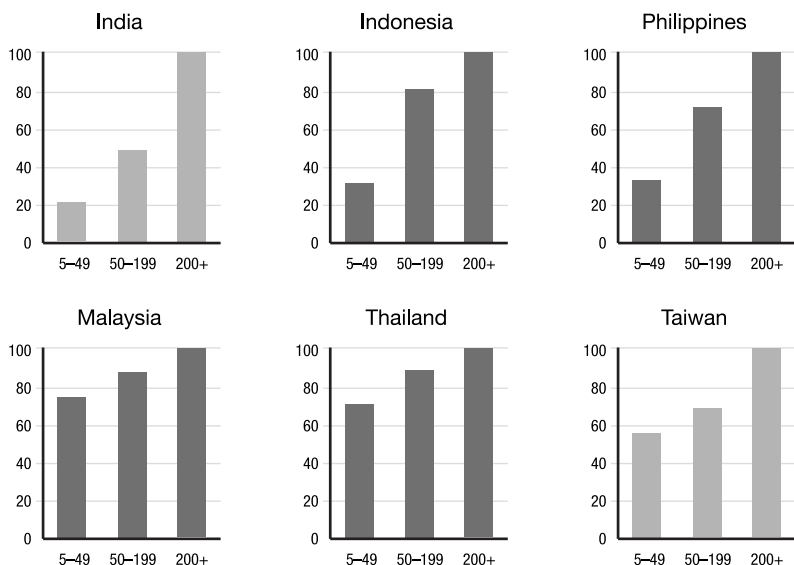
Figure 2. Share of total employment in the manufacturing sector by enterprise size (%), 2005



Note: Enterprise size is measured in terms of the number of workers.

Source: Mazumdar (2009) and Mazumdar and Sarkar (2013).

Figure 3. Wage differentials in the manufacturing sector by enterprise size (large enterprises = 100), 2005



Note: Enterprise size is measured in terms of the number of workers.

Source: Mazumdar (2009) and Mazumdar and Sarkar (2013).

larger part in employment absorption. This leads to inequality of SME growth by sector.

The third is the “balanced” pattern, or “the SME model.” Japan, Taiwan, and Korea display relatively balanced distributions of employment across small, medium, and large enterprises and moderate inclination of wage differentials (see Taiwan in figures 2 and 3). Compared with the former two patterns, this SME model has the advantage that SMEs participate as much in employment growth in manufacturing as large enterprises, which leads to growth with equity and balanced productivity.

Most ASEAN countries may fall into the category of “missing middle” or “dominant large,” where SMEs remain stagnant due either to low productivity or low employment absorption.

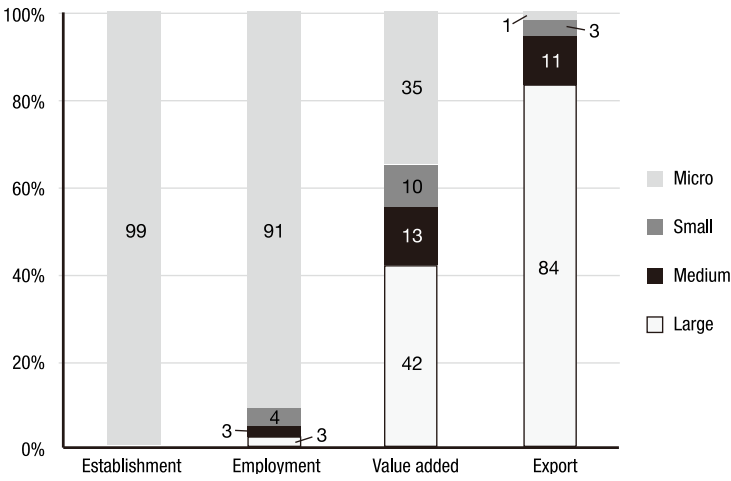
SMEs’ Export Contribution and Participation in Production Networks

Figure 4 illustrates the contribution of SMEs (including micro enterprises) to the national economy in Indonesia, which is categorized by a typical “missing middle” pattern. The figure shows a beautiful dual structure, with an enormous number of micro enterprises earning 35 percent of GDP on the one hand, and large enterprises accounting for merely 0.01 percent in number but earning 42 percent of GDP on the other hand. What is most striking is shares in export (excluding oil and gas). Large enterprises’ contribution jumps up to 84 percent, while micro enterprises seem to have nothing to do with exports. The shares of SMEs may go up if indirect exports through subcontracting are taken into account, but they may go down if oil and gas exports are included.

Ganeshan Wignaraja calculates the contribution of SMEs to exports including indirect exports for five ASEAN member countries in his analysis of SME participation in production networks using a data set comprising 5,900 manufacturing enterprises.¹⁰ As seen in figure 5, the shares of SME exports, though still limited, rose modestly between the late 1990s and the late 2000s. This picture is broadly reflective of the degree of SME participation in international production networks. Thailand, the Philippines, and Malaysia—with higher SME export shares—are among the countries having higher export shares of machinery parts and components in total exports, as described in studies by the Economic Research Institute for ASEAN and East Asia (ERIA) and Kimura Fukunari.¹¹

Recent literature vigorously attempts to figure out which determinants push SMEs to participate in production networks and to move up from

Figure 4. Contribution of SMEs to the national economy in Indonesia, 2011

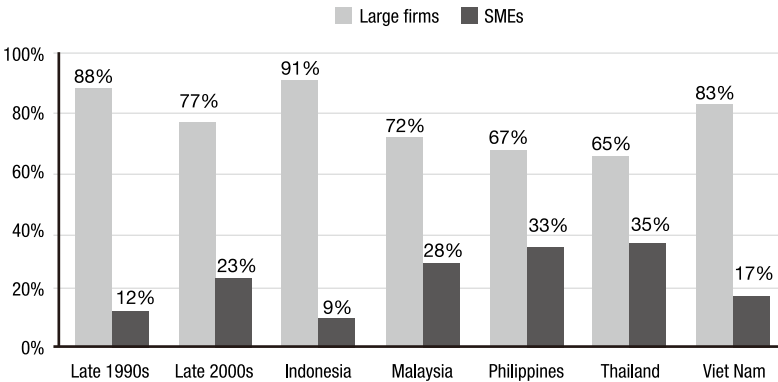


Note: Export value excludes oil and gas.

Source: Statistics of the State Ministry of Cooperatives and SMEs of Indonesia.

low- to high-value adding activities in the networks. According to a series of ERIA studies, key determinants are firm size, productivity, and foreign ownership. Innovation efforts, managerial attitudes, access to finance, and debt servicing capability are additional factors.¹² The above-cited study by Wignaraja finds that, in addition to firm size, foreign ownership, and access to bank credit, educated workers, an experienced CEO, internationally agreed quality certification (e.g., ISO standards), and patent registration positively affect the probability of SME participation

Figure 5. Share of large firms and SMEs in total exports



Source: Wignaraja (2012) and Harvie and Lee (2002).

in production networks. Younger SMEs are more likely to participate in production networks. Wignaraja also notes that a lack of trust, or a “trust deficit,” among SMEs impedes the development of production networks with greater SME involvement.¹³

Challenges for Enhancing Technological Capabilities

For SMEs moving toward greater involvement in production networks and exports, one of the prerequisites is technological capabilities. Literature points to positive mutual effects between firm-level technological capabilities and production network development.¹⁴

Table 2 lists some indicators that are generally used to represent country-level technological capabilities and compares the ASEAN members with other Asian countries. The indicators here describe enterprises of all sizes because it is difficult to obtain data that represent nationwide firm-level technological capabilities with clear cut-off lines between large enterprises and SMEs.

The number of ISO 9001 certifications acquired by enterprises in the 10 ASEAN countries evidently increased more than twofold in the last decade, although they still have far fewer than other Asian countries. Malaysia, Thailand, and Indonesia are running in front, Vietnam is catching up, and Myanmar, Laos, and Cambodia are just starting, while others are stagnant. On the contrary, shares of high-technology exports decreased in the same period in all the countries for which data are available. In terms of R&D expenditure as a percentage of GDP, only Singapore and Malaysia show upward trends.

Table 3 compares the number of patent applications in some ASEAN countries, China, and Japan. Among the ASEAN members, Thailand and Malaysia are the leaders, each exceeding 1,000 applications in 2010. In Thailand, the percentage of applications by resident has strikingly risen in recent years to reach 63 percent in 2010. Nevertheless, patent applications in other ASEAN countries are less pervasive. Furthermore, the number of annual applications in China and Japan is 240 times higher than that of Thailand, and the percentages of applications by resident reach around 80 percent.

Overall, indicators related to technological capabilities in ASEAN countries show a patchy pattern by country. They are uneven by indicator and are not increasing linearly. The result suggests a relatively low level of institutional development and of industrialists’ awareness of technological upgrading in the ASEAN countries.

Table 2. Selected indicators of technological capabilities in ASEAN and other Asian countries

Country	Number of ISO 9001 certifications		High-tech exports (% of manufactured exports)		R & D expenditure (% of GDP)	
	2000	2010	2000	2010	2000	2008
Brunei	193	61	9	n.a.	0.02	n.a.
Cambodia	1	6	n.a.	n.a.	0.05	n.a.
Indonesia	1,860	6,524	16	11	0.07	0.08
Laos	0	9	n.a.	n.a.	0.04	n.a.
Malaysia	2,355	8,614	60	45	0.47	0.63
Myanmar	4	26	n.a.	n.a.	0.11	n.a.
Philippines	1,027	944	73	68	0.14	0.11
Singapore	3,900	3,934	63	50	1.85	2.66
Thailand	2,553	6,799	33	24	0.25	0.21
Vietnam	184	2,036	11	6	0.19	n.a.
Total/ Average	12,077	28,953	38	34	0.32	0.74
China	25,657	297,037	19	28	0.90	1.47
Korea	15,424	24,778	35	29	2.30	3.36
India	5,682	33,932	6	7	0.77	0.76
Japan	21,329	58,836	29	18	3.04	3.45

Note: In high-tech exports, the figure of Brunei is from 1998 instead of 2000; those of Korea and Vietnam are from 2009 instead of 2010. In R & D expenditure, the figures for Brunei, Laos, Philippines, and Vietnam are from 2002; those of Philippines, Thailand, and India are from 2007, Malaysia from 2006, and Indonesia from 2009.

Source: ISO, ISO Survey 2011, and World Bank, World Development Indicators.

WHAT ASEAN NEEDS TO DO FOR SME DEVELOPMENT

SME Development Strategy in the Competitive and Dynamic Pathway

In the competitive and dynamic pathway, a key to SME development is greater involvement of SMEs in production networks. Empirical literature reveals that a firm's participation in networks and its capability upgrading are correlated in a kind of virtuous cycle; firms with higher capabilities participate more in production networks,¹⁵ and a firm's participation in networks can help it further upgrade its capabilities.¹⁶ Well-linked firms outperform non-linked firms in product and process innovation by reducing the innovation costs. More diverse information sources tend to engender more types of innovation.¹⁷

Figure 6 is a conceptual diagram of SME development paths. In general, SMEs operate using relatively low technology and market their products

Table 3. Number of patent applications by residents in ASEAN countries, China, and Japan

Country	Indonesia		Malaysia		Philippines		Singapore	
Year	2005	2010	2005	2010	2005	2010	2005	2010
Number of applications by residents	235	516	522	1,231	210	170	569	895
Percentage of applications by residents in total applications	5%	9%	8%	19%	9%	5%	7%	9%

Country	Thailand		Vietnam		China		Japan	
Year	2005	2010	2005	2010	2005	2010	2005	2010
Number of applications by residents	891	1,214	362	306	93,485	293,066	367,960	290,081
Percentage of applications by residents in total applications	14%	63%	17%	9%	54%	75%	86%	84%

Note: "Applications by residents" refers to those filed by applicants who are residing in the country of application. No applications were filed by residents in Brunei. No data are available for Cambodia, Laos, and Myanmar.

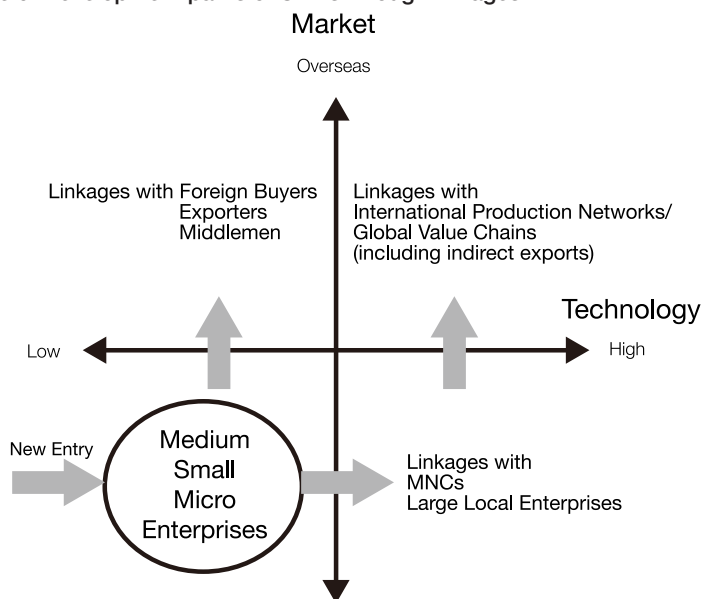
Source: World Intellectual Property Organization (WIPO) Statistics Database.

domestically, represented in the lower left quadrant of the diagram. There are two possible development paths for moving out of this quadrant by utilizing linkages.

The first path, which is relevant to the competitive and dynamic pathway, is technological upgrading, moving rightward in the diagram. The first step is to go into linkages with large enterprises, either local or foreign, that are producing for the domestic market (the lower right quadrant). SMEs may need to make investments to meet the requirements of the new customers. If the large enterprises start exporting products, suppliers are selected according to stricter criteria in order to conform to global standards. Thus entry into the upper right quadrant is the biggest hurdle for SMEs. They need holistic improvements of production processes in light of quality, costs, and delivery. SMEs should invest further in physical equipment and human resources and may have to compete with foreign suppliers.

In the competitive and dynamic pathway, SMEs are trained mainly through business transactions with customers and competition with rivals. Such business training can be more effective for capability upgrading than direct support by the government. The needed policy support may be indirect in nature, by creating an institutional environment to support SMEs that lack resources and to lighten their burden. Major policy support in the competitive and dynamic pathway should be as follows:

Figure 6. Development paths of SMEs through linkages



Source: by author, arranged from Uchikawa and Keola (2009): 245.

- Develop institutions to expand SME financing so as to enable SMEs to make necessary investments for technological upgrading
- Improve institutions for SMEs to access various business support services
- Develop technological and managerial human resources needed for SMEs to upgrade
- Improve physical connectivity, transportation and communication infrastructure, and logistics services to reduce costs and to fulfill required delivery (Strict observance of delivery is essential in the export business)
- Reduce bureaucratic costs in investment, taxes, customs, licensing, and other business activities

SME Development Strategy through the Inclusive Pathway

The second SME development path uses linkages for exporting, moving upward in the diagram (figure 6), which is defined as the inclusive pathway. This consists of direct or indirect exports through linkages with local traders, middlemen, exporters, trading houses, foreign tourists, or foreign buyers. These agents play a significant role in providing information on markets, design, and technology. Typically, producers are small in scale and use relatively low levels of technology. In successful cases, however, inefficiency

resulting from their small size can be mitigated by coordinating the functions of the local or foreign agents. Exports provide SMEs the opportunity to upgrade their capabilities through their efforts to meet requirements in overseas markets.

A key to SME development in the inclusive pathway is the development of devices that can make up for the disadvantages they suffer due to their size. In addition to export linkages, studies on clusters in Italy and Taiwan suggest that a mechanism for collective action among SMEs, such as joint purchasing and order sharing, helps reduce costs.¹⁸ However, mechanisms for collective action do not work well when trust among SMEs is lacking. Trust, a basic ingredient for developing positive collective behavior, can be generated among local community members through participation in community development activities. That is why local community development is important to make collective action effective. In the inclusive pathway, export linkages and collective action are among the desirable strategies for mitigating the low productivity that is inherent in the “missing middle” pattern of SME size structure.

In relation to the “dominant large” pattern in which SMEs have low employment absorption capacity, promoting new entries would be another strategy in the inclusive pathway. The study on SMEs across 76 countries mentioned above finds that lower costs of entry are among the factors with the largest effect on larger SME sectors.¹⁹ Some measures to reduce costs or barriers of entry are necessary to promote new entries, such as start-up support services in aspects of management and financing.

As indicated, the role of government policy support in the inclusive pathway is to level the playing field for SMEs. Compared with the competitive pathway, policy support needed in the inclusive pathway is more direct. Major necessary policies that are necessary to support the inclusive pathway are as follows:

- Promote collective action among SMEs in line with local community development
- Develop institutions to promote SMEs’ access to wider markets, including those overseas
- Provide basic managerial support (e.g., bookkeeping) for SMEs so that they will be better able to access credit
- Develop institutions to reduce risks and to lower barriers to SME financing
- Develop entrepreneurial human resources for SMEs, including new startups

Foundation for SME Policymaking and Implementation

ASEAN needs to establish a foundation of information for SMEs, presented in a comprehensive and uniform manner, which would help make SME-related policymaking and implementation more effective.

Requested at the ASEAN Summit in 2011, the ASEAN SME Policy Index is now being constructed by ERIA, with the OECD SME Policy Index being used as a reference. The ASEAN SME Policy Index is expected to enable assessment, monitoring, and hence better policy planning for SME promotion. The index presents an assessment framework comprising the following eight dimensions (and more detailed sub-dimensions) with six levels of policy reform ranging from low to high ends.²⁰

1. Institutional framework
2. Access to support services
3. Cheaper and faster start-up and better legislation and regulations for SMEs
4. Access to financing
5. Technology and technology transfer
6. International market expansion
7. Promotion of entrepreneurial education
8. More effective representation of SMEs' interests

A more fundamental source of information on SMEs that should be constructed is an ASEAN SME database. Again, the OECD SME Statistics will be a good reference. As shown in table 1, official data on SMEs in the ASEAN member countries are far from comprehensive and uniform. Without capturing the whole picture of SMEs across the countries, the actual heterogeneity of the ASEAN SME sector cannot be understood. In order to derive the right strategies that are effectively targeted to the right segments of the SME sector, there is a need to comprehend the distribution of ASEAN SMEs with comparable cut-offs by size and by sector.

ASEAN-JAPAN COOPERATION FOR SME DEVELOPMENT

Uniqueness of Japan: A Wealth of Experience in SME Development

As discussed above, industrial organizations in Japan follow the “balanced” pattern. On the one hand, large enterprises emerged in the form

of *zaibatsu*, large industrial and financial business groups, in the 1880s, and these grew into MNCs after the 1960s. On the other hand, SMEs emerged as exporters of traditional light industries in the 1910s and then developed mainly as subcontractors of modern machinery industries after the 1930s. This process can be characterized as the parallel development of large enterprises and SMEs.

Japan's relatively long history of SME development could offer several suggestions for ASEAN countries. First, the history of Japanese SME development represents the competitive and dynamic pathway. The widely shared view is that the main driver of SME development was not external assistance but internal learning and entrepreneurial activities in a competitive environment. There is much evidence of "small but highly competitive" enterprises and their evolution "from micro to the world class," which could be inspirational for ASEAN countries.²¹

Second, Japan's SME development process, parallel to large enterprises, also represents the inclusive pathway. Collective action by small firms in rural and urban communities, clusters, and cooperatives helped SMEs overcome their size disadvantage. A well-known example is the one village one product (OVOP) movement, a joint production and marketing activity among villagers for selected local specialty products, advocated by then Governor Morihiko Hiramatsu of Oita prefecture in 1979. Some ASEAN countries have introduced the OVOP program (e.g., the one tambon one product, or OTOP, in Thailand).

Third, Japan has experience with a full range of SME policies at the central and local government levels. The line-up of policy instruments encompasses the following categories:

(1) To level the playing field for SMEs

- Financing
- Preferential taxation
- Subcontractor protection to regulate unfair transaction practices
- Management support services
- Reconstruction support services

(2) To revitalize SMEs

- Technology development support services
- Human resource development support services
- Overseas business development support services
- New business (products, markets) support services
- Revitalization of local commercial areas

- Start-up support services
- Promotion of SMEs to bid for government-funded projects²²

Most of these policy instruments are supported by specific laws and regulations and are well institutionalized. As seen in figure 7, SME policies are implemented with the SME Agency serving as the headquarters, working together with governmental organizations (e.g., SMRJ, the Organization for SMEs and Regional Innovation, Japan; and JETRO, the Japan External Trade Organization), government banks, credit guarantee corporations, regional governments, their SME support centers, business organizations (e.g., chambers of commerce and industry, societies of commerce and industry, business associations), cooperatives, professionals (e.g., SME managerial/technological consultants, or *shindanshi*, public accountants, tax accountants, lawyers), universities, and so forth. In particular, financing and taxation, management and technology development, and human resource development have been the pillars of support services.

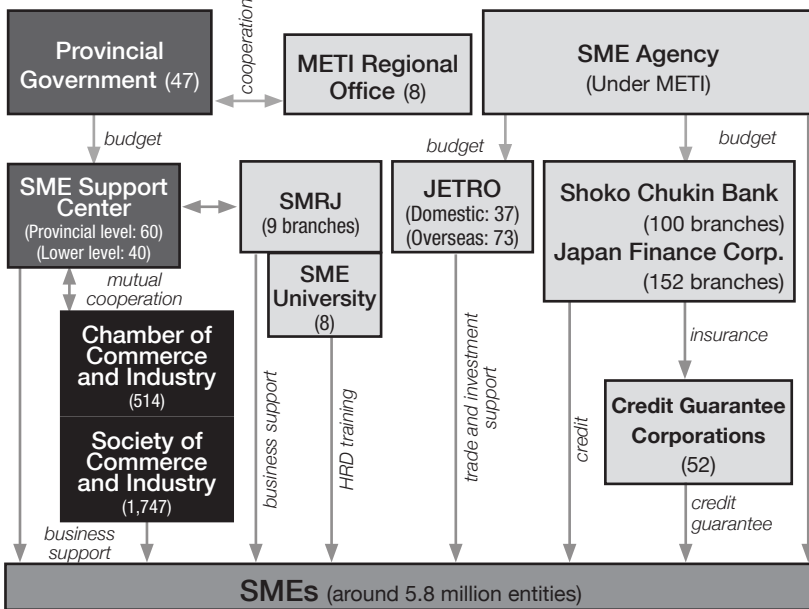
Japan's experience with SME policymaking and implementation systems, either best practices or failure stories, could serve as good lessons for ASEAN countries.

Uniqueness of Japan: Production Networks in the ASEAN Region

The Great East Japan Earthquake and the extreme flooding in Thailand in 2011 demonstrated how damage in one area has a huge impact all over Asia—even the world—because of the extensive production and distribution networks that have been developed by Japanese MNCs. Japan's overseas production and distribution networks have a long history in the ASEAN region, having been around since the 1960s, and they have the widest range of involvement of local counterparts, such as joint venture partners, sole agents, parts and component suppliers, distributors, dealers, and after-service providers. This historically intimate connectedness between the ASEAN economies and Japan suggests that SMEs in ASEAN have an opportunity to make maximal use of Japan's networks to enhance their capabilities.

Japan's national economic outlook changed when the economy stagnated in the 1990s and the population began to shrink in 2004. Japan is now the most rapidly aging society in the world. Given the diminishing domestic market and the increasing burden of the dependent population, one survival strategy for the Japanese corporate sector is development of overseas

Figure 7. Institutions for policy implementation and SME support in Japan



Note: Figures in parentheses refer to the total number of institutions.

Source: SME Agency, "SME Policy in Japan" (Tokyo: SME Agency, 2011).

business. The logical consequence is that Japanese production networks involving Japanese SMEs will expand further and their local procurement will deepen and widen in the long run. One of the priority tasks in the Small and Medium Enterprise Agency of the Ministry of Economy, Trade and Industry (METI), Japan, is to support Japanese SMEs' survival by helping them expand overseas.

Reflecting this fundamental change, the ASEAN-Japan relationship will no longer be a unilateral one whereby Japan helps ASEAN countries. The government of Japan needs more than ever to be accountable and provide explanations for how official development assistance (ODA) benefits not only the recipient countries but also Japanese taxpayers. In the context of ASEAN, Japanese ODA must benefit Japanese MNCs and SMEs operating in the region in a more short-term and direct manner. However, what is crucial is that the return on Japan's investment should be calculated with a long-term perspective, considering that closely interconnected networks covering Asia will further develop over time. Thus ASEAN-Japan cooperation should be strategic in the true sense that it is beneficial for both sides in the long run and should enhance mutual trust, which can be called "win-win cooperation."

Existing ASEAN-Japan Initiatives for SME Development

ASEAN-Japan cooperation for SME development has been discussed in and implemented through the SME Working Group in the AEM-METI Economic and Industrial Cooperation Committee (AMEICC). Established in 1998, the AMEICC is a body for policy consultations and implementation under the AEM-METI and the ASEAN-Japan Summit. It holds seven working groups, including one on SMEs. Others are on human resources, West-East corridor development, statistics, the automobile industry, the chemical industry, and information technology (IT). The AMEICC SME Working Group comprises representatives from SME agencies of ASEAN countries (i.e., members of the ASEAN SME Working Group) and from the SME Agency of Japan, and it has regular meetings twice a year.

The latest ASEAN-Japan initiatives in the economic area are outlined in the “ASEAN-Japan Strategic Economic Cooperation Roadmap 2012–2022,” which was agreed upon in the AMEICC in August 2012. The roadmap consists of three pillars: (1) integrating markets in ASEAN and the East Asian region, (2) strengthening industrial cooperation aimed at building more advanced industrial structures, and (3) improving economic growth and standards of living. SME development accounts for one of the three major activities in the second pillar (the other two being development of hard and soft infrastructure and utilization of satellite technology), and it is also partly related to the third pillar, which includes human resource development. Table 4 provides a list of all SME-related activities and sub-activities in the roadmap. In most sub-activities, the AMEICC SME Working Group is the responsible body.

As table 4 shows, the roadmap views cooperation for SME development in the context of strengthening supporting industries and enhancing cross-border SME networks in the region. Compared with past ASEAN-Japan initiatives, the policy focus seems to have shifted from community-based SME development (inclusive pathway) to SME participation in production networks (competitive and dynamic pathway). Industries of focus have shifted from steel, electronics, plastics, textiles, and garments to IT, medical and healthcare, and green industry, while the automobile industry remains a high priority. The shift in strategic and industrial focus reflects Japan’s current national interests and competence.

Recommendations for ASEAN-Japan Cooperation in SME Development

While the ASEAN-Japan Strategic Economic Cooperation Roadmap 2012–2022 seems to cover most areas of cooperation on SME development that are needed, there are other areas in which ASEAN-Japan cooperation could further support their development in a way that benefits both sides.

What does “win-win cooperation” between ASEAN and Japan look like? First, promoting Japan’s production networks across the region will be beneficial for both sides. As discussed above, greater involvement in international production networks is one key to SME development in the competitive and dynamic pathway.

Second, Japan needs to take the high degree of heterogeneity among the ASEAN SMEs into account. This chapter offers a twofold framework of SME development through the competitive and dynamic pathway and the inclusive pathway, with policies supporting efforts in a different way for each pathway. In the inclusive pathway, making up for disadvantages due to the small size of SMEs is a key to their development. The same policy can produce short-term effects in some areas, while it may take a long time in other areas of ASEAN. Cooperation schemes may need to be customized for each country when they move from the pilot and introductory stage to the dissemination stage.

Third, areas selected for cooperation should coincide with where Japan has much experience and has established good practices. Japan’s relative advantage may lie primarily in system building or institutionalization of a wide range of SME support services as discussed above.

Bearing these points in mind, some specific recommended areas for cooperation are described below.²³ All the recommendations are related to system building that will promote SME development. Table 5 sums up the purpose of each system, the pathway that each mainly targets, and the time frame for implementation. Most of the items are not purely new ideas but rather extensions of the policy matrix attached to the ASEAN Strategic Action Plan for SME Development 2010–2015 and the ASEAN-Japan Strategic Economic Cooperation Roadmap 2012–2022, or systematizations of past policies that have been attempted in some ASEAN countries.

1. TECHNOLOGICAL HUMAN RESOURCE DEVELOPMENT SYSTEM: A common hindrance for SMEs entering into production networks is the shortfall in human resources for technological management, specifically mid-level managers, engineers, technicians, supervisors, and forepersons. Considering Japan’s competence in industrial technology and its experience

Table 4. SME-related activities in the ASEAN-Japan 10 Year Strategic Economic Cooperation Roadmap

Pillar	Activities	Sub-activities	Phase 1 (2012-2016)	Phase 2 Responsible Body (2017-2022)	Supporting Organizations
1.	Integration of markets in ASEAN and the East Asian region in a mutually beneficial manner	Strengthening industrial cooperation towards more advanced industrial structures			
2.	Develop and support SMEs, especially supporting industries, and entrepreneurs	a. Improving SME access to finance, technologies and markets 1. Improving access to finance and proper financial management in ASEAN 2. Improving access to technologies 3. Improving access to markets through various initiatives such as One Village One Product (OVOP) initiative, exhibitions, seminars, workshops and other outreach opportunities 4. Improving business environment to provide risk money to SMEs 5. Improving product quality to comply global market through mentoring, including packaging, brand design & certification label b. Promotion of SME cross-border business through FTAs 1. Organizing investment promotion seminars and business consulting for SMEs 2. Providing assistance to improve SMEs' capacity building of relevant negotiation & export import c. Fostering SMEs in high-growth sectors, including green industry, medical and healthcare industry, while taking into consideration the other priority sectors identified in the AEC 1. Development of industrial clusters of SMEs in automotive component sector 2. SME business development in creative industry sector d. Enhancing and expanding networks of SMEs in ASEAN and East Asia 1. Organizing "Only-One SME Mission" to AMMS 2. Strengthening industrial organization, including the Chamber of Commerce in each country e. Enhancing opportunities for SMEs to take advantage of regional and global production chains f. Empowerment for SMEs to recognize green issues, and foster sustainable growth and energy efficiency		AMEICC HRD-WG, AI-WG AMEICC SME-WG, Central Bank AMEICC SME-WG AMEICC SME-WG AMEICC SME-WG AMEICC SME-WG AMEICC SME-WG AMEICC SME-WG AMEICC SME-WG AMEICC SME-WG	JETRO, HIDA JICA JETRO, JICA JETRO, JCCI APEN JCCI
3.	Improving economic growth and standard of living	I. Establish a disaster resilient society in East Asia c. Improvement in the business resiliency of SMEs II. Promote human resource development and capacity building a. Developing a "Comprehensive Higher Professional Education System (Multiversity)" in interested AMMS b. Supporting human resource development for SMEs			

Source : ASEAN; Japan 10 Year Strategic Economic Cooperation Roadmap 2012-2022, Appendix.

AMEICC : ASEAN Economic Ministers and METI Economic and Industrial Cooperation Committee

HRD-WG : Human Resource Development Working Group

AI-WG : Automobile Industry Working Group

SME-WG : Small and Medium Enterprises Working Group

HIDA : Japan External Trade Organization (under Ministry of Economy, Trade and Industry of Japan)

JICA : Japan International Cooperation Agency (under Ministry of Economy, Trade and Industry of Japan)

JCCI : Japan Chamber of Commerce and Industry

APEN : Asia Professional Education Network

JCCI, Japan Chamber of Commerce and Industry

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in system formation for technological education, ASEAN can leverage cooperation with Japan to generate a system for technological human resource development. The system needs to be well linked to educational institutions in each ASEAN member country to implement effective curricula and should also be linked to the business sector for practical training and internships.

2. PROFESSIONAL CERTIFICATION FOR SME SUPPORT OFFICERS: In some ASEAN countries, various types of consultants, counselors, and training officers from the public and private sectors have rendered support services to SMEs. In general, such support services greatly contribute to providing SMEs with basic managerial skills, such as bookkeeping, in the initial stage of their development. Japan has experience with certification systems for SME support officers who work on a freelance basis or in connection with the regional chambers of commerce and industry and help SMEs access credit. In ASEAN countries, however, most existing SME support officers are not systematically organized, they vary in quality, and they are often unstable as professionals. Formulating certification systems in a uniform manner to guarantee their qualifications and pool them as professional business analysis practitioners, will benefit both SMEs and support officers.

3. SME CREDIT FACILITATING SYSTEMS: SME financing is the area where Japan has the broadest experience, since it has been viewed as a significant bottleneck in SME development. Especially for SME development in the inclusive pathway, it is crucial to reduce lending risks and to lower barriers for SMEs to access financing. Some Japanese systems may be worth testing. One is a credit guarantee system, whereby SMEs can borrow without collateral and credit guarantee agencies provide the guarantee to the banks. Another is a credit rating system for SMEs, aiming to expand bank lending to SMEs by reducing banks' risks. Japan's credit risk database system provides a model.

4. CREDIBILITY INDEX FOR SMES: This index would aim to help potential SMEs entering into international production networks. The index is a composite index of firm-level capabilities made up of technological, financial, and human resources and other managerial aspects. The index could reduce information costs and search costs in business matching.

5. BUSINESS MATCHING PLACES: The ASEAN and Japanese governments can create common matching places, either virtual permanent exhibitions or

actual regular exhibitions, to promote SMEs' participation in international production networks as well as export business.

6. PHYSICAL AND SOFT INFRASTRUCTURE FOR SMES: Public initiatives are needed to improve physical and soft infrastructure conducive to SME development by reducing SMEs' burden through, for example, low-cost SME industrial estates; simplification of taxation, investment, and trade procedures for SMEs; and improvement of transportation, logistics, and communication infrastructure.

7. CONSTRUCTION OF THE ASEAN SME DATABASE: A comprehensive and comparable database across the ASEAN countries is a prerequisite for figuring out problems and deriving adequate strategies for the heterogeneous ASEAN SME sector. Japan has among the most comprehensive national statistics on SMEs in Asia and even provided technical assistance to the first nationwide establishment survey in Cambodia in 2009. ASEAN could utilize Japan's know-how in the process of constructing a comprehensive ASEAN SME Database and making it workable.



The ASEAN Strategic Action Plan for SME Development 2010–2015 predicts that ASEAN SMEs shall be world-class enterprises by 2015. This would be no easy task to accomplish fully in a couple of years. There is no quick-acting remedy to achieve SME development, even though ASEAN has already put almost the full scope of necessary policy measures on the table.

Given the wide spectrum of the ASEAN SME sector, this chapter has proposed an understanding of ASEAN SME development strategies through two pathways, the competitive and dynamic pathway and the inclusive pathway. In the competitive and dynamic pathway, strengthening the competitiveness of SMEs through greater participation in international production networks is a central strategy. In the inclusive pathway, the strategy aims to overcome the disadvantages due to SMEs' small size through export linkages, collective actions, and other devices, in tandem with efforts aimed at local community development. Upgrading the capabilities of SMEs as a prerequisite for SME development and the policy support required for that purpose should also be well suited to each respective pathway.

This chapter has offered recommendations on specific areas of ASEAN-Japan "win-win cooperation," taking the heterogeneity of ASEAN SMEs and the SME-related systems of Japan into account. These include the technological human resource development system, professional certifications

Table 5. Purpose, target, and timeframe of recommendable ASEAN-Japan cooperation for SME development

Cooperation	Main target in the two-pathway framework					Time frame		Reference
	Purpose	Competitive		Short-term (1-2 years)	Medium-term (3-5 years)	Long-term (5-10 years)		
		Building systems and dynamic serving for	Inclusive pathway				Inclusive pathway	
1 Technological human resource development system	HRD	○	○	Pilot	Introduction	Dissemination	Matrix, Roadmap	
2 Professional certifications for SME support officers	HRD	○	◎	Preparation	Introduction	Dissemination	(Past A-J cooperation)	
3 SME credit facilitating systems	Financing	○	◎	Pilot	Introduction	Dissemination	Matrix, Roadmap	
4 Credibility Index for SMEs (CIS)	Marketing	◎	○	Pilot	Introduction	Dissemination	New (Discussion in AMEIC SME WG)	
5 Business matching places	Marketing	○	○	Introduction	Dissemination	Dissemination	Matrix, Roadmap	
6 Physical and soft infrastructure for SMEs	Foundation	○	○	Introduction	Dissemination	Dissemination	(Past policies in some AMSs)	
7 Construction of the ASEAN SME Database	Foundation	○	○		Construction		New	

Note: Matrix = Policy Matrix of the ASEAN Strategic Action Plan for SME Development 2010-2015; Roadmap = the ASEAN-Japan 10 Year Strategic Economic Cooperation Roadmap 2012-2022
 Source: by author.

for SME support officers, SME credit facilitating systems, a credibility index for SMEs to facilitate their participation in production networks, creation of business matching places, and improvement in physical and soft infrastructure specifically conducive to SME development. Construction of an ASEAN SME database, which must be the foundation to derive SME policies and development strategies, is also among the recommended cooperation areas.

While the development gap between the ASEAN countries is often seen as a major defect, the gap could be turned into a source of dynamism, as indicated by classic models of the flying geese and product cycles. Some ASEAN countries have had experience with SME policies since the 1970s. Japan has a longer history. Even though the global industrial configuration has greatly changed over that period, the countries that started earlier can share their lessons and best practices with other member countries, which will greatly serve the ASEAN economy as a whole as it moves toward a more competitive, vibrant, and integrated economy in 2015 and beyond.

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Study Group on ASEAN Political-Security
Community

ASEAN-Japan Cooperation in ASEAN Community Building: The Nontraditional Security Dimension

HERMAN JOSEPH S. KRAFT

AT THE 14TH ASEAN-Japan Summit held in Bali, Indonesia, on November 18, 2011, the leaders of Japan and the 10 ASEAN countries signed the Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together. Also known as the Bali Declaration, this document outlined the areas in which cooperative relations were to be intensified. The rationale for this is ostensibly to assist in the community-building process of ASEAN and, consequently, in further East Asian regionalism.

This chapter examines the degree to which ASEAN-Japan cooperation has progressed in the areas of nontraditional security. Nontraditional security is an area of interest for ASEAN and is specifically mentioned in the context of the ASEAN Political-Security Community (APSC). Issues associated with it are seen as vital to the building of the national and regional resilience that are central to a cohesive, peaceful, and durable ASEAN. As such, nontraditional security has also been identified as a key concern of ASEAN-Japan cooperation.

In exploring ASEAN-Japan cooperation in issue areas associated with nontraditional security, this chapter explores where such cooperation has actually progressed in terms of actual programs and projects, where common interests have been expressed, and where more attention might be required. It will use as a baseline the APSC provisions on nontraditional security as a way of determining developments. This study, however, will limit its scope to programs and projects that are identified as falling within the ambit of ASEAN-Japan cooperation, and purely bilateral cooperation between Japan and individual ASEAN states will not be included.

NONTRADITIONAL SECURITY IN ASEAN AND ASEAN-JAPAN COOPERATION

Given the increasing importance of ASEAN-Japan cooperation to the security of Southeast Asia and its surrounding domains, one of the leading scholars in the region has argued that the “Japan-ASEAN strategic partnership must take into consideration the need to address nontraditional security especially maritime security, terrorism, environmental security, energy security, conflict prevention, and post-conflict peace building.”¹ This statement indicates the significance of these issues to the region but it does not illustrate the scope of the problem.

The Centre for Non-traditional Security Studies of the S. Rajaratnam School for International Studies offers the following definition of nontraditional security:

Non-traditional security issues are challenges to the survival and well-being of peoples and states that arise from non-military sources, such as climate change, resource scarcity, infectious diseases, natural disasters, irregular migration, food shortages, people smuggling, drug trafficking and transnational crime.

These dangers are *transnational in scope*, defying unilateral remedies and requiring comprehensive—political, economic and social—responses, as well as the humanitarian use of military force.²

The key terms here are “transnational in scope and in remedies,” and “requiring comprehensive responses.” This is in clear juxtaposition to what would be considered *traditional security* concerns—i.e., issues that involve the protection of territory and the people that reside within that territory from external aggression and internal subversion, and the defense of sovereignty. The principal issue that emanates from this is that these matters tend to be addressed through self-help mechanisms and may invite suspicion and even conflict. On the other hand, nontraditional security, due to its predominantly transnational nature, requires cooperative arrangements—often of a multilateral nature. Some areas of cooperation between ASEAN and Japan may tread the grey area between traditional and nontraditional security and may in fact have sensitive implications for regional security, but for the purposes of this chapter, only the latter will be discussed.

The APSC Blueprint was accepted by the ASEAN leaders on March 1, 2009. It gives expression to the broad political aspirations of ASEAN and fundamentally seeks to establish

- a rules-based community of shared values and norms;
- a cohesive, peaceful, stable, and resilient region with shared responsibility for comprehensive security; and
- a dynamic and outward-looking region in an increasingly integrated and interdependent world.³

The APSC Blueprint emphasizes the idea that ASEAN must strive toward a regional environment of justice, democracy, and harmony. The APSC is intended to be the means by which greater cooperation between the member countries of ASEAN can be achieved in order to attain higher levels of political development. To this end, its envisaged idea of a security community very clearly goes beyond the traditional understanding of security. In this context, the provisions in the APSC Blueprint that refer to nontraditional security are covered in the sections under the shaping and sharing of norms and shared responsibility for comprehensive security.

In the context of ASEAN-Japan relations, this commitment to ensuring nontraditional security as a key component of the community-building process in ASEAN is buttressed by a similar set of commitments in the Bali Declaration of 2011. This document set the stage for a five-pronged approach to the strengthening of cooperation between ASEAN and Japan, as follows:

- STRATEGY 1: strengthening political-security cooperation in the region;
- STRATEGY 2: intensifying cooperation toward ASEAN community building;
- STRATEGY 3: enhancing ASEAN-Japan connectivity for consolidating ties between ASEAN and Japan;
- STRATEGY 4: creating together a more disaster-resilient society; and
- STRATEGY 5: addressing together common regional and global challenges.⁴

In implementing these strategies, ASEAN and Japan adopted four areas of cooperation that roughly corresponded to the pillars of the ASEAN Community—political-security cooperation, economic cooperation, sociocultural cooperation, and regional and international cooperation. Within those four areas were commitments to nontraditional security. More importantly, ASEAN and Japan promised to fund and implement specific projects and programs in order to achieve the goals of the declaration.⁵

CONVERGING PATHS ON NONTRADITIONAL SECURITY

Across the region, there is a general consensus on the need for enhanced cooperation (even at the operational level) on nontraditional security issues. This is perhaps not too surprising because ASEAN has always favored a functional approach to operational cooperation. While functionalist and neofunctionalist theory in international relations would argue that this will eventually contribute to the community-building process, the ASEAN ideal of community building has never been based on the consequences of the neofunctionalist concept of a “spillover.”

Of greater significance to the acceptability of enhancing cooperation on issues involving nontraditional security are the clear overlaps that this has with the comprehensive approach ASEAN takes regarding security. This is explicitly mentioned in the second general aspiration of the APSC Blueprint to establish “a cohesive, peaceful, and resilient region with shared responsibility for comprehensive security.” It is in this aspect of the APSC that nontraditional security and the variety of issues associated with it are made part of the ASEAN Community-building process. In fact, it is a “key purpose of ASEAN . . . to respond effectively and in a timely manner, in accordance with the principles of comprehensive security, to all forms of threats, transnational crimes and transboundary challenges.”⁶

Comparatively speaking, Japan’s interest in nontraditional security was clearly expressed in the report that Japan submitted for the annual *ARF Security Outlook* in 2012.⁷ There was a heavy emphasis on the increasing need for and occurrence of collaborative efforts to address issues “especially in non-traditional security fields.” Those observations have been followed up on by the increasing focus of government-related policy research organizations on these fields. For instance, the Japan Institute for International Affairs website notes the need to conduct research and analyze the nature of the “rising influence of non-state actors posing non-traditional security challenges.”⁸

In this context, the interests of ASEAN and Japan appear to have converged on a number of nontraditional security issues that are serving as the focal point for their cooperative efforts. The following sections highlight four of these areas: humanitarian assistance and disaster relief, transnational crime, counterterrorism, and cybersecurity.

Humanitarian Assistance and Disaster Relief

ASEAN and Japan have a mutual interest in intensifying cooperation in humanitarian assistance and disaster relief. The APSC Blueprint itself has 12 action areas that are related to strengthening intra-ASEAN cooperation in this area.⁹ Most of these are also covered in the ASEAN Agreement on Disaster Management and Emergency Response (AADMER),¹⁰ through which ASEAN-Japan cooperation is being enhanced in the areas of emergency preparedness, as well as humanitarian assistance and disaster relief. This includes the strengthening of the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management (AHA Centre). Extensive sharing of experiences and lessons learned, implementation of training and capacity building, and the establishment of a comprehensive information-sharing system will be established between ASEAN and Japan through the Japan-initiated Disaster Management Network for the ASEAN Region.¹¹ In 2012, then Prime Minister Yoshihiko Noda reiterated Japan's commitment to keeping the promotion of disaster-management cooperation as a priority for Japan-ASEAN partnership.¹² The ASEAN regional emergency stockpile and logistics system in Subang received generous support from Japan, totaling more than US\$11 million in 2012. Prime Minister Noda promised to maintain Japan's assistance, including the provision of information and communications technology (ICT) equipment and experts to the AHA Centre in addition to its contributions to the stockpile of emergency supplies. In May 2013, the government of Japan approved the release of nearly US\$5 million to support this endeavor. Close consultation and cooperation have been initiated between the Asian Disaster Reduction Center (ADRC) in Japan and the Asian Disaster Preparedness Center (ADPC) in Thailand, indicating the prospect of increased direct institution-to-institution cooperation. Efforts to sustain and expand the Disaster Relief Exercises (DiREx) under the ASEAN Regional Forum (ARF), which were initiated by the United States and the Philippines in 2008, have also been successful with Japan's participation and support.

Humanitarian assistance and disaster relief is an area where operational cooperation between and among the ASEAN states and Japan has been progressing slowly but steadily. Efforts to strengthen AADMER, the AHA Centre, the ASEAN Disaster Management Network, and the ARF DiREx have been bearing fruit. There are still a number of areas, however, where this cooperation can be intensified in the context of the APSC Blueprint, particularly in terms of the soft side of humanitarian assistance and disaster relief operations. There are nonetheless gaps that need to be plugged, especially those laid out in the APSC Blueprint in such areas as the provision

of basic services or assistance to bring relief to victims; the promotion of cooperation for orderly repatriation of refugees and displaced persons and resettlement of internally displaced persons; the promotion of the safety of humanitarian relief assistance workers; the development of common operating procedures for the provision of humanitarian assistance in the event of conflict; the intensification of cooperation with the United Nations and the promotion of the role and contributions of relevant international organizations on humanitarian assistance; the promotion of civil-military dialogue and coordination in humanitarian assistance; and the expansion of the role and contribution of women in field-based humanitarian operations.¹³

Transnational Crime

One area that generates no disagreement in ASEAN-Japan cooperation is the need to combat transnational crime. In the APSC Blueprint, there are 18 action lines related to this issue, covering a variety of concerns including trafficking in drugs, persons, and small arms and light weapons, and there is a need for a common legal framework to be able to do this. While there is very little disagreement about the commitment made by the different ASEAN countries to address this issue, the existing national infrastructure needs to be overhauled in order to create some degree of coherence among the various legal systems and traditions and to overcome the non-convergent (even competing) interests and wide gaps in national capabilities among the countries in Southeast Asia. The 18 action lines on transnational crime in the APSC direct the ASEAN member states to implement existing work programs and plans, ratify the Treaty on Mutual Legal Assistance in Criminal Matters, explore cooperation on the issue of extradition, strengthen criminal justice capacity and response against transnational crimes, and enhance border management cooperation, among a number of other general commitments.¹⁴

The Bali Declaration explicitly shows that there is interest in promoting ASEAN-Japan cooperation to address these issues. It mentions enhancing cooperation to prevent and combat “non-traditional security challenges such as terrorism, trafficking in persons and other transnational crimes through the existing ASEAN-initiated mechanisms,”¹⁵ as well as “cooperat[ing] in combating illegal transfer and excessive accumulation of small arms and light weapons in accordance with the UN Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects.”¹⁶ The ASEAN-Japan Plan of Action 2011–2015 identifies three action lines that correspond to these commitments:

1. Enhance cooperation in combating transnational crimes through existing cooperation mechanisms, such as ASEAN Senior Officials on Transnational Crime Plus Japan, ASEAN Senior Officials on Transnational Crime Plus Three, and ASEAN Ministerial Meeting on Transnational Crime Plus Three;
2. Strengthen cooperation to combat transnational crimes especially illicit drug trafficking, trafficking in persons, arms smuggling, sea piracy, armed robbery against ships, cyber crimes, economic crimes and money laundering within the frameworks of the ASEAN-Japan dialogue partnership cooperation, ARF, APT, EAS, the United Nations, and authorities concerned, through among others, capacity building, technical cooperation, developing more effective information sharing arrangements for and among relevant law enforcement agencies and to carry out cooperation to address their root causes;
3. Enhance the development of human and institutional capacities in the ASEAN Member States through training, joint exercise and exchanges of lessons-learned and best practices by utilizing existing centers in ASEAN.¹⁷

The fact that both the APSC Blueprint and the ASEAN-Japan Plan of Action have clear agendas on fighting transnational crime demonstrates that there is a strong commitment in principle, but the vagueness of the language in those documents shows a low level of engagement at the operational level. Particularly when compared with the approaches being taken on humanitarian assistance and disaster relief, the institutional arrangements for coordinating cooperative activities on transnational crime appear largely underdeveloped. An even more serious gap exists between rhetoric and action. The action lines have not been translated into viable coordination and cooperation at the policy level within ASEAN.¹⁸ In the meantime, the problems continue to grow. For example, reports show that the number of trafficking syndicates, and particularly those involved in human trafficking, has been growing.¹⁹ Most of the ASEAN member states are categorized under Tier 2 in the US State Department's "Trafficking in Persons Report 2012."²⁰ This means that the governments in the region have been undertaking measures to address the issue but that despite these measures the problem remains widespread. Similar concerns were expressed at a meeting of officials involved in fighting drug trafficking, especially with the prospect of drug syndicates taking advantage of the drive to open up the region for greater ASEAN connectivity in 2015.²¹ Until the issue of collective action in ASEAN is resolved, levels of ASEAN-Japan cooperation will not really be making any great strides in contributing to community building.

Counterterrorism

The fight against terrorism has been a continuing area of concern for ASEAN-Japan cooperation. These efforts correspond with ASEAN's commitment to intensified counterterrorism initiatives. The ASEAN Convention on Counter-Terrorism (ACCT) came into force with the submission by Brunei of its instruments of ratification. On January 11, 2013, Malaysia became the 10th and final ASEAN country to ratify the convention. With the ACCT now in full force across the region, its effective implementation becomes the key concern of ASEAN. While it has completed the first action line of the APSC Blueprint, three lines remain:

1. Endeavour to accede to and ratify the relevant international instruments on counterterrorism;
2. Promote effective implementation of the ASEAN Comprehensive Plan of Action on Counter-Terrorism; and
3. Cooperate to support development initiatives aimed at addressing the root causes of terrorism and conditions conducive to terrorism.²²

The commitment to these efforts is reflected in the ASEAN-Japan Plan of Action 2011–2015's stated commitment to

- intensify cooperation on counterterrorism including in the field of technical cooperation and exchange and sharing of information;
- promote cooperation to support the early accession, ratification, and acceptance of all of the internationally agreed counterterrorism conventions and protocols by ASEAN member states; and
- continue to convene the ASEAN-Japan Counter Terrorism Dialogue, and to provide capacity building and technical cooperation in order to enhance counterterrorism capabilities and to implement identified projects on countering terrorism as well as to support the implementation of the ACCT.²³

On July 24–26, 2012, the Sixth ASEAN-Japan Counter-Terrorism Dialogue was held in Cebu, Philippines. The parties agreed to focus their ongoing cooperation on countering chemical, biological, radiological, and nuclear terrorism as well as cyberterrorism. Other priority areas include transport security, border control and immigration, law enforcement, maritime security, and capacity building.²⁴ The weakness of institutionalized regional cooperative mechanisms is to a certain extent mitigated by an increasingly positive environment that has reduced the space within which terrorist cells can operate in the region.²⁵ Of particular importance here is

the recent progress in peace talks between the Philippine government and the Moro Islamic Liberation Front.

Cybersecurity

On September 13, 2013, Japan hosted the ASEAN-Japan Ministerial Policy Meeting on Cybersecurity Cooperation in Tokyo.²⁶ It was a milestone meeting in an area that received little mention in the Bali Declaration. Interestingly, this is likewise an area that has received very little attention in ASEAN. As one analyst critically noted,

National and regional efforts to adopt comprehensive cyber security strategies have been somewhat slow and fragmented. Similarly, ASEAN Member States' efforts to adopt a regional comprehensive framework for cyber security are so far piecemeal and fragmented (as are national level efforts). An ASEAN-wide comprehensive cyber security framework has not yet been developed, official public documents are vague, the 2013 schedule for official meetings does not include cyber security, and the precise extent of discussions and proposed initiatives is difficult to fully ascertain, and lacks full transparency.²⁷

It is not a question of ASEAN not recognizing the vulnerability caused by increasing dependence on computer networks, and cyber connectivity of basic state functions has been noted. Malaysian Defense Minister Ahmad Zahid Hamidi called for the development of an "ASEAN Master Plan for Security Connectivity" at the Shangri-La Dialogue held in Singapore on June 3, 2012, in recognition of this concern.²⁸ The Master Plan for ASEAN Connectivity adopted by ASEAN on October 28, 2010, called for (among other things) the introduction of an enhanced ICT infrastructure in ASEAN.

ASEAN telecommunications and IT ministers have been holding meetings to discuss the coordination of efforts toward making ASEAN more competitive by taking advantage of technological advancements and promoting intra-ASEAN interoperability, interconnectivity, security, and integrity. The ASEAN+3 process has likewise pushed the development of deeper cyber linkages and capacities within and between the ASEAN states, and between ASEAN and China, Japan, and South Korea.²⁹ As noted above, the problem lies not in the aspirational context of ensuring cybersecurity in ASEAN but in agreeing on and putting common standards and policies in place. All these again show the gap between ASEAN aspirations and efforts at achieving those aspirations.

The recent ASEAN-Japan joint statement on cybersecurity focused on three areas of cooperation: (1) creating a secure business environment,

(2) building a secure information and communication network, and (3) enhancing capacity for cybersecurity. The third area is arguably of the most immediate concern, as further development on the first two is dependent upon it. The story, however, remains the same as on other issues: How can Japan help promote and facilitate operational cooperation among the member states of ASEAN?

SOME OBSERVATIONS AND RECOMMENDATIONS

This initial listing of where ASEAN-Japan cooperation is coming from on nontraditional security and what is being accomplished seems to show a disturbing pattern of low-level operational involvement, with the possible exception of cooperation in humanitarian assistance and disaster relief. (This exception, however, is only remarkable when compared with the low levels of cooperation seen in the other areas of ASEAN-Japan cooperation on nontraditional security.) There is still much to be done in the categories discussed above. Japan has been very generous in establishing the Japan-ASEAN Integration Fund to endeavor to strengthen existing cooperative efforts. These endeavors, however, should try to avoid the ASEAN disease of mistaking rhetoric for action, and counting declarations as the culmination of cooperative efforts. The issues have begun to be identified. There have been some cooperative efforts that have been sustained over time. The next step that needs to be taken is to introduce clearer action lines with clearer goals and timelines that emphasize specific cooperative activities and outcomes rather than just the promotion of cooperation. The difficulty, however, of relying on this formula is that changing geopolitical conditions have made it less credible in the eyes of a number of observers.³⁰

The grey area between traditional and nontraditional security that inhabits the maritime domain of regional security creates, understandably, great wariness with regard to enhancing the operational level of maritime cooperation among countries in the region, especially with non-Southeast Asian powers. The consequences of this enhanced cooperation will inevitably find expression in operations in the region, which might be of concern to neighboring countries. Increasing tensions over the South China Sea make for a suspicious regional environment. It also reinforces the wisdom of using nontraditional security as the initial basis of security cooperation in the region.

These geopolitical problems notwithstanding, ASEAN's efforts at addressing issues emanating from nontraditional security concerns suffer from

a number of basic issues. As indicated by the discussion in the previous section, the most glaring of these has to do with the unevenness of national capacities. This is perhaps an area to which ASEAN-Japan cooperation should be directed as a matter of principle.

Overall, however, a number of initial steps can and should be undertaken collaboratively by Japan and ASEAN in order to address nontraditional security issues around Southeast Asia, as outlined below.

In the area of humanitarian assistance and disaster relief, the following recommendations are proposed:³¹

- Continued support should be provided for the operations of the AHA Centre, which has been a core element of cooperation between ASEAN and Japan. The ability of the AHA Centre to perform its mandated efforts in a timely fashion is dependent upon its capacity to quickly mobilize resources and expertise for deployment in disaster-stricken areas.
- Closer cooperation should be encouraged between the AHA Centre and the Disaster Management Network for the ASEAN Region in the implementation of the comprehensive disaster management cooperation plan developed by Japan. Special attention should be given to the proposal to use satellites for disaster management to develop early warning systems for remote, poor areas across the region.
- The ASEAN states should continue to work out technical preparations and operational guidance relating to disaster preparedness and response as stipulated in the AADMER. Again, a key factor here would be the coordination between the AHA Centre and the Disaster Management Network in compiling baseline standards that the member states should adhere to.
- The AHA Centre should look to develop protocols for the provision of basic services and assistance to bring relief to victims of conflicts; for cooperation on the orderly repatriation of refugees and displaced persons and resettlement of internally displaced persons; and for ensuring the safety of humanitarian relief assistance workers.
- The AHA Centre and the Disaster Management Network should develop common operating procedures for the provision of humanitarian assistance in the event of conflict.
- Guidelines should be developed by ASEAN and Japan on cooperation with the United Nations and the promotion of the role and contributions of relevant international organizations on humanitarian assistance.
- ASEAN, through the AHA Centre, should organize multi-stakeholder working group meetings that would develop a mechanism for civil-military dialogue and coordination in humanitarian assistance.

- The AHA Centre and the Disaster Management Network should explore the expansion of the role and contribution of women in field-based humanitarian operations.

In combating transnational crime, the proposed areas of cooperation between Japan and ASEAN are much more basic in nature. These must include the following:

- An ASEAN Coordinating Center on Combating Transnational Crime should be established as a monitoring office for compliance by the ASEAN states with specific ASEAN-related commitments on transnational crime issues.
- On combating drug trafficking, this center should work with the Japanese government to assess the results of the mid-term review of the ASEAN Work Plan on Combating Illicit Drug Production, Trafficking and Use (2009–2015) and identify gaps that need to be addressed.
- The assessment of such gaps should be based on clearly established and measurable indicators that would be the basis for identifying what needs to be done in order to achieve a Drug-Free ASEAN by 2015, as called for by the ASEAN leaders at the 20th ASEAN Summit in 2012.
- Similarly, this center should monitor efforts toward the implementation of an ASEAN common course of action against trafficking in persons. The APSC Blueprint commits ASEAN to the establishment and implementation of an ASEAN Convention on Trafficking in Persons (ACTIP). Debates about how this might infringe on existing national laws, however, have slowed progress and attention has turned instead to the adoption of a less binding “plan of action.”³² Needless to say, a binding convention would be much more effective than a “plan of action,” and Japan should encourage ASEAN leaders to adopt a more institutionalized commitment to ACTIP. Whatever the mechanism might be, however, Japan must encourage and assist ASEAN and the requisite sectoral bodies to move quickly on this issue and operationalize the commitments that are made under it.
- ASEAN and Japan should jointly adopt the Council for Security Cooperation in the Asia Pacific (CSCAP) recommendations on combating trafficking in persons.
- ASEAN states must further discussions that will operationalize cooperation on combating trafficking on small arms and light weapons. The failure to include clear outputs on this issue when identifying annual targets for ASEAN Community building indicates a clear gap that needs to be addressed.

Cooperation on counterterrorism was given a great boost with the entry into force of the ACCT. More importantly, Malaysia's ratification ensures the participation and commitment of all the member states of ASEAN in the ACCT. Consequently, ASEAN and Japan should consider the following recommendations that go beyond what is addressed in the Bali Declaration:

- As with the issue of transnational crime, the weakness of ASEAN's counterterrorism efforts has to do with the inadequacy of institutional mechanisms that enforce implementation and compliance. Consequently, counter-terrorism remains largely dependent on national-level responses. It is in this context that Japanese assistance to enhancing national-level capabilities, especially on information processing and real-time response to tactical intelligence, becomes important.
- Japan should encourage and assist ASEAN in strengthening institutional cooperation.
- Increasingly, however, institutional cooperation should emphasize counter-ideological operations, even as law enforcement and effective police work remain mainstays of counterterrorism efforts in the region. Japan and ASEAN should jointly create programs within the context of the ACCT that will be directed at countering extremist teachings and weaning away young people from the influence of extremist ideologies.

As noted earlier, the issue of cybersecurity did not receive a significant degree of attention in the Bali Declaration. The discussion of the issue presented above, however, shows that this is an area that needs to be addressed through ASEAN and Japan cooperation. The following general areas of concern need to be examined:

- Japan and the ASEAN member states should take the initiative in enhancing mechanisms for sharing information about cyber threats.
- Recognizing that the proposed ASEAN Master Plan for Security Connectivity is still very much a sensitive issue, there is nonetheless a need to put together a document that outlines ASEAN concerns, goals, and strategies on cybersecurity. This would provide the basis for collective action and cooperation with Japan on this issue.
- The absence of such a master plan or strategy paper notwithstanding, Japan should assist ASEAN in the implementation of capacity-building and technical-assistance measures.
- As ASEAN moves toward greater harmonization of laws among member countries to combat cybercrimes, Japanese laws and experience could be important in helping shape those laws and the legal standards that would be the basis of such efforts.

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ASEAN-Japan Defense Cooperation: Overcoming History and Charting New Possibilities

TANG SIEW MUN

THE STORY OF JAPAN in the second half of the 20th century is often told and seen in the context of its economic recovery and subsequent rise to be one of the leading global economies. Prime Minister Hayato Ikeda's income doubling plan in the 1960s not only pulled Japan from the doldrums of the post-war economic quagmire, it also galvanized the nation and set in motion a process that would catapult Japan into the economic stratosphere. By the 1980s, the island nation stood proudly as the world grappled with the possibility of "Japan as number one." Japan's rise was indeed the main story of the late 20th century, although fears of Japan overtaking the United States as the world's leading economy were put to rest when the Japanese economic juggernaut decelerated in the late 1980s. But what is often missing in this narrative is the success of diplomacy in rebuilding bridges and relations with Southeast Asia in the postwar period.

Putting trade, investment, and official development assistance (ODA) to effective use, Japan was diligent in cultivating friends and partners in the region. Japan was one of the earliest countries to recognize ASEAN, and it became a dialogue partner in 1973. However, it was not all smooth sailing. Japan's economic success was interpreted as a form of neomercantilism at best or neoimperialism at worst. These frustrations were manifested in demonstrations and riots in the Southeast Asian countries visited by Prime Minister Kakuei Tanaka in 1974. In marked contrast to the Tanaka visit, Prime Minister Shinzo Abe's tour of Asia in January 2013 was warmly embraced and he received an enthusiastic welcome in Vietnam, Thailand, and Indonesia. Japan's engagement with ASEAN is multifaceted and comprehensive, but it has consciously refrained from any significant defense

cooperation and linkages with the region to date. This restraint was in keeping with the first tenet of the Fukuda Doctrine, which states that “Japan rejects the role of military power.”

This chapter argues that Japan should rethink its preference for a limited role in the defense domain and work toward enhancing its cooperation with ASEAN. It posits that Japan should undertake an incremental approach to engage ASEAN and focus on “soft security” areas of cooperation, such as in the defense industry, maritime security (search and rescue operations, anti-piracy, and coast guard), humanitarian assistance and disaster relief, and nonproliferation. It also argues that Japan should go beyond the “old model” of extending aid and assistance and graduate to active participation in defense cooperation by endeavoring to institutionalize its cooperation with ASEAN.

INTERNAL AND EXTERNAL CONSTRAINTS

Japan’s military misadventures during the 1930s and 1940s left an indelible mark on its national psyche and political culture. To avert a relapse into militarism, Japan inaugurated a constitution that forsakes the use of force in the settlement of disputes and instituted legal and political constraints on the defense establishment. Article 9—from which the nomenclature “peace constitution” derives—remains the bedrock and reference point guiding Japanese defense and security policy. Article 9 reads as follows:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.

The Japan Self-Defense Force (SDF) was formed in 1954 and had to contend with several unsuccessful legal actions challenging its legitimacy. The aversion to all things military was strong in Japan, to the extent that it was only in 2007 that the Japan Defense Agency was upgraded to full ministerial status. While the SDF has gained acceptance, its mission is limited to a defensive role. Discussions are ongoing in 2013 to allow the SDF to carry out limited collective defense actions when the SDF is operating in close proximity with the US Navy. Except when authorized by the Diet, the SDF is confined to an area of operation in the “surrounding

areas” of Japan. To reinforce the defensive nature of the SDF, the government adopted executive orders to ban arms exports, limited the defense budget to 1 percent of GDP, promulgated the three non-nuclear principles, and banned offensive weapons. These measures were aimed at keeping the SDF within a defensive mold and minimized its power projection capabilities. The limitations on territorial defense also meant that the SDF had few opportunities to collaborate with its ASEAN counterparts. The annual Cobra Gold exercises were Japan’s primary means to interact and collaborate with Southeast Asian militaries. Since Malaysia joined the Cobra Gold exercises in 2011, Japan now has the opportunity to pursue defense diplomacy with four ASEAN militaries, the other three being Indonesia, Singapore, and Thailand.

Japan is ever mindful and cautious not to enlarge its military footprint in the region. The Fukuda pledge that Japan will not be a military power was crafted to allay regional fears of a re-armed and militaristic Japan. By keeping the SDF at home, Japan seeks not only to bury the hatchet but also to avoid stoking fears of a revival of militarism. The now famous comment by former Singaporean Prime Minister Lee Kuan Yew that sending Japanese troops overseas is akin to giving “liquor to an alcoholic” suggests that Tokyo’s cautiousness is not unfounded.

Japan has to carry the burden of its war legacy and account for its past aggressive policies. However, it should not allow its future with ASEAN to be boxed in by history. For a great many Southeast Asians, Japan’s wartime behavior is not a prime factor in their perceptions of Japan. In a six-nation survey conducted in 2008 by the Ministry of Foreign Affairs of Japan (MOFA), 68.1 percent of the respondents acknowledged Japan’s aggressive actions in the 1940s, but stated that it is “not an issue now” (see table 1). It is notable that there has been a marked positive shift toward a more conciliatory stance among the six countries (Indonesia, Malaysia, the Philippines,

Table 1. Perception in selected ASEAN countries of Japan’s actions during World War II

	Cannot forget the bad things Japan did	Japan did some bad things, but they are not an issue now	I have never considered it an issue	Don’t know
Singapore	23.15	69.28	4.54	3.03
Malaysia	26.74	64.94	5.06	3.25
Thailand	13.84	68.27	13.36	4.53
Indonesia	18.14	69.56	5.36	6.93
Philippines	27.26	59.07	13.52	0.15
Vietnam	11.94	77.54	9.01	1.51
Total	20.2	68.1	8.54	3.20

Source: Ministry of Foreign Affairs, Japan (2008).

Singapore, Thailand, and Vietnam) toward Japan. For example, the percentage of Singaporean respondents who do not consider Japan's wartime conduct to be an issue improved from 47 percent in 1997 to 69.28 percent in 2008. Correspondingly, the percentage of respondents who continue to regard this issue as significant dropped in all of the ASEAN states covered in the survey. In fact, the survey, which was carried out at three separate times (1997, 2002, and 2008), showed a clear pattern that suggests World War II is becoming increasingly less salient. The percentage of Southeast Asians who harbor strong feelings and memories of Japan's past transgressions fell from the period when the survey was first conducted in 1997 to the latest survey in 2008. In Singapore, the response dropped from 41 percent in 1997 to 23 percent in 2008, while in Thailand the response dropped from 24 percent to 14 percent.¹

These surveys reflect the fact that the strength of ASEAN's relations with Japan has improved markedly since the 1970s. As on-going efforts such as the Japan–East Asia Network of Exchange for Students and Youths program serve to strengthen people-to-people ties between Japan and ASEAN, this important bilateral relationship is increasingly founded on instrumental and functional imperatives, and less on emotive historical memories.

As significant as the fading of wartime memories is, it does not pave the way for Japan to expand its defense cooperation with the region. In the 2008 MOFA survey, respondents from the six ASEAN states listed economic and technical cooperation, trade promotion and private investment, peacekeeping, cultural exchanges, and anti-terrorism actions as the top five priority areas where Japan can contribute to ASEAN.

When asked to choose two areas in which they would like Japan to contribute in the ASEAN region, the area of cooperation that was the least preferred by those ASEAN residents surveyed was "increased military presence to maintain peace and security in the region." On average, only 6.1 percent of the survey participants responded favorably to the idea of Japan undertaking an increased military role in the region, and the general tone of support for such a role has been slipping since the survey was first conducted in 1997 (see table 2). There has been a significant shift of opinion in Malaysia, with the 20 percent favorable response in 1997 dropping to 2.13 percent in 2008. In Vietnam, the favorable impression also dropped by half, from 13 percent in 2002 to 6.41 percent in 2008. On the other hand, support in Indonesia and Singapore seems to be gaining momentum, albeit in small increments.

Taken together, the results of the survey paint contrasting pictures of ASEAN's views on Japan. On the one hand, it is clear that war memories do not resonate strongly. In general, Japan enjoys a high degree of trust in

Table 2: Receptivity to an increased Japanese military presence in Southeast Asia to maintain peace and security in the region (%)

	1997	2002	2008
Singapore	6	5	7.13
Malaysia	20	5	2.13
Thailand	9	3	2.3
Indonesia	4	8	10.34
Philippines	8	8	8.14
Vietnam	-	13	6.41
Average	9.4	7	6.1

Source: "Opinion Poll on Japan in Six ASEAN Countries," Ministry of Foreign Affairs, Japan (2008).

ASEAN countries, with 44.3 percent of the respondents considering Japan to be a "trustworthy friend." On the other hand, a larger plurality of 48.5 percent views Japan as "trustworthy but with reservations." Part of ASEAN's hesitance is manifested in its aversion to an increased Japanese military presence in the region. This seeming contradiction could be reconciled if the rationale for a limited Japanese military footprint could be detached from the events of the 1940s. Keeping in mind that in the post-Cold War era ASEAN has not encountered any existential military threats, it then becomes immediately evident why ASEAN states acquired the proclivity to downplay any demonstrations of military power.

The barriers to Japan contributing meaningfully toward regional security are two-pronged. First, it has to win over a skeptical ASEAN and gain the region's support for the SDF's missions in Southeast Asia. Second, it has to navigate the perilous minefield of Japanese public opinion. The passage of the International Peace Cooperation Law (1992) and the Anti-Piracy Measures Law (2009), for example, suggests that defense cooperation is possible when there is broad national support. The strong criticism of Japanese inaction on liberating Kuwait in the wake of the Iraqi invasion was a game changer in opening the door for Japan to deploy military assets in support of international peace and security. The differentiation between the use of force for national aggrandizement and political-strategic gains on the one hand, and for the common good on the other, must be made clear. The latter is uncontroversial and would be supported by ASEAN, while the former is unlikely to receive much support in Japan or elsewhere. Notwithstanding Lee Kuan Yew's cautious reminder, ASEAN does not see Japan as a threat. One would be hard-pressed to locate any substantive elements of anti-Japanese sentiment in ASEAN. In fact, the case could be made that regional frustrations with Japan are likely to rise if it is perceived

to be hiding behind its constitutional veil and not playing a more active and constructive role in regional security.

It is understandable that ASEAN's older generation would continue to harbor a sense of suspicion toward Japan, but it would be a mistake to keep living in this time warp and not recognize the generational shift occurring throughout ASEAN. Japan should not be judged by its past behavior but by its contemporary policies and actions. Japan's war legacy is no longer the immovable stumbling block that it once was for Japan to undertake and initiate defense cooperation with ASEAN. However, this does not suggest that Japan has unlimited freedom to explore openings for defense cooperation. ASEAN's support will be contingent on the scope and modality of the proposed cooperation.

CONDITIONS FOR ASEAN-JAPAN DEFENSE COOPERATION

Japan's engagement with ASEAN in the defense sector must be managed delicately given the sensitivities on matters that pertain to territorial defense and sovereignty. Cooperation should be conceptualized and implemented in a manner that is amenable to ASEAN's interests and concerns. Fundamental to those concerns is the imperative to keep ASEAN at arm's length from major power rivalries. Japan should avoid the US strategic mistake of "pivoting" for the primary reason of increasing its influence and visibility in the region. Not without reason, the US pivot strategy is perceived in some quarters as an extension of the budding Sino-US competition for influence and primacy. Japan would do well to stay clear of actions that may be perceived as contributing to the "containment" of China. ASEAN does not want to be caught in the dilemma of having to choose sides, nor does it want to be caught in the crossfire of any major power rivalry in the region.

Related to ASEAN's aversion to power politics, Japan should steer clear of actions that may strengthen the US-led hub-and-spoke alliance system. Although Japan is a critical component of that security system, it should not seek nor contribute to the further consolidation and expansion of the system in Southeast Asia. This position is in keeping with the provisions of the Japanese constitution that—in spirit—forbid its participation in military alliances. Cooperation should not be a means to strengthen existing US-led bilateral alliances—formal or otherwise. On the contrary, Japan should focus on *soft*—as opposed to hard—security forms of defense cooperation.

Defense cooperation that includes “offensive”-oriented missions and war games should not be part of Japan’s engagement with ASEAN. War games are often a form of posturing and communicate an aggressive message to the intended party. Such actions drive suspicion and negative perceptions, and would not be a sustainable or useful foundation for ASEAN-Japan defense cooperation.

Concomitantly, Japan should step out of the American shadow in fostering defense cooperation with ASEAN. In addition to the imperative of keeping ASEAN above the fray of major power rivalry, Japan should engage ASEAN directly and not as an adjunct of the United States. ASEAN-Japan cooperation ought to be premised and conducted on the basis of the two sides’ mutually agreed upon interests, and not those of a third party. This is an opportunity for Japan to demonstrate and exercise its leadership in an area of cooperation that has not traditionally been a Japanese strong point. Besides, detaching the ASEAN-Japan defense cooperation framework from the US-Japan security alliance may garner better support from ASEAN for the simple reason that it does not bring the “US baggage” to the region.

Extreme care must be taken to ensure that the East China Sea issue is not linked to the South China Sea dispute. The dynamics that inform the East China Sea and the South China Sea are different, and it is thus best to avoid the temptation to establish a common platform—for which there is none—between the two issues. It would not be in Japan or ASEAN’s interest to collaborate on these two issues, as it may cause irreparable damage to both sides’ relations with China.

MODALITIES FOR COOPERATION

Comprehensive security is a conceptual tool that has guided the Japanese and ASEAN security policies. The broadening of security issues to include “nontraditional” threats and concerns has allowed for a multidimensional approach to peace and stability. Nevertheless, for the purpose of advancing ASEAN-Japan defense cooperation, common security may be a more useful analytical framework. Common security places a premium on the identification and targeting of threats that are pervasive and common to all. A threat that impinges on the security of one state will also imperil the interests of others. This guides us to focus on achieving a “security for” doctrine as opposed to the realist tradition of “security against.” Common security provides the theoretical and functional foundation to organize Japan’s defense cooperation and engagement with ASEAN. It addresses most—if not all—of the concerns raised in the aforementioned section.

Common security is nonconfrontational. It is inclusive and even opens the possibility of enlarging the web of cooperation to include third parties. Fundamentally, it highlights security threats and issues that are common to ASEAN and Japan, without privileging one party over another. This chapter applies the common security concept as it discusses the four areas of cooperation identified above: defense industry, maritime security (search and rescue operations, anti-piracy, and coast guard), humanitarian assistance and disaster relief, and nonproliferation.

Defense Industry

Over the past two decades, ASEAN states have embarked on boosting their militaries to reflect the realities of the post-Cold War needs. For the most part, this was part of a transition to establish a credible conventional military capability. To optimize resources and to foster intraregional cooperation, the ASEAN Defence Ministers Meeting (ADMM) in May 2011 established the ASEAN Defence Industry Collaboration (ADIC). In light of the Japanese cabinet decision in December 2011 to lift the arm exports and joint development ban that was initially introduced in 1967, Japan and ASEAN could explore a strategic partnership for collaboration within the ADIC framework.

The ADIC has not yet been able to optimize its synergies, primarily because ASEAN lacks sufficient depth, expertise, and experience in arms manufacturing and development. In contrast, the Japanese defense industry is mature and well developed, and it has the strong potential to serve as the anchor to kick-start the ADIC. The relaxation of arms exports and joint development provides Japan with an opportunity to break into the Asian arms market, which has heretofore been dominated by Western suppliers (see table 3). Japan should not squander this opportunity to promote regional defense industry cooperation by solely focusing on the pursuit of its own economic gains. It may be profitable to vie for a share of the Asian arms market, but to do so would be shortsighted.

Rather than focusing on profits, Japan should endeavor to support the ADIC by promoting joint production. For ASEAN, the obvious gain would be to acquire technological expertise and learn from Japanese defense contractors. For Japan, working with ASEAN would be the primary—and most important—payoff from the collaborative effort. Joint production and embedding Japan within the ASEAN defense industry would provide Japan the opportunity to work with ASEAN armed forces at the operational level and would serve to strengthen institutional ties between Japan and ASEAN.

Table 3: Suppliers of major conventional weapons to selected ASEAN states, 2007–2011

Recipient	Share of Global Arms Transfers (%)	Change in deliveries, 2002–06 to 2007–11 (%)	Main suppliers, 2007–2011 (share of recipient's transfers, %)		
			1st	2nd	3rd
Brunei	0.2	10,333	Germany (82%)	France (6%)	Denmark (4%) Netherlands (4%)
Indonesia	1.3	144	Netherlands (35%)	Russia (26%)	South Korea (22%)
Malaysia	2.4	281	Russia (42%)	Germany (21%)	France (12%)
Philippines	0.1	20	USA (90%)	Italy (4%)	UK (3%)
Singapore	4.0	293	USA (62%)	France (39%)	Germany (8%)
Vietnam	1.1	80	Russia (97%)	Ukraine (1%)	Romania (<0.5%)

Source: Stockholm International Peace Research Institute, *SIPRI Yearbook 2012* (Oxford: Oxford University Press, 2012), 281.

Maritime Security

Maritime security is a major point of convergence for Japan and ASEAN. The protection of the sea lines of communication (SLOCs) is vital to Japan's wellbeing given its heavy dependence on energy supplies and trade. Likewise, all but one ASEAN state have extensive maritime borders and thus a clear interest in maritime security. Cooperation in the maritime domain should begin with and focus on "soft security" issues and should avoid taking on "hard" issues such as overlapping maritime claims and territorial issues. Three issues that would be appropriate for cooperation are (a) search and rescue (SAR) operations, (b) anti-piracy measures, and (c) capacity-building for coastal operations.

SAR OPERATIONS: The waterways between the Indian and Pacific Oceans are some of the world's most vital and busiest. The possibility of a collision or incident at sea cannot be discounted and merits consideration and planning for regional cooperation. An agreed upon set of protocols to facilitate regional assistance would be useful and productive. The armed forces, and particularly the navies, are often the first responders to such contingencies. Indeed the navy is positioned to play an instrumental role in SAR operations. SAR is an untapped opportunity for defense cooperation that

has not received as much attention to date as humanitarian assistance and disaster relief operations.

Search and rescue operations are complex, dangerous, and difficult. Few ASEAN states possess comprehensive capabilities to conduct SAR operations, especially involving naval assets. What happens when a distress signal comes from the navy, in particular from a stricken submarine? It is often overlooked that increasingly more ASEAN states have acquired sub-surface capabilities, including Indonesia, Malaysia, Singapore, and Vietnam (see table 4). Currently, five ASEAN states operate a total of 29 submarines. This number is expected to increase in the coming years to more than 40. Vietnam has the largest “in development” submarine program, with planned delivery of six Kilo-class submarines. Given the increasing number of submarines roaming the seas in the region, there is an urgent need for contingency planning for SAR operations in the event a submarine encounters difficulties or is damaged in the high seas.

Table 4: The strength of ASEAN and Japan’s submarine forces

Country	Currently in service	In development
Indonesia	2	3
Japan	18	2
Malaysia	2	0
Singapore	6	1
Vietnam	1	6
Total	29	12

Source: International Institute for Strategic Studies, *The Military Balance 2013* (London: Routledge, 2013).

Submarine SAR operations are highly technical and sophisticated and not many countries that operate submarines have such capabilities. Japan, which operates the largest submarine fleet in East Asia and has the most experience in sub-surface operations, could take the lead in establishing an ASEAN-Japan framework for sub-surface SAR operations. Of the five ASEAN states with sub-surface military capability, only Singapore has an operational deep submergence rescue vehicle (DSRV), *MV Swift Rescue*. Japan operates two DSRVs—*Chiyoda* and *Chihaya*—and could use its expertise and share its capabilities to form an ASEAN-Japan standby sub-surface SAR platform. In support of this objective, the Japan Maritime Self-Defense Force should conduct regular joint exercises and training with ASEAN navies to integrate the *Chiyoda* and *Chihaya* into the region’s contingency planning and response.

ANTI-PIRACY: Japan has made immense contributions to curtailing the problem of piracy in the Malacca Strait. It initiated and funded the Singapore-based Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) Information Sharing Centre to provide timely information on threats and to support capacity-building efforts to stamp out piracy. Beyond ReCAAP, there does not

appear to be any support for “external” direct involvement in patrolling the Malacca Strait. The success of the littoral states—Indonesia, Malaysia, and Singapore—in containing piracy and armed robbery attacks in the strait negates the need for external assistance.

While threats in the Malacca Strait appear to be contained and well managed under the existing framework of the three littoral states, Japan and ASEAN shipping interests face a long-standing and sustained threat in the Gulf of Aden and the Indian Ocean. At present, Japan, Malaysia, and Singapore deploy naval assets in support of anti-piracy efforts off the coast of Somalia. While Singapore is a party to the multinational efforts of the Combined Task Force 151 (CTF-151), Japan and Malaysia have opted for an independent mode of operations. Combining the Japanese and Malaysian resources will optimize their limited resources while providing the additional gain of enhancing interoperability and familiarization between the two navies. If this comes to fruition, the cooperation would be the first “live” out-of-area defense cooperation between Japan and an ASEAN country. Building on this, Japan should explore opportunities to partner with ASEAN contributing states to patrol the waters in the Gulf of Aden and the Indian Ocean. Fostering such habits of cooperation and partnership will only serve to strengthen the ASEAN-Japan relationship.

CAPACITY BUILDING FOR COASTAL OPERATIONS: The protection of exclusive economic zones (EEZs) is a top priority for littoral states, and the coast guard is the frontline agency to safeguard and enforce rights within the EEZs. Japan has taken the lead in engaging regional coast guards with the establishment of the Heads of Asian Coast Guard Agencies Meeting in 2004. In addition, it has contributed material and capacity-building resources to ASEAN member states. Japan played an important role in the establishment of the Malaysian Maritime Enforcement Agency and most recently extended soft loans to the Philippine government to purchase 10 patrol boats. Japan’s continuing support for efforts to boost the capacity and strength of the ASEAN coast guards is a positive contribution toward regional peace and security. Besides monitoring and deterring the potential intrusion of illegal fishing, coast guard patrols help to check smuggling and sea-borne transnational crime and human trafficking.

Humanitarian Assistance and Disaster Relief

Cooperation on humanitarian assistance and disaster relief is widely supported in the region. The ASEAN Coordinating Centre for Humanitarian

Assistance on disaster management (AHA Centre) serves as a focal and coordinating point for regional cooperation. Japan contributed to the establishment of the AHA Centre, especially in providing computing and technical support. While the AHA Centre is focused on addressing Southeast Asian needs, the framework of cooperation could potentially be extended to facilitate ASEAN-Japan mutual support in the event of contingencies. The ASEAN Defence Ministers Meeting Plus Eight (ADMM+8) coordinates humanitarian assistance and disaster relief exercises among ASEAN and the “plus eight” countries. An institutionalized framework that integrates elements of Japan’s SDF and emergency response agencies within the AHA structure would solidify Japan’s continuing support for humanitarian assistance and disaster relief in the region. This proposal highlights the need to think beyond providing material and financial support and stresses the symbiotic benefits of having Japanese personnel working alongside their Asian neighbors. Putting “soft boots” on the ground in support of humanitarian assistance and disaster relief would not be controversial and is unlikely to invite any political backlash. On the contrary, putting a “face” on Japanese assistance strengthens Japanese diplomacy in the region.

Nonproliferation

Japan has long been at the vanguard of nonproliferation efforts and could contribute toward the implementation and consolidation of the Southeast Asia Nuclear Weapons Free Zone (SEANWFZ). Signed in 1995 but only coming into full effect in 2001, when the last ASEAN member state (the Philippines) ratified the treaty, SEANWFZ sought to establish a region that would be rid of nuclear weapons. The ASEAN states pledge not to possess, develop, or “have control over” nuclear weapons, which is akin to Japan’s Three Non-Nuclear Principles. While the focus is on securing the ascension of the five nuclear weapon states—China, France, Russia, England, and the United States—ASEAN must be mindful that at least one of its members will soon be acquiring a nuclear reactor for the generation of energy. Besides persuading the five nuclear weapon states to sign onto SEANWFZ, Japan could assist and collaborate with ASEAN to set up mechanisms to manage and provide oversight capabilities to guard against possible proliferation.



Japan is a relative newcomer in the field of defense cooperation. Internal considerations as well as external factors combined to delay Japan’s active

participation in this field. Changes in Japan and in ASEAN now provide an opportunity for the former to strategize its engagement with the latter. The manner of engagement is as important as the substance. Japan's past success with quiet diplomacy sits well with the ASEAN diplomatic culture. Similarly, it is important for Japan to proceed incrementally and at a pace comfortable for ASEAN if it wants to find willing partners in the region. It is with these considerations in mind that this chapter has proposed the four main areas outlined above as having the greatest potential for Japan's nascent defense cooperation with ASEAN.

At the same time, the US-Japan security alliance remains the most important pillar of regional security. The US Forces Japan provide an element of security and a sense of assurance to the region that there exists a balancing force to guard against the emergence of aggrandizement tendencies. Therefore, Japan's continued willingness to host the US Forces contributes directly to regional stability. The provision of this public good by the United States and Japan allows the regional states to focus more of their attention on "soft" security concerns. This provides a window of opportunity for Japan to forge collaborative defense efforts with ASEAN.

Defense cooperation between ASEAN and Japan may not be as controversial as one may think. War memories and historical legacy are not sufficiently salient issues to jeopardize Japan's partnership and cooperation on issues such as anti-piracy and humanitarian assistance and disaster relief. The onus, however, is on Japan to muster the conviction and political will to engage ASEAN in a whole spectrum of partnerships, including defense. In planning these overtures, Japan should go beyond the "old ways" of being the financier. Japan and ASEAN should aim for "higher quality partnerships" that would have Japanese and ASEAN personnel working side by side and for Japan to take an active and visible role. There is no substitute for a physical presence. Japan should be more ambitious in institutionalizing its defense cooperation with ASEAN and not limit itself to ad hoc activities. The establishment of an SAR cooperation framework is one such opportunity for Japan to integrate itself into the region's defense structure.

Raising Japan's regional profile, while secondary to the objective of strengthening regional peace and security, would no doubt be a pleasant and welcome spillover effect. The bottom line remains that defense cooperation is only possible with the support of the ASEAN and Japanese domestic stakeholders and constituents. It is thus fitting that as ASEAN and Japan celebrate the 40th anniversary of their bilateral relations this year, both parties move toward broadening their partnership to include defense cooperation.

NOTES

1. Survey data for 1997 and 2002, as well as 2008 data, can be found in Ministry of Foreign Affairs of Japan, “Opinion Poll on Japan in Six ASEAN Countries: Databook” (2008), <http://www.mofa.go.jp/region/asia-paci/asean/survey/databook0803.pdf>.

ASEAN-Japan Strategic Partnership in Southeast Asia: Maritime Security and Cooperation

NGUYEN HUNG SON

SOUTHEAST ASIA IS often described as a region in which “the land divides but the sea unites,” not because simply because of the predominance of the sea in the geography of the region, but because of the importance of maritime issues to the very existence, stability, and security of the states in the region, as well as to the relations between those states. The maritime domain of the South China Sea also straddles East Asia’s busiest sea lines of communication, providing maritime connectivity that is vital to regional as well as global trade and prosperity. Moreover, the importance of maritime issues to Southeast Asia has turned critical in recent years due to the nearly simultaneous “maritime moment” in the development and security strategies of both intra- and extra-regional countries.

This chapter examines the role of maritime security and cooperation in building an ASEAN Political-Security Community (APSC) as well as Japan’s contributions to strengthening maritime security in Southeast Asia, and it proposes measures to promote ASEAN-Japan cooperation in this field.

MARITIME SECURITY AND COOPERATION IN BUILDING THE APSC

Maritime Security Threats and Interests in ASEAN

There is neither a legal definition of nor a consensus on what the term “maritime security” means. For practical purposes, however, it is widely

accepted that the term refers to the “traditional” issues of protecting sovereignty and territorial integrity in the maritime domain, as well as such “nontraditional” issues as “security of shipping and seafarers; protection of facilities related to maritime affairs; port security; resource security; environmental security; protection against piracy and armed crimes at sea; protection of fisheries; safety and freedom of navigation and over flight; regulation of maritime affairs; and maintenance of law and good order at sea.”¹ Nonetheless, the definition and scope of maritime security remains debatable, as some ASEAN members, for example, do not feel comfortable including environmental threats under the category of maritime security.²

Maritime security and cooperation is one of the most important components of the APSC. The sea covers 80 percent of the region’s geographical surface and is home to the busiest international sea lines of communications, one of the richest biodiversity areas, and vast proven and unproven oil reserves. It is also of strategic military significance. To several individual ASEAN member states, maritime security is also critical to their security and development. The Philippines and Indonesia are both archipelagic states whose unity and stability depends on a stable maritime environment. Malaysia, Indonesia, and Singapore heavily rely on the security of the Malacca Strait for their trade and development. Vietnam has a long coastline facing the South China Sea, and it needs a secure maritime environment if it is to meet its target of producing 60 percent of GDP from marine-based economic activities by 2020.

The most prominent maritime security issues facing Southeast Asia include competing territorial and jurisdictional claims; the maintenance of freedom and safety of navigation, especially in the Malacca Strait and the South China Sea; competition for resources; and piracy, armed robbery, and maritime crimes. Many of these threats are on the rise. The territorial disputes and overlapping maritime claims in the semi-enclosed South China Sea, for example, continue to be the most complex globally and have been further complicated in recent years by the rapid rise of China and its geopolitical consequences. Piracy has risen substantially again since 2010 after a brief period of easing from 2005 to 2009, earning Southeast Asia a reputation for being one of the most pirate-infested areas of the world.³ Increasing commercial, paramilitary, and military traffic in the regional sea lines of communication (SLOCs) heightens the risk of incidents at sea, threatening safety and freedom of navigation.

Recognizing the importance of maritime security to Southeast Asia’s well-being, the Declaration of ASEAN Concord II (the Bali Concord II), adopted in 2003 to chart out the vision of the ASEAN Community by 2020, envisioned that “maritime issues and concerns are transboundary in

nature, and therefore shall be addressed regionally in holistic, integrated and comprehensive manner. Maritime cooperation between and among ASEAN member countries shall contribute to the evolution of the ASEAN Security Community.”⁴

To realize that vision, ASEAN decided in 2009 on the following measures, as spelled out in the APSC Blueprint:

- (i) Establish the ASEAN Maritime Forum;
- (ii) Apply a comprehensive approach that focuses on safety of navigation and security concerns in the region that are of common concern to the ASEAN Community;
- (iii) Take stock of maritime issues and identify maritime cooperation among ASEAN member countries; and
- (iv) Promote cooperation in maritime safety and search and rescue (SAR) through activities such as information sharing, technological cooperation and exchange of visits of authorities concerned.⁵

ASEAN Cooperation on Maritime Security

Despite the critical nature of the problems, ASEAN has been slow to implement cooperation on maritime issues. It took ASEAN seven years following the 2003 Bali Concord II to organize the first ASEAN Maritime Forum. ASEAN cooperation on maritime issues was difficult for several reasons, most notably the remaining overlapping claims among member states and between several member states and China, and the lack of capacity and expertise in the region, for example on how to conduct joint patrols and exercises. ASEAN has, however, undertaken cooperation on several functional areas with maritime-related activities, such as cooperation on transportation and on counter-terrorism and transnational crime. Since maritime security issues cut across all three pillars of the ASEAN Community and various areas of ASEAN cooperation, ASEAN has been promoting maritime cooperation under various frameworks and mechanisms, most notably through the ASEAN Regional Forum (ARF), ASEAN Transport Ministers Meeting (ATM), ASEAN Defense Ministers Meeting (ADMM) and the East Asia Summit (EAS). At the Track 2 level, the Council for Security Cooperation in the Asia Pacific (CSCAP) promotes regional dialogue and offers ideational input into mainstream maritime security discussions. Despite these efforts, there is still no single framework to oversee all of these cooperative activities. This is still the case today, even after the official establishment of the

ASEAN Maritime Forum, which is thought to be the “one-stop shop” for everything maritime-related in ASEAN.

The major achievement of ASEAN to date in terms of maritime security and cooperation has been to forge a common understanding among its members on various issues and aspects of maritime security. Beginning with a common understanding helps build confidence and allows individual member countries to coordinate policies and activities, which can then lead to cooperative activities to enhance maritime security.

The first common understanding achieved is on the principles guiding maritime activities. These include the necessity to build and maintain a maritime order in Southeast Asia that is based on international law, and particularly on the 1982 UN Convention on the Law of the Sea (UNCLOS). ASEAN member states have also agreed on the ASEAN norms of respecting each other’s sovereignty, resolving disputes by peaceful means, and respecting and protecting freedom of navigation.

Second, consensus has been reached among ASEAN member states on the commonality of maritime security threats to the region as a whole, meaning that these threats are transboundary in nature and therefore countries must cooperate in order to eliminate the threats.

Third, maritime security involves both traditional and nontraditional threats, requiring both comprehensive and distinct solutions to each type of threat.

Fourth, extraregional countries are stakeholders with legitimate interests in some maritime security issues in the region and therefore a cooperative framework must be established with these interested parties.

Based on this common understanding, ASEAN has been able to agree on a number of approaches to manage the threats, including enhanced information and intelligence exchange; creation of an inter-agency cooperative framework through bilateral and regional arrangements; implementation of international laws and standards for security measures, such as the International Ship and Port Facility Security Code; capacity building for national law enforcement; and the formation of codes of conduct to govern and guide behavior on sovereign and jurisdictional disputes.

Operationally, ASEAN member countries have managed to agree on several measures, such as coordinated patrols by their respective navies; hot pursuit arrangements; the development of standard operational procedures and interoperability; exchanges on port security measures; the use of advanced technology; the establishment of a Marine Electronic Highway; the establishment of a network of maritime focal points; tactical training and exercises; and so on. Most of the maritime cooperative activities until very recently have been onshore. But ASEAN is now moving its activities

offshore, with the first field exercises undertaken in the Philippines in 2009. Indeed, this expansion to offshore field operations is probably the most significant progress in ASEAN maritime cooperation in recent years.

Maritime Security Prospects and Challenges

Looking ahead to 2015 and beyond, maritime security will arguably remain the most critical challenge to the APSC and to the ASEAN Community as a whole, with the potential to severely affect ASEAN's unity as well as credibility if not properly managed. Nontraditional security issues have generally been the focus of regional security cooperation in recent years. However, it is territorial disputes and major-power competition over maritime space that has brought maritime security to the center stage of regional affairs since 2009, mostly due to China's official announcement of its U-shaped line, which effectively lays claims to 80 percent of the South China Sea,⁶ China's proclamation of the South China Sea as one of its "core interests," and its increasingly assertive actions to protect its claims in the South China Sea. By 2013, the maritime security environment in Southeast Asia had deteriorated significantly in terms of the number of parties directly involved and the geographical scope of incidents, the danger of militarization of the disputes, and the growing signs of negligence and disregard for international law by some claimants. The arms dynamic observed in both Southeast Asia and Northeast Asia has also deepened regional concerns. This has led to growing mistrust, which has undone many years of confidence building by ASEAN.

The maritime environment in Southeast Asia has also become more complex and challenging because of the changing nature of disputes from territorial to maritime and jurisdictional claims between a larger number of parties, and to geostrategic competition between China, the United States, and other major powers. The complexity of the issue has led different ASEAN member states to have different interests. The failure of ASEAN to clearly articulate its voice on the situation has damaged its credibility as the only multilateral mechanism to manage disputes on this issue. The rising tensions in the South China Sea have heightened the risk of incidents or even confrontations occurring in the area, which could severely affect the safety and freedom of navigation, therefore posing the greatest risk to regional peace, stability, and community-building efforts as a whole.

Nontraditional maritime security issues are also expected to become more complex in the coming years. Despite regional efforts to combat piracy, for example, the issue is still far from being eliminated and seems

to return whenever local economies suffer a downturn. For example, the International Maritime Bureau (IMB) observed a rise in piracy attacks in 2012 compared to 2011.⁷ Maritime-related transnational crimes such as smuggling, illegal migration, robbery, thefts, terrorism, and other petty crimes affecting port security and safety of navigation continue to occur at high rates in Southeast Asia and will become more complicated as regional economic activities and integration increases. The risk of the proliferation of weapons of mass destruction and threats to nuclear security via sea trade will increase as countries in the region are increasingly relying on nuclear power. Transboundary environmental issues from overfishing or irresponsible fishing practices, from industrial and scientific research activities, or from accidents such as oil spills will continue to rise correspondingly. Southeast Asia is also a region increasingly prone to severe disasters as a result of climate change, heightening the need for humanitarian assistance and disaster relief operations.

ASEAN-JAPAN COOPERATION ON MARITIME SECURITY ISSUES

Japan's Interests in Maritime Security in Southeast Asia

Japan's primary maritime security interest is the safety and freedom of navigation. Some even argue that this is a matter of life and death for Japan, given that Japan's economy heavily depends on the safe passage of ships through the Malacca Strait and the South China Sea.⁸ At least 80 percent of Japan's crude oil imports are transported via Southeast Asian sea routes. James Manicom of the University of Waterloo has pointed to four reasons why Japan is so obsessed with SLOCs safety. The first is the structural insecurity of the regional maritime environment given the historical animosities and complex geostrategic environment. The second is an institutional reason, whereby Japan, as an island nation that is heavily dependent on trade, has developed institutions that help keep the issue high on its national security agenda. Third is the actual threat of piracy to commercial activities. As Manicom points out, Japan is the most frequent target of piracy attacks, and piracy has disproportionately affected Japanese shipping interests and Japanese people. The number of attacks was observed to be increasing after the Asian financial crisis of 1997–1998, and the Malacca Strait was the hottest spot.⁹ Fourth is the rise of China, especially its military expansion and ambitions both in the South China Sea and East China Sea.¹⁰ Here again, the recent rise in tensions in the South China Sea is worrisome to the Japanese

as it directly affects the cost and safety of their shipping. According to one estimate, in the case of moderate tensions in the area, the average insurance cost for a commercial ship will increase by approximately ¥10 million (approximately US\$100,000) per day when going through the area. If tensions run high and ships need to divert to the next shortest route via the Lombok Strait, it adds another 10 days to the journey, substantially increasing the cost of transportation and the cost to the Japanese economy.¹¹

Apart from the direct interests in safety of navigation, Japan also has a broader interest in sustaining the “freedom of the ocean” and a rules-based order at sea, particularly in the faithful interpretation and application of international laws such as UNCLOS in the region. At the first Expanded ASEAN Maritime Forum, held in Manila on October 5, 2012, Japan’s deputy minister of foreign affairs stated,

More efforts should be made to establish maritime order and rules depending on characteristics of each region in accordance with relevant international laws including UNCLOS. Of course these efforts must be made through peaceful talks. We should firmly reject any idea justifying that ‘might is right.’ This is an unyielding and invincible principle for the sea that can connect the people and lead them to prosperity.¹²

Japan therefore has an interest in ensuring that the norms and mechanisms under international law to resolve maritime disputes are working, for example the use of peaceful means or tertiary institutions such as the International Tribunal for the Law of the Sea. Japan also has an interest in strengthening the multilateral security architecture as the necessary framework to effectively promote cooperation. Japan particularly supports ASEAN’s centrality and ASEAN-driven mechanisms relevant to maritime security and cooperation, such as the ARF, ADMM Plus Eight (ADMM+8), EAS, and Expanded ASEAN Maritime Forum.

Japan-ASEAN Cooperation on Maritime Security

Combatting piracy was initially the primary driving force for Japan’s interest in cooperation with ASEAN member states, especially in the aftermath of the Alondra Rainbow incident in 1999, when a Japanese-owned cargo ship was reportedly hijacked and the captain and crew were held captive on another boat for a week and then set adrift in the ocean.¹³ The Malacca Strait has been the focus of Japanese anti-piracy efforts and Malaysia, Singapore, and Indonesia the prime partners for cooperation. Japan has long cooperated with these three countries in the area of navigation safety and seabed

mapping through joint research, sharing of equipment, and training. The Japan International Cooperation Agency (JICA) funds the Japan Coast Guard's seminars to train maritime authorities in Southeast Asia, and Japanese aid is critical in helping to create maritime patrol authority where local capacity is lacking (especially in the Philippines and Indonesia). Japan wanted to establish a regional coast guard force for joint patrolling of the Malacca Strait, but due to the littoral states' perception of foreign interference, as well as their fear of geopolitical imbalances, the proposal was perceived as being too sensitive to be implemented. Following a similar effort by the United States to propose a Regional Maritime Security Initiative in 2004, which again raised fears of foreign intervention in the Malacca Strait, the littoral states decided to launch their own policing operations under the framework of the Malacca Strait Patrols to counter piracy.¹⁴

Japan's major initiative has been a proposal to establish the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), launched in 2006. ReCAAP is a mechanism to facilitate communications and information exchange; provide statistical analyses on piracy and armed robbery incidents in Asia; facilitate capacity building to improve the capability of member countries in combating piracy and armed robbery in the region; and cooperate with organizations and like-minded parties on joint exercises, information sharing, capacity-building programs, or other forms of cooperation.¹⁵ While the initiative received widespread support regionally, the inclusion of both piracy and "armed robbery in territorial water," the latter legally under the jurisdiction of littoral states, was the main reason that Malaysia and Indonesia declined to ratify the ReCAAP agreement.¹⁶

After the establishment of ReCAAP, Japan channeled most of its anti-piracy aid to the region through that mechanism.¹⁷ It also continued to provide assistance to these littoral states through technical assistance, information sharing, and capacity building, including training exercises. Under the government's grant program for "Cooperation on Counter-Terrorism and Security Enhancement," Japan gave ¥1.92 billion to Indonesia for three patrol vessel in 2006, as well as ¥609 million to upgrade maritime security communication systems in the Philippines, and ¥476 million to enhance Malaysia's maritime security. There was also a separate grant of ¥5.57 billion to upgrade the vessel traffic system to collect data on traffic patterns in the Malacca Strait.¹⁸

Japan has been promoting anti-piracy cooperation under other multi-lateral frameworks as well. For example, Japan financed the International Maritime Organization's efforts to track and study piracy incidents. In concert with the Asia Pacific Economic Cooperation (APEC)

Counter-Terrorism Task Force, Japan launched the Heads of Asian Coast Guard Agencies (HACGA) Meetings, the first of which was held in Tokyo in June 2004. And Japan's Ocean Policy Research Foundation provided seed money for the IMB Piracy Reporting Centre in Kuala Lumpur. Japan has also been instrumental in other important initiatives to improve regional maritime security, including the Cooperative Mechanism for Maritime Safety and Environmental Protection in the Malacca and Singapore Straits.¹⁹

Up until recently, Japan seemed to avoid working directly with ASEAN in the area of maritime security cooperation, with the exception of initiatives in the transportation sector, where Japan has actively cooperated with ASEAN to support ASEAN integration. Japan has not viewed ASEAN as a viable security partner because ASEAN member states' interests are too diverse, and reaching consensus among all 10 ASEAN member states is difficult to achieve. Japan therefore has considered mini-lateral settings among like-minded countries to be a more effective option for security cooperation. Nevertheless, the 2011 Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together (Bali Declaration), ASEAN and Japan set out a broad vision to maritime cooperation by agreeing to

promote and deepen ASEAN-Japan cooperation on maritime security and maritime safety in the region in accordance with universally agreed principles of international law such as freedom of navigation, safety of navigation, unimpeded commerce and peaceful settlement of disputes, including the 1982 United Nations Convention on the Law of the Sea (UNCLOS) and other relevant international maritime law.²⁰

The concomitant ASEAN-Japan Plan of Action (2011–2015) laid out the following measures related specifically to maritime security:

- Support the outcome of the ASEAN Maritime Forum, ASEAN-Japan Transport Ministers Meeting (ATM+Japan), ASEAN-Japan Senior Transport Officials Meeting (STOM+Japan), ASEAN-Japan STOM Leaders Conference, and other relevant forum and foster cooperation through the use of these mechanisms
- Promote cooperation among maritime agencies, coast guards and relevant authorities, through, among others, conducting training exercises, information sharing, technical cooperation and capacity building
- Intensify cooperation in the field of maritime connectivity and development of ports facilities in the ASEAN Member States, among others but not limited to, Roll-on/ Roll-off (RoRo) Network and Short Sea Shipping and Port Electronic Data Interchange²¹

The Plan of Action also envisioned enhanced defense cooperation on maritime security.²²

Driven by its strong economic interests, Japan has been supporting the Master Plan on ASEAN Connectivity, including maritime transportation connectivity through the ASEAN- Japan Transport Ministers Meeting mechanism. It initiated the ASEAN-Japan Regional Action Plan on Port Security under the ASEAN-Japan Maritime Security Transport Programme and it sponsored the ASEAN-Japan Seminar on Maritime Security and Combating Piracy to review progress made by the ASEAN countries on the implementation of the International Ship and Port Facility Security Code. Japan has also conducted training courses for maritime law enforcement officials from ASEAN countries, together with those from China and South Korea.

Despite the strategic importance of the Malacca Strait and the South China Sea, Japan has so far only been promoting and supporting civilian cooperation. Under the Japanese constitution, Japan can only use the Maritime Self-Defense Force (SDF) for specific tasks in the region related to disaster relief operations. Japan also strictly controls its official development assistance (ODA), not allowing use of its aid to support the military. Politically, Japan has also been very careful about engaging the Maritime SDF in the region because activity by Japanese forces in Southeast Asia continues to be an extremely sensitive issue. But the changing threat perception in Japan has led it to become more engaged with ASEAN, more active in joint military exercises and training in Southeast Asia, and more flexible with its ODA and export rules. Japan has been notably more active in participating in joint exercises, humanitarian assistance, disaster relief, and noncombatant evacuation operations in the region. And Japan conducted its first joint maritime military exercise with the United States and Australia in the South China Sea in July 2011. Japan has also been more flexible in the use of its ODA and is now permitting it to be used in more security-oriented ways. Japan's foreign minister, Koichiro Genba, is now vocally promoting the "strategic use of ODA" to develop a nexus between Japan's aid and regional security.²³

Moreover, Japan has been paying more attention to the traditional security side of maritime security in ASEAN cooperative frameworks in recent years, especially since tensions in the South China Sea and East China Sea started becoming the prime attention of the ASEAN-led meetings. Japan has been a strong advocate and supporter of a regional code of conduct to maintain rules-based order in the South China Sea. Japan has also been making stronger statements in regional forums, such as the ARF, demanding respect for international law (UNCLOS),

freedom of navigation, and the need for parties concerned to make and clarify their claims in accordance with international law. Japan supported ASEAN's inclusion of maritime security in the agendas of the ADMM+8 process, as well as the expanded EAS, with the inclusion of the newly admitted United States and Russia. Japan also proposed the expansion of the ASEAN Maritime Forum to include Japan and other ASEAN dialogue partners, resulting in what has now become the Expanded ASEAN Maritime Forum, the first meeting of which was held in Manila, Philippines, in October 2012.

Bilaterally, Japan has stepped up its support to several ASEAN member states to enhance their law enforcement capabilities by supplying both the necessary hardware (e.g., coast guard ships) and software (e.g., training and techniques). In December 2011, Japan lifted its self-imposed ban on arms exports to allow overseas transfers of defense equipment for maintaining peace and international cooperation. Japan is also gearing up to consider exporting its patrol vessels, crafts, and multipurpose support ships for developing ASEAN's maritime security capacity. For example, Japan decided to provide 12 brand new patrol boats to the Philippines in 2012, a move that would previously have proven difficult under stringent Japanese export controls.²⁴ In his visit to the Philippines in July 2013, Japan's Prime Minister Shinzo Abe announced that Japan will provide 10 patrol vessels to the Philippines coast guard as part of its development assistance program.²⁵ Japan agreed to build a training and education center to enhance Vietnamese capacity to police its maritime zones.²⁶ The Japan Coast Guard also held joint search and rescue training exercises with the Vietnam Marine Police for the first time in September 2012.

PROPOSALS FOR POST-2015 COOPERATION BETWEEN ASEAN AND JAPAN

It should be noted that as ASEAN cooperation on maritime security has widened and deepened in recent years—especially since 2010, in response to the increasing maritime competition in Asia Pacific—ASEAN and Japan cooperation has moved in a similar direction. This is a positive sign and is what should be expected from an enhanced partnership between ASEAN and Japan. However, given the enormous challenges facing ASEAN and Japan and the interests involved, the level and effectiveness of cooperation remains inadequate. ASEAN does not yet have a clear objective or overall work plan for maritime security, even among its own members. Japan does not yet have a clear goal or strategy in its engagement with ASEAN on

the issue either. This is partly because Japan is not yet fully convinced of ASEAN's role on maritime security cooperation, and also because Japan still maintains its traditional preference for bilateral and mini-lateral efforts among like-minded countries.

ASEAN and Japan, therefore, are advised to consider the following to boost their maritime cooperation:

1. ASEAN and Japan both need to recognize that the maritime security environment of Asia Pacific is holistic, interconnected, and continuous from the Indian Ocean to the Malacca Strait, and from the South China Sea to the East China Sea. It affects the security and prosperity of the whole region. It is therefore in the interests of ASEAN and Japan to promote regionwide cooperation to help ensure the security and stability of the Indo-Pacific maritime belt.
2. ASEAN and Japan need to cooperate to strengthen the principles of and respect for international law, especially UNCLOS, as the basic framework for the regional maritime order. ASEAN and Japan should continue to jointly call for full respect for international law; and promote cooperation to narrow differences on the interpretation, application, and implementation of UNCLOS. ASEAN and Japan should work together to encourage the region to identify areas and issues particular to East Asia that UNCLOS has not been able to address, or has addressed but inadequately. Such areas and issues need to be identified and prioritized for cooperation.
3. In order to strengthen the rules-based order at sea, Japan should fully support ASEAN's Six-Point Principles on the South China Sea, particularly ASEAN's efforts to conclude a code of conduct on the South China Sea. Japan and ASEAN should jointly conduct confidence-building activities in accordance with international law.
4. ASEAN and Japan need to extend maritime cooperation beyond traditional areas such as counter-piracy, armed robbery, and ensuring transportation safety and security, to include new areas such as combating maritime crimes, terrorism, illegal migration, disaster relief, search and rescue, scientific research, environmental protection, environmental crisis management, and so on.
5. Japan should further extend assistance to ASEAN to help enhance ASEAN's capacity to maintain maritime order in waters under their jurisdiction, as this will contribute to overall regional security and stability. The assistance should continue to be in the form of hardware (e.g., patrol boats, surveillance equipment, telecommunication equipment) and software (e.g., awareness promotion, training, joint exercises). Japan might

consider extending the use of its ODA to the region more for strategic uses such as these.

6. ASEAN and Japan need to closely cooperate to strengthen the current security architecture's role in dealing with maritime security issues. ASEAN and Japan need to maintain close coordination and cooperation under such frameworks as the ARF, ADMM+8, EAS, and Expanded Maritime Forum to promote maritime security cooperation.
7. Japan and ASEAN should be open and encourage ASEAN member states and Japan to conduct more joint maritime operations involving the coast guards or defense forces, which could include port visits, joint patrols, search and rescue operations, disaster relief, scientific research, joint military exercises and training, and so on in order to build confidence and strengthen regional capacity.

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Peacekeeping, Peacebuilding, and Preventive Diplomacy

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As ASEAN MOVES toward the formation of an ASEAN Community by 2015, and as Japan re-engages with its Asian neighbors under Prime Minister Shinzo Abe, both ASEAN and Japan must consider what role they can play in regional security in the coming years. There is increasing awareness among ASEAN members that Asian states have a wider responsibility to ensure peace and security not only within the region, but potentially around the world. As 2015 approaches, discussions regarding greater action in this area have taken place under the framework of the ASEAN Political-Security Community (APSC). However, ASEAN has yet to reach consensus on several of the proposals being discussed under the APSC.

In Japan, the future of the Japan Self-Defense Forces (SDF) proved to be an election issue in 2012. During the election campaign, suggestions were made that the SDF might eventually be reformed into a force able to more freely conduct overseas operations. In 2013, this debate has continued, with the Liberal Democratic Party (LDP) government under Prime Minister Abe exploring the potential changes to Article 9 of the Japanese Constitution that would be required to reform the SDF. Since 1992, there has been a gradual loosening of the restrictions governing the SDF's activities, but the SDF's status and Japan's role in regional security will continue to be a contentious issue for Japanese politics.

It is in this broader context, for both ASEAN and Japan, that there is the potential for peacekeeping, peacebuilding, and preventive diplomacy. While traditional peacekeeping under the UN model will remain important, and there are good prospects for cooperation in training and capacity building in this area, there is a growing need to think beyond the UN, and to develop civilian-led peacebuilding and regionally led preventive diplomacy.

Peacebuilding and preventive diplomacy are promising avenues for ASEAN and Japan to play a proactive role in maintaining peace and stability, while not compromising mutually held principles of noninterference.

In the APSC, for instance, some members have suggested the creation of an ASEAN Peacekeeping Force. Although others have expressed reservations, citing potential sensitivities, such thinking is a considerable step forward for the group. Thus far, ASEAN officials have only agreed to more modest initiatives such as sharing training and best practices for peacekeeping among the armed forces of ASEAN members, as well as supporting regional dialogues among defense officials. Support and encouragement from other non-ASEAN partners may assist in this development for both ASEAN and the wider Asia Pacific.

This paper discusses ASEAN and Japan's shared history in maintaining peace and security in the region, beginning with a review of traditional peacekeeping operations. Although both ASEAN member states and Japan have had successful involvement in UN peacekeeping, political dynamics and sensitivities make it unlikely that ASEAN states and Japan will play a greatly expanded role in peacekeeping operations in the near term. There is, however, considerable potential for ASEAN and Japan to become more involved in peacebuilding, in providing humanitarian and technical assistance in post-conflict situations, as well as in the practice of preventive diplomacy.

JAPAN AND THE UN TRANSITIONAL AUTHORITY IN CAMBODIA

The UN bases peacekeeping on three basic principles: the consent of governments where peacekeepers are deployed, the impartiality of peacekeepers, and the non-use of force (except in self-defense and defense of their mandate). Both Japan and the members of ASEAN have provided forces to UN peacekeeping operations. A high point was Japan's first participation in UN peacekeeping operations in Cambodia, which is today an ASEAN member. The Cambodian peace process was a critical diplomatic effort for ASEAN and a formative experience for the group in its early years, and Japan's role may be regarded as a milestone in ASEAN-Japan relations.

Throughout the 1980s, ASEAN took action to draw attention to the situation in Cambodia at the international level, mainly through bilateral diplomacy and by keeping Cambodia on the agenda in the UN General Assembly while the subject was stalled at the UN Security Council level due to the Soviet Union's veto. However, it was only in 1989 that significant

progress was made, with the convening of the “Conference on Peace in Cambodia” (Paris Peace Conference) in July–August 1989, involving the Cambodian factions, the permanent members of the UN Security Council, ASEAN states, and other countries. Japan began to play a leading role in the peace negotiations at this stage, alongside Indonesia and Australia, and eventually served as host for a further meeting of the Cambodian factions in 1990. The final “Agreements on a Comprehensive Political Settlement of the Cambodia Conflict” (Paris Agreements) were signed in October 1991 in France. Following the ceasefire agreement, the UN Advance Mission in Cambodia was dispatched between October 1991 and March 1992, after which it was subsumed by the United Nations Transitional Authority in Cambodia (UNTAC). Over its 18-month mandate, UNTAC would eventually oversee Cambodia’s successful elections and the establishment of a stable government.

Progressing from its involvement in the peace negotiations, Japan played a leading role in UNTAC from the beginning, contributing some 1,300 SDF personnel, civilian police officers, and election monitors.² The establishment of UNTAC in 1992 was the first deployment of SDF troops under the “Act on Cooperation for United Nations Peacekeeping Operations and Other Operations” (PKO Act). Japanese leadership was also apparent in the UN’s choice of leaders of UNTAC, Special Representative of the Secretary-General Yasushi Akashi, the first Japanese citizen to hold such a post.³

The decision to become involved in UNTAC was not an easy one for the Japanese authorities, particularly with regards to deployment of the SDF. Article 9 of the 1947 Japanese constitution, established in the wake of World War II, formally renounces war as an instrument of foreign policy.⁴ When Japan established the SDF in 1954, it was founded for national defense, with prohibitions against its deployment overseas. However, there was always a fundamental tension between Japan’s caution against deploying its troops and the feeling of many that Japan had a responsibility to contribute to international peace and security. The 1992 PKO Act was an attempt to reconcile this dichotomy by allowing the SDF to be involved in UN peacekeeping operations (including ceasefire monitoring), international humanitarian relief, and international election observations.⁵

When the PKO Act was finally passed, it imposed heavy restrictions on the overseas dispatch of the SDF, including five basic principles, one of which limited SDF troops to minimum use of force, and only in self-defense. A freeze was also imposed on many peacekeeping activities, effectively restricting the SDF only to rear-support missions.⁶ Some of these initial prohibitions have since been loosened; in December 2001, the freeze on acceptable peacekeeping activities was lifted, and the law was also amended

to allow SDF personnel to use force in protecting people “under their control,” not merely in self-defense.⁷

But in 1992, many in Japan were critical even of the original, more conservative PKO Act. Opinion polls showed that a majority of the Japanese public felt the SDF’s overseas deployment was constitutionally questionable.⁸ However, then Prime Minister Kiichi Miyazawa insisted that Japan had to fulfill its obligations and remain in Cambodia until the completion of the country’s elections later that year.⁹

It is now generally accepted that, although not without setbacks and challenges, UNTAC was a success. The effort led by Japan eased Cambodia’s transition by helping to maintain order and supervising the key elections that established Cambodia’s national government.¹⁰

Despite UNTAC’s success, involvement in UNTAC posed great challenges to Japan’s domestic politics. The Japanese debate on the acceptable role of the SDF has not subsided but has instead continued to the present, especially in relation to Japan’s alliance with and support for the United States.¹¹ In January 2013, Japanese Prime Minister Abe confirmed that the LDP will seek to change the country’s constitution to further lift restrictions on the ability of Japan’s armed forces to operate overseas, a prospect that was raised during the 2012 elections.

The concept that the SDF is technically not a military remains deeply ingrained in Japanese society. This is notwithstanding the fact that Japan’s defense spending is currently ranked the sixth highest in the world. Many lawmakers are uncertain about the implications of changing the constitution, which has not been formally altered since it was created in 1947. Constitutional amendments in Japan must also be ratified by a national referendum, and the public remains divided on the issue.

ASEAN POLITICAL-SECURITY COMMUNITY AND PEACEKEEPING

Compared with Japan, ASEAN countries face far fewer legal restrictions on the deployment of their armed forces. Several ASEAN member countries already make significant contributions of personnel to UN peacekeeping efforts. As of June 2012, Indonesia was ranked 15th in the world out of 120 countries contributing military and police personnel to current UN peacekeeping operations. Indonesia had 1,997 personnel deployed, placing it just ahead of China. Two other ASEAN members that placed relatively high in the rankings were Malaysia at 18th and the Philippines at 29th.¹²

The limits for ASEAN in this area relate more to questions of political will and agreed modes of cooperation outside of the UN. It is notable, for example, that most UN peacekeeping operations and other international efforts to assist peace processes in Southeast Asia have been headed by countries outside the grouping.

The exception has been in the case of the various UN missions to Timor-Leste.¹³ Although the initial UN operations in that country were Australian-led, a Thai military officer, Lieutenant General Boonsrang Niumpradit, took charge as the Peacekeeping Force Commander for over a year, with his command ending in August 2001. In addition to Thailand, Malaysia, the Philippines, and Singapore contributed personnel. Notably, Japan was also a major supporter of the UN missions to Timor-Leste, deploying some 690 SDF personnel to the country in 2002, the largest single Japanese contribution to a peacekeeping operation to date.¹⁴

Looking ahead, ASEAN members have committed to playing a greater role in ensuring the Asian region's peace and security as part of the APSC. Under the APSC Blueprint, ASEAN members have agreed to promote peacekeeping capabilities within the grouping. Five ASEAN member states have already established national peacekeeping centers for training purposes—Cambodia, Indonesia, Malaysia, the Philippines, and Thailand.

In May 2011, at the 5th ASEAN Defense Ministers Meeting (ADMM) in Jakarta, ASEAN members agreed to tie their national centers into an ASEAN-wide network of peacekeeping centers under a plan spearheaded by Indonesia and Thailand. According to the joint declaration issued at the end of the 5th ADMM, the establishment of the ASEAN Peacekeeping Centres Network “seeks to enhance cooperation in peacekeeping among all ASEAN Member States including cooperation to facilitate and utilize existing national peacekeeping centres to conduct planning, training, and exchange of experiences for peacekeeping operations with a view to developing a regional arrangement for the maintenance of peace and stability in ASEAN Member States.”¹⁵

In addition to joint training and information sharing, the Peacekeeping Centres Network aims to help the five ASEAN member states that do not currently have their own peacekeeping centers establish such capabilities. However, the initiative is still in its early stages, with the 1st ASEAN Peacekeeping Centre Network Meeting only having taken place in September 2012. Defense officials have also highlighted the practical challenges ASEAN faces in setting up peacekeeping centers, for instance a shortage of physical infrastructure to train troops in peacekeeping operations, limited resources, a lack of common language skills, and inexperience in interoperability among ASEAN forces.¹⁶

Despite the challenges, proponents of an ASEAN Peacekeeping Force see the ASEAN Peacekeeping Centres as a stepping stone toward their final goal. Indonesia has been supporting the creation of such a force in conjunction with the ASEAN Community since 2002 and has most recently called for the creation of an ASEAN Peacekeeping Force by 2015–2020. The Philippines has reacted favorably to Indonesia's suggestion of creating a formal peacekeeping force, but other ASEAN states have clearly stated their reservations.

In 2004, Singaporean Minister of Foreign Affairs S. Jayakumar said ASEAN is the “wrong entity to play a peacekeeping role,” emphasizing that ASEAN is not a security and defense organization. Then Vietnamese Foreign Minister Nguyen Dy Nien agreed it was “too early” to establish an ASEAN Peacekeeping Force, and the creation of one would be difficult as “each country has its own policy about politics and the military.” And that same year, Thailand's Foreign Affairs Minister Surakiart Sathirathai was quoted as saying, “There is no conflict in the region which would need the mobilization of such a force.”¹⁷

While attitudes may not be stagnant, there are some underlying signs that still point to a reluctance on the part of some ASEAN members to fully accept the proposal. Indeed, the reluctance of ASEAN countries to consider more formal regional cooperation on peacekeeping is not surprising, given ASEAN's adherence to the principles of noninterference and respect for state sovereignty—principles enshrined in the ASEAN Charter.

There are a number of instances that demonstrate the possible sensitivities, especially several ongoing conflicts within ASEAN. For example, in the long-running problems in Thailand's southern provinces and northern Myanmar, where government forces continue to clash with rebels, there have been no serious suggestions of international involvement at the ASEAN or UN levels in the conflicts. Smaller steps in the realm of high diplomacy have instead been preferred.

For instance, in 2009 Malaysian Prime Minister Najib Razak paid a visit to Thailand's southern provinces alongside Thai Prime Minister Abhisit Vejjajiva. Thailand's southern provinces are along the border with Malaysia, and the insurgency there involves an ethnic group that claims religious and kinship ties with the Malays in Malaysia. However, Mr. Najib repeatedly stressed that the conflict was a domestic issue for Thailand and that any Malaysian efforts to resolve the conflict would only be carried out in cooperation with the Thai government. To date, Malaysian involvement has been purely diplomatic, for instance in encouraging peace talks between insurgents and Thai authorities, and in campaigning on Thailand's behalf

to dissuade other Organization of the Islamic Conference members from censuring Thailand.

There have also been cases of governments in ASEAN inviting neighboring countries to oversee ceasefires and implement peace agreements, but these have been largely civilian efforts and done at the express invitation of the national authorities involved. In 2004, the Philippines invited a Malaysian-led International Monitoring Team to oversee the ceasefire between the government and the Moro Islamic Liberation Front (MILF) in Mindanao, with the team including personnel from Brunei, Japan, Libya, and the EU. Malaysia has also been actively engaged as the broker and host of peace talks between the Philippine authorities and the MILF, resulting in the framework agreement currently being negotiated in 2013 that is expected to lead to a final peace deal. In 2005, five ASEAN members—Brunei, Malaysia, the Philippines, Singapore, and Thailand—also participated in an EU-led civilian mission to Aceh, assisting in implementing the Memorandum of Understanding between the government of Indonesia and Gerakan Aceh Merdeka (GAM, or the Free Aceh Movement).

Other recent events have also demonstrated how concerns over sovereignty remain an issue for peaceful resolution of conflicts between ASEAN members. In July 2011, the International Court of Justice (ICJ) issued provisional measures on the border dispute between Cambodia and Thailand—a dispute between two sovereign states rather than a civil conflict as the one described above. Both sides were ordered to withdraw troops from the area surrounding the historic Preah Vihear temple and to establish a demilitarized zone. Notably, the ICJ also ordered both states to allow observers from ASEAN into the demilitarized zone to monitor the ceasefire. However, the case also highlights the sensitivities and difficulties that occur in such situations.

The prospect of sending neutral observers to the area had already been suggested earlier in 2011 by Indonesia, then the chair of ASEAN. Before the ICJ ruling, Cambodia had agreed to allow unarmed Indonesian observers, signing terms of reference in May 2011, ahead of the ASEAN Summit in Jakarta. But Thailand had expressed reservations over the plan despite Indonesia's careful insistence that the team would be merely observers and not peacekeepers.

With the ICJ's ruling, Thailand agreed to abide by the court's decision. But implementation of the ICJ's orders has been slow, and to date there has been no deployment of the promised observers, who would be Indonesian personnel under the auspices of ASEAN. This is largely due to reservations on the part of the Thai military and authorities about the characterization of the observer team, its diplomatic status, and whether the team would include

uniformed soldiers, which would be viewed as posing a challenge to Thai sovereignty. Fortunately, tensions have calmed since mid-2011, with both Thailand and Cambodia keen to avoid a breakdown in relations. However, with an ICJ verdict on the case due by October 2013, the territorial dispute remains a political issue for both countries.

PEACEBUILDING AND PREVENTIVE DIPLOMACY

As the above examples demonstrate, the challenge to peacekeeping arrangements in ASEAN may not be a lack of ability or resources, but rather a question of norms and political will. ASEAN traditionally adheres to the norm of noninterference in a country's internal affairs as part of the ASEAN way.¹⁸ Yet new challenges and ambitions—especially the drive to create an APSC—require a commitment to wider principles of peace and security.

For instance, the APSC calls on ASEAN to increase its efforts to support post-conflict reconciliation and humanitarian assistance.¹⁹ This echoes the UN concept of peacebuilding in calling for the international community to take action in solidifying peace beyond the mere absence of fighting. Such assistance would go beyond ensuring basic safety and security in a country, to supporting political processes and even efforts to revitalize a country's economy.²⁰ For both ASEAN and Japan, the wider definition of peacebuilding (as compared with the relatively narrow definition of UN peacekeeping) offers opportunities for states to contribute humanitarian assistance, undertaking actions that would not be considered political or military involvement or interference in another state's internal affairs.

Timor-Leste is one example of where ASEAN members and other Asian states such as Japan have taken the initiative to offer assistance beyond the remit of UN peacekeeping operations. Since Timor-Leste gained independence from Indonesia and was formally established as a sovereign state in May 2002, neighboring Asian countries—including ASEAN members and Japan—have contributed to the country's development. Asian states have contributed military and police forces to the UN missions to Timor-Leste, but there has also been considerable support from governments for critical infrastructure projects in Timor-Leste, such as Japanese grants for water and irrigation projects. ASEAN states and Japan have also made human resource capacity and institution building a priority, helping to create strong legal systems and providing training in areas such as financial administration, health, and agriculture.

Another potential area of action for ASEAN and Japan is preventive diplomacy within Asia Pacific.²¹ Preventive diplomacy refers to action taken at

the earliest possible stage to prevent disputes from arising between parties, to prevent existing disputes from escalating into conflicts, and to limit the spread of the latter when they occur. In 2005, UN member states at the World Summit committed to building a culture of prevention. Subsequently, in 2011, UN Secretary-General Ban Ki-moon released a report on preventive diplomacy in which it was acknowledged that although proactive efforts to prevent conflict are not easy, prevention is cheaper than the cure. The significant political effort and the economic costs of prevention are far outweighed by the economic impact and the lives lost from war. For that reason, building up capacity in this area is “without doubt, one of the smartest investments we can make.” The report further argues that regional organizations are critical to successful preventive diplomacy, as they have unique influence on, leverage over, and access to crisis situations in their region.

ASEAN’s APSC Blueprint emphasizes the need to further develop conflict prevention and confidence-building measures, such as the existing ASEAN Regional Forum (ARF) and ASEAN Defense Ministers Meeting Plus Eight (ADMM+8), both of which are regional processes involving the 10 ASEAN countries as well as Japan. ASEAN has long been committed to the pacific settlement of disputes, but the APSC Blueprint suggests that ASEAN could establish stronger dispute settlement mechanisms or further strengthen existing modes of dispute settlement.²²

Proponents of preventive diplomacy recognize that it is difficult for outsiders to persuade parties to seek peace. Moreover, especially in civil conflicts, parties are often concerned about sovereignty and resistant to outside interference in internal affairs. This is precisely why a delicate approach involving regional organizations is called for, such as encouraging parties to engage in dialogue and mediation outside the international spotlight, or sending civilian-led missions to the area.²³ The secretary-general’s report specifically cites ASEAN as a potential partner for the UN in this regard.

The concept of preventive diplomacy is in line with the political culture of ASEAN, as well as Japan’s own norms and principles. Some discussion has taken place at the Track 1 and Track 2 levels on the possibility of the ARF in promoting prevention. The ARF is an international security forum hosted by ASEAN, involving the 10 ASEAN members as well as dialogue partners (including Japan), observers, and other parties, for a total of some 27 participants. Thus far the ARF has focused on confidence-building measures in the region, but a preventive diplomacy role would be a logical evolution of the forum’s existing activities.²⁴

However, progress on preventive diplomacy as applied via the ARF has been slow due to several concerns. Some practices of preventive diplomacy, such as the use of fact-finding missions and the offer of good offices, may

be interpreted by some to amount to interference in the internal affairs of a state, which may contradict the ASEAN norm of noninterference in the internal affairs of countries. In addition, the practice of preventive diplomacy may require a greater degree of institutionalization for the ARF, and the ARF parties have traditionally been wary of elaborate, fixed institutions and rigid rules-based procedures.

Given the norm of noninterference, the ARF also cannot adopt broader definitions of preventive diplomacy that may encompass the threat of military deployment or sanctions; such coercive measures would not be appropriate given the ARF's remit. However, it is possible that the ARF may come to encompass preventive diplomacy that is clearly limited to its core element of strictly diplomatic measures. The challenge will be to ensure that the ARF is consistent and fair in its application of such measures. Principles that guide any ARF practice of preventive diplomacy will need to be discussed and mutually accepted by ARF members and by ASEAN member states. Thus officials are approaching the prospect of the ARF playing a role in preventive diplomacy cautiously. But while the initial optimism may have waned, it remains an important and even essential step ahead for the region.²⁵



As ASEAN moves toward the formation of an ASEAN Community by 2015, the onus will be on the grouping to demonstrate its commitment to peace and security to its member states, its peoples, the region, and the international community. Similarly, as Japan re-engages with its neighbors under Prime Minister Abe, Japan will need to consider its status and position in Asia, especially in the area of peace and security.

Traditional peacekeeping in the UN model will remain an important touchstone and framework for ASEAN members and Japan. This, however, has to be combined with ASEAN and regional efforts. If there is consensus within the ASEAN grouping, member countries should cooperate to build peacekeeping capacity through efforts such as the initiative to create an ASEAN Peacekeeping Centres Network. If this path is to be undertaken successfully, then non-ASEAN partners will be needed. Given the strong ASEAN-Japan relationship both generally and in this area, Japan will be an important partner for ASEAN.

Taking advantage of the capacity and expertise of the SDF and other Japanese authorities, Japan can assist ASEAN security forces in developing these capabilities. Moreover, by anchoring these efforts within a framework set by ASEAN collectively and within principles of peace and cooperation,

ASEAN and Japan can together ensure that any efforts to expand security capabilities are perceived to be directed toward peace, avoiding perceptions of militarization and aggression.

There is considerable potential for countries to invest more in peacebuilding initiatives, providing not merely troops or police officers, but also sharing technology and training to help create the conditions for long-term stability. Given their wealth of experience, ASEAN and Japan are well placed to help countries or territories in the region create civic institutions, construct key physical infrastructure, and build their human resources.

It is equally important that countries consider building greater capacity for preventive diplomacy, be it at the bilateral, multilateral, or regional level. In addition to hosting forums like the ARF and potentially providing a platform for such diplomacy, there is also a need for the foreign ministries of Asian countries to train and equip diplomats to play the role of envoys and mediators.²⁶

Ultimately, it is in the interest of Asian states to lead efforts to avoid conflict in the region before international military intervention or a peacekeeping operation becomes necessary. Both ASEAN and Japan are currently seeking to play a greater role in regional security. However, military involvement, even peacekeeping, poses a difficult question for ASEAN members and Japan due to their mutual and strong adherence to the norm of noninterference in another sovereign state's internal affairs. Civilian-led peacebuilding initiatives and diplomatic efforts are promising avenues for states to avoid compromising their principles, while still playing a proactive role in ensuring the region's peace and security.

NOTES

1. Simon S.C. Tay is chairman of the Singapore Institute of International Affairs (SIIA) and associate professor of law at the National University of Singapore. Aaron Choo is a researcher at the SIIA.
2. In total, UNTAC involved some 21,000 military and civilian personnel from over 30 countries.
3. Ministry of Foreign Affairs of Japan, *Japan's Efforts on Peacebuilding: Towards Consolidation of Peace and Nation-Building* (Tokyo: Ministry of Foreign Affairs, 2007).
4. Article 9 of the Japanese constitution reads, "Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized."

5. Prior to the passing of the 1992 PKO Act, an earlier bill in 1990 regarding Japanese involvement in UN peacekeeping operations had been rejected by Japanese lawmakers. See William Heinrich, Akiho Shibata, and Soeya, Yoshihide, *United Nations Peace-keeping Operations: A Guide to Japanese Policies* (New York: United Nations University, 1999).
6. Article 6(7) of the PKO Act reads, “(1) Agreement on a ceasefire shall have been reached among the parties to armed conflict; (2) Consent for conduct of UN peacekeeping operations as well as Japan’s participation in such operations shall have been obtained from the host countries as well as from the parties to armed conflict; (3) The operations shall strictly maintain impartiality, and not favor any of the parties to in the armed conflict; (4) Should any of the requirements in the above-mentioned guideline cease to be satisfied, the International Peace Cooperation Corps may suspend International Peace Cooperation Assignments. Unless the requirements are satisfied again quickly, the Government of Japan may terminate the dispatch of the personnel engaged in International Peace Cooperation Assignments; (5) The use of weapons shall be within the limits judged reasonably necessary according to the circumstances.”
7. Frank A. Stengel, “The Reluctant Peacekeeper: Japan’s Ambivalent Stance on UN Peace Operations,” *Japan aktuell: Journal of Current Japanese Affairs* 01/2008: 37–55.
8. The issue was seized upon by the Japanese opposition, but even some LDP members and cabinet ministers would come to question Japan’s involvement in UNTAC. In 1993, following the second death of a Japanese national in Cambodia, Junichiro Koizumi, then minister of posts and telecommunications, argued for the withdrawal of Japanese peacekeepers and volunteers in Cambodia on the basis that the Japanese public had not counted on Japanese personnel being killed and would not accept further deaths. The situation in Cambodia had indeed become more complex, with the Khmer Rouge effectively withdrawing from the peace process despite their initial agreement. See Rinn-Sup Shinn and Lois B McHugh, *Japanese Participation in United Nations Peacekeeping Operations* (Washington DC: Foreign Affairs and National Defense Division, Congressional Research Service, 1992).
9. Daisuke Akimoto, “The Shift from Negative Pacifism to Positive Pacifism: Japan’s Contribution to Peacekeeping in Cambodia,” *Ritsumeikan Journal of Asia Pacific Studies* 31 (2012): 120–31.
10. Lucy Keller, “UNTAC in Cambodia—From Occupation, Civil War and Genocide to Peace,” in *Max Planck Yearbook of United Nations Law* Vol. 9, ed. Von Bogdandy et al. (Heidelberg: Max Planck Institute for Comparative Public Law and International Law, 2005).
11. In 2001, the debate reignited when an anti-terrorism law was passed, allowing Japan to support the US war on terror. Japan would go on to provide logistical support to US operations in Afghanistan, and Japanese personnel were deployed to perform security roles in Iraq.
12. Military and police contributions to UN operations come mostly from large countries in Asia and Africa. Of the Permanent Members of the Security Council, only China and France currently contribute significant numbers of personnel. Among other East Asians, South Korea and Japan also contribute significant numbers of military and police personnel, ranking 32nd and 33rd respectively. United Nations, “Ranking of Military and Police Contributions to UN Operations, 30 Jun 2012,” http://www.un.org/en/peacekeeping/contributors/2012/june12_2.pdf.

13. These missions include the International Force for East Timor, the UN Transitional Administration in East Timor, the UN Mission of Support in East Timor, and the UN Integrated Mission in Timor-Leste.
14. Mely Caballero-Anthony and Holly Haywood, "Defining ASEAN's Role in Peace Operations: Helping to Bring Peacebuilding 'Upstream?'" *Civil-Military Working Papers* (Asia Pacific Civil-Military Centre of Excellence, Australian Government) 3/2010.
15. "Joint Declaration of the ASEAN Defence Ministers on Strengthening Defence Cooperation of ASEAN in the Global Community to Face New Challenges," 5th ASEAN Defense Ministers Meeting, May 2011, Jakarta, <http://www.asean.org/communities/asean-political-security-community/item/joint-declaration-of-the-asean-defence-ministers-on-strengthening-defence-cooperation-of-asean-in-the-global-community-to-face-new-challenges-jakarta-19-may-2011>.
16. ASEAN Defence Ministers Meeting, "Concept Paper on the Establishment of ASEAN Peacekeeping Centres Network," 5th ASEAN Defence Ministers Meeting, Jakarta, Indonesia, May 19, 2011.
17. Adrian Kuah, "The ASEAN Security Community: Struggling with the Details," *IDSS Commentaries* 21/2004.
18. Mely Caballero-Anthony and Amitav Acharya, eds. *UN Peace Operations and Asian Security* (New York: Routledge, 2005), 123–5.
19. ASEAN, *ASEAN Political-Security Community Blueprint*. (Jakarta: ASEAN Secretariat, 2009).
20. Peacebuilding was first introduced as a formal concept at the UN level in then Secretary-General Boutros Boutros-Ghali's 1992 report, *An Agenda for Peace*. Currently, the UN Secretary-General's Policy Committee defines peacebuilding as "a range of measures targeted to reduce the risk of lapsing or relapsing into conflict by strengthening national capacities at all levels for conflict management, and to lay the foundations for sustainable peace and development." See United Nations Peacebuilding Support Office. *UN Peacebuilding: An Orientation* (New York: UN Secretariat, 2010).
21. The concept of preventive diplomacy was first articulated in the 1950s by then UN Secretary-General Dag Hammarskjöld, but the notion has been gaining increasing attention in recent years. See Boutros Boutros-Ghali, *An Agenda for Peace: Preventive Diplomacy, Peacemaking and Peace-keeping* (New York: United Nations, 1992).
22. Ban Ki-moon, "Preventive Diplomacy: Delivering Results" (Report of the UN Secretary-General), S/2011/552 (26 August 2011).
23. Michael S. Lund, *Preventing Violent Conflict: A Strategy for Preventive Diplomacy* (Washington DC: United States Institute of Peace, 1996).
24. Simon S.C. Tay, "Preventive Diplomacy and the ASEAN Regional Forum: Principles and Possibilities," in *The Next Stage: Preventive Diplomacy and Security Cooperation in the Asia-Pacific Region*, ed. Amitav Acharya and Desmond Ball (Canberra Papers on Strategy and Defence no. 131) (Canberra: Strategic and Defence Studies Centre, Australian National University, 1999).
25. Simon S.C. Tay, "Attempts at a Regional Architecture" in *Pacific Asia 2022: Sketching Futures of a Region*, ed. Simon S.C. Tay (Tokyo: Japan Centre for International Exchange, 2005), 192–224.
26. Simon S.C. Tay, "Institutions and Processes: Dilemmas and Possibilities," in *Reinventing ASEAN*, ed. Simon S.C. Tay et al. (Singapore: Institute of Southeast Asian Studies, 2001), 243–72.

ASEAN-Japan Cooperation on Democracy and Human Rights Promotion: Challenges and Opportunities

TAKESHI YUZAWA

IN 2003, THE leaders of ASEAN declared their intention to establish an ASEAN Security Community (ASC), later renamed the ASEAN Political-Security Community (APSC). The emergence of the APSC concept in part reflects ASEAN's growing attention to democracy and human rights as a way of promoting a stable regional order. Indeed, one of the main objectives of the APSC project is to establish "a rules-based community of shared values and norms" by "promoting political development in adherence to the principles of democracy, the rule of law, good governance, human rights, and fundamental freedoms."¹

With democracy thus at the forefront of ASEAN's discourse, democracy promotion has also been incorporated into the goals of ASEAN-Japan cooperation. The joint declaration issued at the 14th ASEAN-Japan Summit in 2011, for instance, commits Japan and ASEAN to facilitating cooperation for "the promotion of democratic values and the empowerment of people in the region by supporting the realization of the APSC."² As one of the most successful democracies in Asia, Japan is expected to play a major role in supporting ASEAN's democracy project. However, the implementation of ASEAN-Japan cooperation on democracy and human rights promotion seems not to be an easy prospect given the diversity of political systems and ideologies among the ASEAN countries. What are the major challenges facing Japan and ASEAN in implementing bilateral cooperation in this field? How should Japan and ASEAN work together to overcome such obstacles?

The main objective of this chapter is to examine the challenges and opportunities for ASEAN-Japan cooperation on the APSC project with special reference to democracy and human rights promotion. The remainder of this chapter is organized as follows: The first section provides a brief overview of the ascension of democracy and human rights on ASEAN's agenda with respect to the APSC project. The second section examines obstacles in ASEAN that are interfering with the promotion of democracy and human rights. The third section examines major areas and activities in which Japan and ASEAN could foster cooperation. And the concluding section discusses the implications for ASEAN-Japan relations and the prospects of a regional order in both Southeast and East Asia.

THE RISE OF DEMOCRACY AND THE HUMAN RIGHTS AGENDA IN ASEAN

In official ASEAN documents, reference to democracy first appears in the Declaration of the ASEAN Concord II (Bali Concord II), adopted at the ninth ASEAN Summit in October 2003. The advancement of democracy in ASEAN was accompanied by the emergence of the ASC concept, which was first proposed by Indonesia. At ASEAN's senior official meeting in May 2003, Indonesia presented a concept paper entitled "Towards an ASEAN Security Community," which placed a strong emphasis on democracy and the human rights agenda. The paper called for ASEAN members "to promote people's participation, particularly through the conduct of general elections, to implement good governance, to strengthen judicial institutions and legal reforms, and to promote human rights and obligations through the establishment of the ASEAN Commission on Human Rights."³ Indonesia's keen interest in democracy and human rights promotion reflects not only the progress of democratization in Indonesia but also its attempt to reassert its traditional leadership in ASEAN.⁴ Unsurprisingly, Indonesia's proposal met with opposition from some of the nondemocratic ASEAN countries that have resisted the inclusion of democracy and human rights as a main policy objective for ASEAN. Hence, while the Bali Concord II endorses the idea of the ASC, it only makes a brief reference to the democracy agenda, stating that "the ASC would ensure that ASEAN members live in peace with one another and in peace with the world in a just, democratic and harmonious environment."⁵

As the chair of ASEAN's Standing Committee, Indonesia was assigned the task of drafting an action plan for the ASC. This opportunity allowed Jakarta to again take the initiative for inserting a democracy and human

rights agenda as a major part of ASEAN's community-building project. A draft of the ASEAN Security Community Plan of Action (ASC POA), presented by Indonesia in February 2004, explicitly positions democracy and human rights as "common socio-political values and principles" that ASEAN members should nurture, and in order to achieve this objective, it urged ASEAN members to "strengthen the systems of people's participation through free and regular elections" and to "establish an ASEAN Regional Commission on Human Rights."⁶

However, persuading nondemocratic ASEAN members to support Indonesia's proposal again proved to be problematic. As a result of bargaining and negotiations among ASEAN members, the draft of the ASC POA was watered down. The references to democracy and human rights as shared ASEAN values and the establishment of a human rights commission were erased from the final version of the POA, which was adopted in November 2004. Instead, the final version simply argues that "ASEAN members shall promote political development in support of ASEAN's shared vision and common values for achieving peace, stability, democracy and prosperity in the region." Furthermore, "strengthening the systems of people's participation through regular and free elections" was replaced with "strengthening democratic institutions and popular participation."⁷

Despite these revisions, the ASC POA retains important elements of the democracy and human rights agenda proposed by Indonesia, thus making them a main component of ASEAN community building. ASEAN's commitment to democracy and human rights was also confirmed by the ASEAN Charter, signed by ASEAN leaders in November 2007. The charter commits ASEAN to "strengthening democracy, enhancing good governance and the rule of law, and to promoting and protecting human rights and fundamental freedoms."⁸ Indonesia's earlier proposal for the establishment of a human rights body was also revived in the charter.

In addition, at the 14th ASEAN Summit in February 2009, ASEAN leaders adopted the ASEAN Political-Security Community Blueprint, which articulated a roadmap and activities that ASEAN would implement for realizing what by then had become known as the APSC. For example, regarding the promotion of democratic principles, the blueprint stipulates the implementation of the following actions:

1. Promoting understanding of democratic principles among youth at schools at an appropriate stage of education
2. Organizing seminars, training programs, and other capacity-building activities for governments, think tanks, and relevant civil society

organizations to exchange views, share experiences, and promote democracy and democratic institutions

3. Conducting annual research on experiences and lessons learned of democracy aimed at enhancing the adherence to the principles of democracy⁹

As for the promotion and protection of human rights, the blueprint specifies the following activities:

1. Establish an ASEAN human rights body by 2009
2. Complete a stock-taking of existing human rights mechanisms and equivalent bodies, including sectoral bodies promoting the rights of women and children, by 2009
3. Cooperate closely with efforts of the sectoral bodies in the development of an ASEAN instrument on the protection and promotion of migrant workers' rights
4. Strengthen interaction between the network of existing human rights mechanisms as well as other civil society organizations, with relevant ASEAN sectoral bodies
5. Enhance and conduct information exchange in the field of human rights among ASEAN countries
6. Promote education and public awareness on human rights
7. Cooperate closely with efforts of the sectoral bodies in the establishment of an ASEAN commission on the promotion and protection of the rights of women and children¹⁰

ASEAN has begun to implement some of these activities. For instance, through the Bali Democracy Forum and the Institute for Peace and Democracy—both of which were established by the Indonesian government in 2008 with the aim of promoting democracy in Asia Pacific—Jakarta has provided other ASEAN countries with a number of workshops aimed at sharing the experiences and lessons learned during Indonesia's democratization process. These have included the workshop on Electoral Systems, Parties and Parliaments and the workshop on Indonesian and Asian Democratic Transition and Reform Experiences. Moreover, in keeping with the mandate of the ASEAN Charter, at the 15th ASEAN Summit in October 2009, ASEAN members launched an ASEAN Intergovernmental Commission on Human Rights (AICHR) as an ASEAN human rights body. Following this, an ASEAN Commission on the Promotion and Protection of the Rights of Women and Children (ACWC) was established in April 2010.¹¹

CHALLENGES FOR DEMOCRACY AND HUMAN RIGHTS PROMOTION IN ASEAN

As we have seen, ASEAN has publicly acknowledged the importance of democracy as the basis of regional order and has begun to implement a number of measures for promoting democracy and human rights. However, this does not mean that ASEAN governments have successfully embarked on this designated path. Indeed, ASEAN still faces a number of challenges that it must overcome to accomplish the task.

The first challenge is that there are wide disparities among ASEAN members over their political will to engage in democracy building. Promoting a “democratic environment” in Southeast Asia basically means that all ASEAN countries would become democracies in the foreseeable future. However, the willingness to promote democracy is not shared to the same degree among the member states. The debate over the formulation of the APSC seems indicative that only a few ASEAN members, in particular Indonesia and the Philippines, strongly support the idea of democracy and human rights promotion in ASEAN.¹² Whereas the two countries have struggled to consolidate their democracies, civil society organizations (CSOs) working in the area of democracy and human rights are relatively energetic in these countries. On the other hand, nondemocratic ASEAN states have basically no real enthusiasm for democratization. They view democracy and human rights promotion as a threat to their domestic political orders.¹³ This in large part explains why the references to democracy in ASEAN documents, including the APSC Blueprint and the ASEAN Charter, are somewhat vague.¹⁴ Similarly, the emergence of a somewhat ineffective human rights body in ASEAN is indicative of ASEAN’s ambivalent feelings toward human rights issues. The establishment of the AICHR is certainly a significant step toward human rights promotion in ASEAN. However, due to opposition from most ASEAN members, the AICHR has not been equipped with a mechanism for investigation that could monitor and report back on human rights violations by ASEAN member governments, thereby undercutting its ability to perform the task of “human rights protection.”¹⁵

The lack of political will for democratization on the part of reluctant ASEAN countries generates another challenge, namely the problem of implementation. As noted above, ASEAN has implemented some modest measures for the democracy promotion specified by the APSC Blueprint. However, the driving force behind these measures has mainly been Indonesia, not ASEAN as a whole. Although reluctant states have participated in a number of “lessons learned” and capacity-building

workshops hosted by Indonesia, they are not expected in the near future to willingly engage in the active promotion of democratic values and principles within their countries, such as “promoting understanding of democratic principles among youths through school education,” a measure listed in the APSC Blueprint.

Ensuring a firm commitment from all ASEAN members may require a more intrusive measure, such as imposing peer pressure on states reluctant to conduct democratizing political reforms. However, ASEAN’s principles of consensus decision making and noninterference in the domestic affairs of states could prohibit member countries from taking any coercive action. At a meeting of the Inter-Regional Dialogue on Democracy in May 2012, ASEAN Secretary-General Surin Pitsuwan argued that “ASEAN has not been given a mandate to democratize non-ASEAN members. ASEAN can only bring gentle and soft reminders to them without a written mandate from all of the member countries.”¹⁶

The third challenge is that there are no countries within ASEAN that can effectively lead its democratic agenda.¹⁷ As we have seen, Indonesia and the Philippines, two major democracies in Southeast Asia, have played an active role in advancing ASEAN’s democratic agenda. However, the credibility of their initiatives has been waning in recent years due to major democratization setbacks in both countries. Although Indonesia has successfully transformed itself from an authoritarian state to a new democracy, it has struggled to consolidate democracy due in part to a dysfunctional legal system, which helps facilitate the abuse of power and corruption.¹⁸ The credibility of the Philippines as the oldest democracy in Southeast Asia has also been undermined by its political instability, stemming from pervasive corruption in the public sector, widespread electoral fraud, and extrajudicial killings.¹⁹

In short, the two countries have not yet successfully demonstrated democratic norms, thus failing to show the value of democratization to other ASEAN members. In other words, while they have successfully become *electoral democracies*, in which the elites acquire ruling power through competitive struggles for the people’s power, they are still far from becoming *liberal democracies*, where the exercise of state power is checked and liberties of individuals and groups are fully protected. The erosion of the rule of law in both countries, which has sometimes been subject to criticism from other ASEAN members, has greatly weakened the credibility of voices calling for democracy building within ASEAN. As Rizal Sukma argues, “For countries like Malaysia and Vietnam, democracy in Indonesia and the Philippines is not an ideal alternative to their existing political systems.”²⁰

OPPORTUNITIES FOR ASEAN-JAPAN COOPERATION ON DEMOCRACY AND HUMAN RIGHTS PROMOTION

As we have seen, ASEAN has faced difficult challenges in advancing its democracy and human rights agenda mandated in the APSC project. How can Japan and ASEAN collaborate with each other to overcome these difficulties? The ASEAN-Japan Plan of Action 2011–2015, adopted during the 14th ASEAN-Japan Summit in 2011, stipulates the following areas of cooperation in the field of democracy and human rights promotion:

1. Support the work of the AICHR and the ACWC through training, capacity-building, and technical cooperation
2. Conduct women's studies to address issues such as human trafficking and mail-order brides
3. Promote democratic values and the empowerment of people in the region by seeking cooperation through seminars and other joint projects and within the framework of the APSC Blueprint and the Bali Democracy Forum
4. Continue to promote capacity building in the law and justice sector in order to strengthen the rule of law, judicial systems, and the legal infrastructure.²¹

Although the above list of short-term activities could contribute to the advancement of ASEAN's democracy and human rights agenda, it may be said that it is not sufficient for coping with the aforementioned challenges facing the agenda. It is necessary, therefore, to consider what other mid- and long-term approaches (2015–2030) Japan and ASEAN should pursue to achieve democracy-building goals in ASEAN.

To begin with, Japan and ASEAN should work to strengthen civil society in Southeast Asia. The predicament surrounding ASEAN's democracy agenda suggests that ASEAN-Japan cooperation on democracy building should be based on a bottom-up approach (strengthening the social basis for gradual democratic transition) rather than a top-down approach (imposing external pressure on regimes to conduct political reform). A top-down approach could cause a political schism between the democratic and nondemocratic ASEAN members, thus having a counterproductive effect on the ASEAN community project.

The key to a successful bottom-up approach is the development of a more vibrant civil society.²² It is civil society-led advocacy and campaign activities that help promote citizen awareness and understanding of democratic norms and values such as human rights, civil liberties, and social justice. The role of civil society in this regard includes exposing the deficiencies

of political structures and the abuse of state power, while offering an alternative framework for governance.²³ Over the long run, these activities would contribute to the diffusion of democratic values and knowledge on a broader level, thus promoting the necessary social basis for democratic transition.²⁴ This is exemplified by the democratic transitions in Indonesia, the Philippines, and Thailand, in which the activities of CSOs have helped delegitimize authoritarian rule, generating social movements for political liberalization in these countries.²⁵

The strengthening of civil society also serves to consolidate democracy in democratic ASEAN members. Promoting the rule of law requires not only the establishment of elaborated judicial institutions for limiting the abuse of state authority but also the building of autonomous media and watchdog organizations, such as anticorruption and election monitoring groups, that can scrutinize and check the exercise of power since even well-designed judicial institutions are not free from the risk of being subverted. The risk of democratic institutions being abused tends to increase unless society has the will and means to defend itself. Only the media and CSOs, which provide citizens with additional channels through which to express their concerns and participate in politics, can generate pressure on ruling elites to conduct political reform when elections cannot ensure rule of law.²⁶ In this regard, the role of civil society in checking and limiting the potential abuse of state power is vital to the deepening of democracy in democratic ASEAN members.

A tremendous number of CSOs already exist in ASEAN states. Democratic ASEAN countries have vibrant civil societies, with organizations working in various fields, such as human rights, health, anticorruption, election monitoring, and environmental protection. These organizations have generated a vast array of new social movements and have pressured governments for political reform. The number of CSOs has also increased in nondemocratic ASEAN countries, and particularly in Malaysia, Vietnam, and Cambodia. In the coming decades, with steady economic growth, the number of CSOs is expected to increase in many parts of ASEAN. According to studies on the linkages between civil society and democratization, economic development is a key factor in the emergence of a dynamic civil society, helping enlarge the middle class and raising education and information levels among the public, thereby contributing to the proliferation of “self-expression values” that stress human autonomy and choice.²⁷

Yet, the expansion of CSOs does not automatically lead to successful democratization. Indeed, despite the already significant number of CSOs in ASEAN, their ability to promote democracy and human rights has proved limited. Although CSOs operating in democratic ASEAN countries have

had some success legislating and constitutionalizing change, their ability to affect far-reaching political reforms has been hindered in part by the persistence of conservative forces dominating most major government institutions.²⁸ Meanwhile, CSOs operating in nondemocratic ASEAN states face severe restrictions on their activities and are subjected to strict government controls.²⁹

The limited role of civil society in Southeast Asia in terms of democracy promotion has stemmed not only from the lack of a legally protected realm for civil society—one that ensures the liberties of individuals and groups—within many of the region’s countries but also from the shortage of capability and expertise on the part of CSOs.³⁰ According to Edward Aspinall and Meredith Weiss, many CSOs in Southeast Asia have only a limited capacity for public mobilization due mainly to the weakness of their linkage to political parties and to mass constituencies.³¹ Indeed, civil societies in Southeast Asia have remained highly fragmented because of the diversified nature of their societies, which are characterized by ethnic, urban-rural, and religious divisions.³² For instance, in many ASEAN states, civil society movements have mainly flourished in urban areas, in which CSOs and nongovernmental organizations (NGOs) founded by urban elites have grown with significant funding from a wide range of Western donors and aid agencies, such as USAID, the World Bank, and the United Nations. While those organizations have conducted assertive liberal campaigns along with the interests of the international donors, they have not responded well to the social and political problems facing the rural poor, who lack resources to organize civic organizations. As a result, the rural poor have been forced to remain inside the traditional patron-client system, dominated by local bosses who are their only source for the material assistance they require. This has helped promote the fragmentation of civil society, thus weakening its capacity for public mobilization.³³

How can Japan help ASEAN to strengthen civil society in Southeast Asia? Given the limitations of regional civil societies discussed above, Japan-ASEAN cooperation should focus on the task of overcoming fragmentation. One effective measure that Japan and ASEAN could implement together would be the fostering of linkages among civic organizations that bridge ethnic, urban-rural, and religious divides, allowing the engagement and mobilization of local constituencies. Recent years have witnessed the growth of transnational networks among civic organizations in Southeast Asia. These networks and associations have played an important role in strengthening domestic NGOs and CSOs, including grassroots organizations in the rural areas of ASEAN countries, providing them with the funds and expertise necessary for campaigning

and lobbying. Together, they form a collective voice that can appeal to both the public and governments, while making alliances with other international groups for lobbying both state governments and regional organizations.³⁴ For instance, the Asian Forum for Human Rights and Development (FORUM-ASIA), headquartered in Bangkok, has provided assistance to local NGOs in various Asian countries and has campaigned to promote human rights and freedom of association.³⁵

To help regional civil societies overcome their weaknesses, Japan and ASEAN should actively support the growth of CSO networks in Southeast Asia. For instance, Japan and ASEAN could set up a special fund to provide necessary financial assistance to those CSOs that are contributing to the building of regionwide CSO networks and to empower local CSOs on the forefront of democracy building and human rights. Such a joint initiative could help local CSOs overcome various constraints, allowing them to flourish, hence making an important contribution to the growth of civil societies and democracy building in Southeast Asia.

Additionally, Japan and ASEAN should consider the possibility of establishing CSO networks between them. A major characteristic of Japanese civil society is the existence of only a few large advocacy groups but many small local groups, mostly represented by neighborhood associations. The activities of neighborhood associations, for instance, include forming watch patrols to prevent crime and fires; supporting children, women, and senior citizen groups; cleaning public facilities; maintaining community centers; and organizing festivals. By increasing the capability of grassroots communities to maintain social structures, these activities make a significant contribution not only to the enhancement of local governance but also to the boosting of social capital, vital to the building and maintenance of democracy.³⁶ ASEAN has an abundance of advocacy groups, but lacks local groups like the neighborhood associations, which can effectively promote social capital. Sharing the Japanese CSO model with ASEAN countries could help strengthen the social basis for democratization in ASEAN. In order to facilitate interactions between Japanese and ASEAN CSOs, Japan and ASEAN should organize international CSO conferences.

Secondly, Japan and ASEAN should work together to consolidate the rule of law among democratic ASEAN members. Considering the lack of political will to advance democracy on the part of reluctant ASEAN states, the successful implementation of the APSC project will depend on efforts taken by democratic ASEAN members, in particular Indonesia and the Philippines. However, setbacks in their democratization have tarnished their democratic allure, weakening their leadership. To enhance their validity, Indonesia and the Philippines must transform themselves into liberal

democracies, significantly reducing executive abuses and corrupt practices, thus restoring the democratic rule of law.

Although the two countries have already established special government bodies to fight corruption, such as anticorruption commissions and the office of ombudsman, these institutions have often been plagued by dysfunctional judicial systems in which corruption also prevails. In order to reestablish the rule of law, at a minimum Indonesia and the Philippines need to develop more capable and politically isolated judicial systems since elected lawmakers, bureaucrats, the military, and the police cannot be held accountable without such judicial efficacy. Nor can human rights be protected without it.³⁷ The establishment of an effective judicial system requires not only well-trained, objective, fair-minded legal practitioners, including judges, clerks, prosecutors, investigators, and defense attorneys, but also the necessary resources and infrastructure for generating and maintaining the quality of the system, such as law schools, judicial training institutions, law libraries, and professional bar associations.³⁸

Japan is one of a small number of countries possessing the expertise needed for judicial reform in Indonesia and the Philippines, having extensive experience in supporting the development of judicial systems in other developing countries, such as Cambodia and Vietnam. To cite an example, since 1999 the Japan International Cooperation Agency (JICA), with support from the Japanese Ministry of Justice, has been strongly supporting Cambodia's efforts to restore its legal and judicial systems after undergoing untold damage during its civil war. JICA's assistance has ranged from the drafting of civil laws to the formulation of education and training curriculums in the major legal institutions, including the Royal School for Judges and Prosecutors, the Center for Lawyers Training and Legal Professional Improvement, and the Bar Association of the Kingdom of Cambodia.³⁹

Based on this experience, Japan could help both Indonesia and the Philippines to improve their educational and training programs for law students, judges, prosecutors, and other legal practitioners in order to increase the professional skills of law practitioners while strengthening the ethical performance of their judicial systems. Such collaboration would contribute to the empowering of democratic ideals in both countries, thus helping strengthen their ability to lead the APSC project.



Given the political, economic, and cultural diversity among ASEAN states, the promotion of a democratic environment within ASEAN is perhaps the

most daunting task in the APSC project. Democracy building is a complicated, nonlinear process of development, requiring a long-term, tenacious effort to reform government, strengthen civil society, build a democratic culture, and so on. Fostering democratic development, hence, often requires strong and steady assistance from external actors who have the necessary expertise and resources to further democratization.

Japan is one of a small number of countries that can provide capable support to ASEAN's democracy and human rights project. This is an area in which Japan and ASEAN are expected to establish a strong partnership in the coming decade. Such cooperation will not only serve to consolidate bilateral relations and enhance peace and stability in Southeast Asia through the facilitation of shared norms and values, but it will also have a significant impact on the future course of regional order in the wider East Asian region. Japan and ASEAN share a common interest in building an open and rules-based regional order in East Asia. Given that the construction of such a regional order can never be achieved without ASEAN being able to transform itself into a democratic entity, the success of bilateral cooperation in this field is a critical step toward their shared goal of promoting a durable security community based on the principle of openness and the rule of law in the East Asian region.

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Study Group on ASEAN Socio-cultural
Community

Protecting Vulnerable People, Building ASEAN Identity, and Narrowing the Development Gap

AMARA PONGSAPICH

IN ATTEMPTING TO make recommendations on ways in which to develop the ASEAN Socio-cultural Community (ASCC) and ASEAN-Japan cooperation, this chapter adopts four main documents as the bases for further investigation. One is the ASCC Blueprint, while the other three are key documents in the evolution of ASEAN-Japan cooperation: the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium, announced in December 2003; the Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together (Bali Declaration), endorsed in 2011; and the ASEAN-Japan Plan of Action 2011–2015. While the two declarations focused primarily on the economic partnership, the socio-cultural aspects were included to some extent in the Plan of Action, as will be described in this chapter.

The chapter starts with a discussion of two important global trends impacting ASEAN: (1) the shift from a growth-centered to a human-centered development paradigm and (2) the adoption of a human-centered rights-based approach in addition to the more conventional needs-based approach seen in the Millennium Development Goals (MDGs). To identify future plans for ASEAN-Japan cooperation, the chapter first assesses past cooperative initiatives with specific reference to the Miyazawa Plan that was implemented during the 1997 Asian financial crisis and the human security activities supported by the Japanese government during the early 2000s. Following a review of efforts to date, it examines the ASCC Blueprint and the ASEAN-Japan Plan of Action 2011–2015. The discussion focuses on three thematic issues of particular relevance for ASEAN and Japan—protecting

vulnerable people, building ASEAN identity, and narrowing the development gap—and outlines activities in those areas that have been proposed for 2011–2015. Finally, it concludes by offering recommendations for initiatives to be implemented in 2015–2030.

GLOBAL TRENDS

The Shift from a Growth-Centered to a Human-Centered Development Paradigm

A shift is currently underway in the development paradigm as it moves from a growth-centered to a human-centered approach. During the 1980s and 1990s, development paradigms evolved that focused on the interaction between the economic globalization and social globalization processes. Economic globalization is seen in the global expansion of capitalism in the form of multinational corporations and financial institutions, information technology, and consumerism. Social globalization, on the other hand, focuses on human development, or people-centered development, and its related issues. Studies have shown that there is a negative correlation between globalization and equitable income distribution both within and among nations. The income gap between the rich and the poor has grown, while the gap between rich and poor nations has increased as well. It has been recognized that the development processes taking place in developing nations have led to larger income gaps, with greater social inequality and social disintegration. A human-centered development concept has therefore been offered as an alternative strategy to bring about a more equitable development outcome.

The 1972 International Conference on Human Environment in Stockholm concluded with an agreement to advocate the concept of “sustainable development,” where economic, social, and environmental development must take place as part of the same process rather than allowing one dimension to have priority over the other two. In addition, “sustainable development” means that development activities will not exploit the natural resources that should be left for future generations. The Earth Summit that took place in Rio de Janeiro 10 years later also further strengthened advocacy efforts related to this point.

The adoption of UN conventions and declarations targeting specific groups of people, such as women, children, people with disabilities, migrant workers, ethnic minorities, and indigenous peoples, also demonstrates that the development process needs to focus on specific groups of people who

are affected. Hence, the people-centered development concept has gradually been incorporated into mainstream development efforts.

Adopting a Human-Centered and Rights-Based Approach to Development

In addition to shifting from a growth-centered to a human-centered development paradigm, another shift recognized by the UN Development Programme (UNDP) is the shift from a needs-based to a rights-based approach. The 1986 UN Declaration on the Right to Development has been a key instrument in bringing about a recognition of “development” as being a human right, in addition to the needs-based approach adopted previously.

During the first decade of the 21st century, two other UN policy outcomes brought about a confirmation of the rights-based approach to development. On March 15, 2006, the UN General Assembly adopted a resolution to elevate the earlier Commission on Human Rights to a “Human Rights Council,” placing it roughly on par with the Security Council and the Economic and Social Council (ECOSOC). However, the Office of the High Commissioner for Human Rights is still located in Geneva, while the offices of the Security Council and ECOSOC are in New York.

In addition, in light of the growing awareness of the negative impact of growth-centered development and the effect of multinational firms’ activities on developing countries, in 2008, UN Secretary-General Kofi Annan appointed Professor John G. Ruggie as UN special representative of the secretary-general to study the issue of human rights and transnational corporations and other business enterprises. Essentially, Ruggie went back to the concepts introduced in the Universal Declaration of Human Rights and the two international covenants that followed—the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights—and confirmed the three obligations of states: the obligation to respect, the obligation to protect, and the obligation to fulfill. Since globalization has altered the economic conditions worldwide and the impact of the private sector has become increasingly detrimental, the report recognized the role of nonstate actors as being very important. In other words, the states are not the only players that must fulfill the obligation to bring about the realization of rights; nonstate actors are also obligated to remedy the negative impact caused by their development activities. As a result, in June 2011, the UN Human Rights Council unanimously endorsed the final product of Ruggie’s study,

the “Guiding Principles on Business and Human Rights: Implementing the UN ‘Protect-Respect-Remedy’ Framework.”

ASSESSMENT OF ASEAN-JAPAN COOPERATION TO DATE

Two major Japanese support programs are examined in this chapter: the Miyazawa Plan for the recovery from the 1997 Asian financial crisis, and the Japanese government’s support for the Commission on Human Security during the period of 2000–2003. In addition to these two outstanding initiatives, Japan has made numerous other contributions in the social and cultural sectors, including governmental support provided by agencies such as the Japan Foundation, the Japan International Cooperation Agency (JICA), the Japan External Trade Organization (JETRO), and others, as well as nongovernmental support from such private-sector organizations as the Toyota Foundation, the Nippon Foundation, and the Sasakawa Peace Foundation. The latter group of contributors, however, are not discussed here.

The Miyazawa Plan for the Recovery from the 1997 Asian Financial Crisis

The 1997 Asian financial crisis was a wake-up call for all ASEAN nations. The crisis started in Thailand and spread to other ASEAN countries, causing many firms to close down. The unemployment rate escalated and the number of people below the poverty line rose as well. Many stimulus packages were introduced in the years immediately following the crisis, and gradually the number of people living below the poverty line began to decline again. The stimulus packages included the World Bank Social Fund Project, the Asian Development Bank (ADB) Social Sector Program Loan, and the Japanese government’s Miyazawa Plan.

After the publication of the UN Conference on Trade and Development’s *Trade and Development Report 1998*, Finance Minister Kiichi Miyazawa announced his government’s intention to spend some US\$30 billion in aid to support adversely affected Asian countries. The proposal, called the Miyazawa Plan, targeted the five most seriously affected Asian economies (Indonesia, the Republic of Korea, Malaysia, the Philippines, and Thailand), and was designed to help restructure the corporate and banking sectors, alleviate the credit crunch, and establish social safety nets in those countries.¹

Depending on the school of thought or the international organization, the term “social safety nets” has been defined differently. Nevertheless, the core concept encompasses all kinds of social devices to protect people from poverty, unemployment, disease, disaster, and so on. During the 1997 Asian financial crisis, the first collective initiative on social safety nets was launched at the Asia Pacific Economic Cooperation (APEC) Economic Leaders Meeting in November 1998. As the globalization agenda has broadened and deepened, the concept of social safety nets in APEC economies has been defined more broadly as follows:

1. In the short run, compensatory policies and social assistance programs can be designed to help the losers, especially the poor, to deal with the transition costs of adjustment and to benefit from the new open trade and investment regime.
2. In the medium term, public spending on social services, such as basic education, primary health, and nutrition, should be strengthened to expand the coverage of their services and improve their efficiency. Basic social services serve as an effective social safety net, and therefore expenditures for basic social services should be protected.
3. In the long run, the social security and productive welfare system should be developed to cushion negative shocks from a global economy in a comprehensive manner.²

It must be noted here that during the 1997 Asian financial crisis, when the World Bank Social Fund Project, the ADB Social Sector Program Loan, and the Miyazawa Plan were implemented, the “social safety nets” concept was broadly defined as indicated above.

In the case of Thailand, the social reform loans consisted of US\$1.45 billion from the Miyazawa loan, US\$600 million from the World Bank, US\$600 million from the Japan Export-Import Bank, and US\$250 million from Japan’s Overseas Economic Cooperation Fund (OECF). The objectives were to relieve the burden on the poor and provide social infrastructure for future development. Six strategies were adopted for implementation: (1) create jobs to reduce the social impact of the crisis, (2) improve the quality of life of the people, (3) support infrastructure for future development, (4) improve capacity for export competitiveness, (5) support the development of economic zones and border areas, and (6) improve efficiency in government administration. However, it is to be expected that such an ambitious plan would not be totally successful. While community-based development projects were very much appreciated, the infrastructure projects proved to be less so. Better planning and packaging should lead to more comprehensive social safety net programs for longer-term implementation.³

Japan's Support for Human Security Activities

During the 1980s and 1990s, the UNDP promoted a rights-based development paradigm. The concept of “human security” was the theme of the 1994 *UNDP Human Development Report*, and an independent Commission on Human Security was launched at the 2000 UN Millennium Summit. The commission was officially established in June 2001 and had a two-year lifespan that resulted in a report titled *Human Security Now: Protecting and Empowering People*, which was released in May 2003.⁴ The commission concluded that since a conventional “state security” framework alone can no longer fully ensure people’s survival, livelihood, and dignity, the concept of “human security” is needed to complement the traditional state-centric paradigm.

The concept of “human security” proposes that security be viewed in terms of the threats to and rights of individuals. The conventional development strategy of satisfying the “basic minimum needs” of the people has gradually shifted to view human development in terms of the rights of people to have a decent standard of living. In the 1994 *UNDP Human Development Report*, threats were considered under seven main categories: economic, food, health, environmental, personal, community, and political.⁵ These issues were identified as threatening the wellbeing of people and therefore the report stated that they need to be securitized. In the process of securitization to achieve the goal of ensuring the wellbeing of the people, it is critical that people have “freedom from want” and “freedom from fear.” This means that in terms of a development paradigm, there has been a shift to combine needs-based and rights-based development. The Commission on Human Security was headed by Sadako Ogata, who came from the Office of the High Commissioner for Refugees, and Professor Amartya Sen, a Noble laureate in development economics. They classified human security issues as (1) human security of people on the move, and (2) human security of people affected by development. Thanks in no small part to the strong leadership of Ogata on this issue, the Japanese government has subsequently adopted and generously promoted the human security concept as a key component of its foreign policy. The commission was designed to be in operation for just two years, but it succeeded in integrating the “rights” concept into the development paradigm.

According to a 2009 report from Japan’s Ministry of Foreign Affairs (MOFA), the late Prime Minister Keizo Obuchi announced in a policy speech in Hanoi in December 1998 that a trust fund would be established in the UN to promote human security.⁶ The government of Japan fulfilled this commitment and founded the UN Trust Fund for Human Security in

March 1999, with an initial contribution of about ¥500 million (approximately US\$4.63 million). By FY2009, the total contributions amounted to ¥39 billion (approximately US\$346.58 million), making the trust fund one of the largest of its kind established in the UN. Approved projects by number and budget as of March 2009 are presented below:

Table 1. UN Trust Fund for Human Security projects by region, as of March 2009

Region	No. of projects	Budget (US\$)
Asia Pacific (incl. ASEAN)	82	90,521,647
(ASEAN only)	(33)	(32,206,600)
Africa	55	101,457,244
Europe	20	71,633,408
Latin America/Caribbean	18	24,733,873
Others	16	15,081,994
Total	191	303,206,600

Source: MOFA, Global Issues Cooperation Division, *The Trust Fund for Human Security for the "Human-centered" 21st Century* (August 2009).

Consequently, the generous contribution of the Japanese government in the form of a trust fund offers a good example of how Japan might also make contributions in a similar manner for ASEAN. The concrete details on the philosophy, objectives, and manner of implementation would have to be designed to fit with the changing post-2015 environment. The Japanese government would have to keep in mind also that the UN General Assembly endorsed the establishment of the Human Rights Council to replace the Human Rights Commission in 2006. This new development would have to be included in the consideration of a post-2015 trust fund as well. The Japanese government may want to review the objectives of the existing trust fund or set up a separate trust fund for ASEAN.

BLUEPRINT FOR THE ASCC AND THE ASEAN-JAPAN PLAN OF ACTION 2011–2015

The *Roadmap for an ASEAN Community 2009–2015* spelled out a number of objectives that were to be the focus of the ASCC Blueprint:

- (a) human development
- (b) social welfare and protection
- (c) social justice and rights
- (d) ensuring environmental sustainability

- (e) building the ASEAN identity
- (f) narrowing the development gap

This section examines categories (c), (e), and (f) and analyzes how those issues are addressed in the ASEAN-Japan Plan of Action and in what areas ASEAN and Japan might cooperate further. When discussing issues identified in the ASCC Blueprint, if the same issue is also indicated in the Plan of Action 2011–2015, they are addressed together.

Social Justice and Rights

1. Promotion and protection of the rights and welfare of women, children, the elderly, and persons with disabilities

ASCC BLUEPRINT STRATEGIC OBJECTIVE: Safeguard the interests and rights as well as provide equal opportunities and raise the quality of life and standard of living for women, children, the elderly, and persons with disabilities.⁷

Among the action plans of the ASCC is to work toward the establishment of an ASEAN Commission on the Promotion and Protection of the Rights of Women and Children (hereafter, ASEAN Commission on Women and Children). Since all of the ASEAN member states have signed the UN Convention on the Elimination of All Forms of Discrimination Against Women and the UN Convention on the Rights of the Child, ASEAN member states agreed to the establishment of the ASEAN Commission on Women and Children as an intergovernmental commission with two representatives from each country, one representing women and one representing children and youth. The commission was established in 2010 and the output and outcomes of the commission have yet to be evaluated. On the issue of violence against women, efforts are being made by UN Women, civil society organizations, and various government agencies through workshops and seminars. It is not certain, however, that the ASCC Work Plan to Operationalize the Declaration on the Elimination of Violence Against Women in ASEAN will be concretized.

At present, one of the critical issues affecting vulnerable groups is the trafficking of women and children. Human trafficking is a notorious phenomenon in Asia, and in recent decades, as globalization has progressed, human trafficking has become an increasingly transnational and organized crime, involving vast international and local crime networks. Individuals being trafficked include women and children as well as migrant workers.

There has been no concrete ASEAN-Japan support on this issue as such, but according to a 2009 report from Japan's Ministry of Foreign Affairs, there have been many projects supported by the UN Trust Fund for Human Security. The appendix of that report provided a list of projects supported as of August 2009, indicating that 11 projects totaling US\$9.8 million had been granted to ASEAN countries through different UN agencies.⁸ In addition, JICA and other Japanese private foundations have been providing assistance to vulnerable groups. It is recommended that this type of support be continued and strengthened.

Recommendations for Future ASEAN-Japan Cooperation:

- (1) The Japanese government should provide bilateral support for social safety net programs to provide humanitarian assistance and human rights protection schemes for vulnerable groups.
- (2) ASEAN member states should agree to support the establishment of a concrete institution or organization to deal with the human trafficking of women and children. Based on data on projects supported by the UN Trust Fund for Human Security, at least four ASEAN projects totaling US\$3.9 million have been granted through UN agencies working in the region. It is therefore recommended that the Japanese government consider supporting an ASEAN anti-trafficking institution.
- (3) ASEAN member states should agree to strengthen the functioning of the recently established ASEAN Commission on Women and Children. Although Japan has been supporting projects on women and children through the UN Trust Fund for Human Security, which are implemented by UN agencies, the Japanese government should consider providing direct support to the commission.

2. Protection and promotion of the rights of migrant workers

ASCC BLUEPRINT STRATEGIC OBJECTIVE: Ensure fair and comprehensive migration policies and adequate protection for all migrant workers in accordance with the laws, regulations, and policies of respective ASEAN member states, as well as implement the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers.

ASEAN-Japan Plan of Action 2011–2015: 3.10 Cooperation on Social Justice—Cooperate on programs that will assist migrant workers and their families in achieving financial stability through training, investment promotion, savings assistance, and entrepreneurship development programs; and promote dialogue on the adoption of arrangements for the portability

of social security benefits for migrant workers and for the harmonization of remittance charges.

It is well recognized that migrant workers are a sensitive issue for most countries. Among ASEAN member states, some are exporting labor, some need to import labor, while others are exporting, importing, as well as serving as transit states through which migrants move back and forth in search of employment opportunities. On the issue of migrant workers, to date three ASEAN member states—the Philippines, Indonesia, and Cambodia—have signed the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.

On January 13, 2007, at the 12th ASEAN Summit in Cebu, the ASEAN leaders adopted the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers. Article 22 of the declaration tasks the governments with developing “an ASEAN instrument on the protection and promotion of the rights of migrant workers, consistent with ASEAN’s vision of a caring and sharing Community.” The ASEAN foreign ministers subsequently agreed to set up an ASEAN Committee on the Implementation of the ASEAN Declaration on the Protection and Promotion of Rights of Migrant Workers (hereafter, ASEAN Committee on Migrant Workers) to carry forward the regional work on migration. The working group formed a Drafting Committee on the ASEAN Instrument for the Protection and Promotion of the Rights of Migrant Workers, composed of representatives of four governments—Indonesia, Malaysia, the Philippines, and Thailand. The drafting committee is still working on a draft, but seems to have reached a deadlock.

Without an agreement on labor protection standards, minimum wages, and additional labor regulations and laws to apply to migrant workers, many governments have been using immigration law to control migrant labor from neighboring countries, classifying them as illegal migrant workers. With the planned integration of the ASEAN Community coming up at the end of 2015, the issue of migrant workers and cross-border movements of people will have to be dealt with seriously. It is urgent that ASEAN member states reach an agreement on this issue since further procrastination will lead to conflicts among ASEAN member states.

To date, numerous Japanese investors have been operating in ASEAN regions dominated by migrant workers, and these investors have been responsible for the welfare of the workers. They have been known to be generous in terms of wages and welfare. They have thus been setting a positive example through their actions, and this could usefully be expanded through corporate social responsibility (CSR) activities and support for migrant-oriented civil society organizations. Only one project on the

health conditions of migrant workers in Thailand has been supported by the UN Trust Fund for Human Security, through the WHO at the amount of US\$1.5 million.

Recommendations for future ASEAN-Japan cooperation:

- (1) The ASEAN Secretariat should establish regional programs and the Japanese government should implement bilateral programs to promote and protect the rights of migrant workers.
- (2) ASEAN member states should support the establishment of the ASEAN Committee on Migrant Workers before 2015 and should support the operations of the committee after 2015. Since Japanese investors are operating in the ASEAN region in areas composed mostly of migrant workers, it would therefore be natural for the Japanese government to support the establishment of such a committee.

3. Promoting Corporate Social Responsibility

ASCC BLUEPRINT OBJECTIVE: Ensure that CSR is incorporated in the corporate agenda and contribute toward sustainable socioeconomic development in ASEAN member states.

In addition to the labor standards required in the employment realm in the formal economic sector, the impact of the corporate sector on different groups within society as well as on the exploitation of natural resources and the environment must be explored. In November 2010, the Working Group for an ASEAN Human Rights Mechanism organized a “Workshop on Corporate Social Responsibility within an ASEAN Human Rights Framework” in Singapore. In June 2011, the UN Human Rights Council unanimously endorsed Ruggie’s “Guiding Principles for the Implementation of the UN ‘Protect-Respect-Remedy’ Framework.” The guidelines effectively established an authoritative global reference point for preventing and addressing the risk of adverse impacts on human rights linked to business activities. As a consequence, in the same year, the International Coordination Committee (ICC) of the National Human Rights Institutions (NHRIs) adopted Business and Human Rights as a theme for ICC activities for the year 2012–2013. Workshops on business and human rights have been planned for all four regions of the ICC. The Asia Pacific workshop took place in March 2012 in Seoul, Korea, and that was followed by several more workshops organized during 2012–2013.

With many activities taking place during 2011–2013, it appears that the so-called “CSR movement” is bringing about mutual understanding on the guiding principles among corporations and is reducing gaps in CSR

implementation programs within and between ASEAN member states. Corporations are encouraged to develop and adopt a CSR code of conduct. Efforts are being made to transform the ASEAN CSR agenda into action plans to be implemented in the ASEAN Community. In the process, corporations are being convinced to adopt a rights-based approach in their total production process rather than presenting CSR as a separate image-making activity.

Recommendations for Future ASEAN-Japan Cooperation:

- (1) The ASEAN Secretariat should set up a program to support the CSR and human rights activities of both Japanese and ASEAN multinational firms.
- (2) The ASEAN Secretariat together with Japanese corporations should establish an award scheme to honor multinational firms with best practices in CSR and business and human rights programs.

Building the ASEAN Identity

The ASEAN identity is the basis of Southeast Asia's regional interests. This identity includes collective personality, norms, values, and beliefs, as well as aspirations as one ASEAN community.

1. Promotion of ASEAN awareness and a sense of community

ASCC BLUEPRINT STRATEGIC OBJECTIVE: Create a sense of belonging, consolidate unity in diversity and enhance deeper mutual understanding among ASEAN member states about their culture, history, religion, and civilization.

ASEAN-JAPAN PLAN OF ACTION 2011–2015: 3.9 Cooperation on information and media—3.9.1 Enhance regional cooperation on information and media through the promotion of mutually beneficial information and media partnerships, exchanges, and other person-to-person activities; and 3.9.2 enhance cooperation in the development of human resources, particularly in capacity building in new media or information technology and their convergent applicants for mobile, Internet, digital broadcasting, and development of new content.

In the present-day ASEAN region, a crisis is taking place in the social order, and development and sociocultural paradigms are breaking down. All ASEAN states are facing the dilemma of how to preserve conventional and traditional values while adopting new values and norms. Modern society

needs a new paradigm to describe the social relationship wherein different organic groups unite with shared ethical and moral bonds, working toward the same, unified social order. ASEAN society must be characterized by three critical components: democracy, good governance, and people's participation. These values need to be promoted as appropriate and acceptable so that they can be observed at all levels, including the institutional level in the form of civic groups, organizations, or new constitutions.

In creating a sustainable ASEAN identity, ASEAN member states must conserve some of their traditions and at the same time recognize democracy and the equality of different organic cultural groups within their society. Discrimination based on gender, class, culture, or ethnicity must not be permitted.

Forms of cultural relations include cultural pluralism, which indicates compatible relationships between cultural and ethnic groups. In contrast, incompatible relationships may be seen in civic movements such as militant and separatist movements, where conflicts may have started as disputes between cultural groups but have developed into conflicts between one ethnic minority group and the majority-controlled state. The challenge facing ASEAN member states is how to prevent cultural conflicts from escalating to the unmanageable stage.

In the process of building a sustainable ASEAN identity through people's participation, all forms of media and information technology need to be employed. At present, that process has not been sufficiently introduced. Most ASEAN member states have not yet reached the realization that in order for the ASEAN community and identity to be formed and sustained, collaborative efforts by all states are essential.

Although Japan is not a member state of ASEAN, it can still play a role in building ASEAN identity by recognizing and appreciating ASEAN's cultural diversity. Since World War II, there has been no cultural hegemony in the region, despite the popularity of Japanese movies, cartoons, and other consumer products dominating ASEAN markets and media space. Japanese support for the promotion of an ASEAN identity would be very much appreciated by ASEAN communities.

Recommendations for Future ASEAN-Japan Cooperation:

- (1) The ASEAN Secretariat should support programs identified in the Plan of Action 2011–2015, such as media partnerships, exchanges, and other person-to-person activities, as well as capacity building in new media technology, and the development of new content.
- (2) The Japanese government should support collaboration between NHK—Japan's national broadcasting network—and ASEAN broadcast networks, both at the regional and bilateral levels.

2. Preservation and Promotion of ASEAN Cultural Heritage

ASCC BLUEPRINT STRATEGIC OBJECTIVE: Promote the conservation and preservation of ASEAN cultural heritage to ensure its continuity to enhance awareness and understanding of the people about the unique history of the region and the cultural similarities and differences between and among ASEAN member states, as well as to protect the distinctiveness of ASEAN cultural heritage as a whole.

THE ASEAN-JAPAN PLAN OF ACTION 2011–2015: 3.8.1 Enhance regional cooperation in cultural heritage—Enhance regional cooperation in cultural heritage through the establishment of a network of experts in the field of conservation of arts, artifacts, and cultural heritage, both tangible and intangible.

To overcome the threat of globalization and loss of cultural identity, the reconstruction of ASEAN's identity and culture has been recommended. The nationalistic, ethnic, and fundamentalist reactions being generated by globalization could lead to a strong assertion of local cultures. This might take the form of reviving or simulating local traditions and ceremonies, or inventing new ones. The revival of some cultural practices would help strengthen the existing cultural and social capital. Without strong efforts to revive selected cultural practices, cultural deterioration is inevitable. On the other hand, social capital is seen in localism. Local cultures are believed to have distinctive features of homogeneity and an integrated cultural identity that is both enduring and unique. Members of a locality form a distinctive community with its own unique culture.

To counter cultural globalization, the UN Educational, Scientific and Cultural Organization (UNESCO) has been instrumental in bringing about the identification of cultural heritage, the revival of indigenous knowledge, and the recognition of intangible culture. While the direct impact of these attempts is ambiguous, at least indirectly they are recognized to be beneficial in promoting tourism. Cultural items are now being patented and cultural capitalism is also on the rise. This process has also supported the empowerment of marginalized people.

Recommendations for Future ASEAN-Japan Cooperation:

- (1) Each ASEAN member state should work to revive its local culture, indigenous culture and knowledge, and cultural heritage as an alternative cultural process to counter globalism. This process, in effect, will help resist the spread of mass culture in manipulating the marginalized and

the powerless. The continuous support of the Japan Foundation and other organizations for cultural heritage projects in ASEAN has been very much appreciated and should be continued.

- (2) The ASEAN Secretariat and ASEAN member states should support the concepts of cultural diversity, local cultures, and community identity by establishing a “Cultural Heritage and Local Wisdom Fund.” The Japanese government should consider supporting the establishment of this fund.

3. Promotion of Cultural Creativity and Industry

ASCC BLUEPRINT STRATEGIC OBJECTIVE: Enhance ASEAN identity and togetherness through cultural creativity and the promotion of and cooperation on cultural industry.

ASEAN-JAPAN PLAN OF ACTION (2011–2013): 3.8 Cooperation in culture and the arts—3.8.3 Identify and address common concerns in cultural heritage management and further develop professional human resources in cultural heritage management and in the development of small and medium-sized culture enterprises (SMCE) and industries; and 3.8.4 enhance joint endeavors to create film, music, mode, and other subcultural contents by various talents of different countries in the region.

In the highly heterogeneous ASEAN region, cultural and ethnic organizations can function as civil society organizations to fulfill the needs of different ethnic groups where governments fail to do so. In socialist and welfare state societies, the government is required to satisfy the need for public goods and social welfare services. In free market societies, the demand for public goods should be supplied by the market system. But if the market fails to satisfy such demands, then the government must step in to perform this role. However, in heterogeneous societies where the demands are diverse, it may be difficult for either the market or the government to adequately supply public goods. If both the market and the government fail to provide public goods, civil society organizations and media must then move in to perform that role.

The promotion of small and medium enterprises (SMEs) for the production of cultural products is being supported by many ASEAN governments. Differentiated demand has been identified as a factor in the nonprofit production of quasi-public goods, as organizations respond to differentiated tastes for the kinds of service to be consumed.⁹ People's preferences with respect to product variety are more heterogeneous and more intense due to cultural differences. This diversity is geographically dispersed and most governments in the region cannot accommodate these demands. Ethnicity

and religion are the two most visible factors affecting civil society sector development in developed as well as developing countries. Both civil society groups and private sector entrepreneurs should be encouraged to establish SMEs to produce cultural objects and performances.

Recommendations for Future ASEAN-Japan Cooperation:

- (1) The Japanese government should assist the ASEAN Secretariat in establishing an SME loan program with low interest rates to provide support for ASEAN entrepreneurs who are willing to venture into the new cultural market.
- (2) The Japanese government should introduce Japan's "One Community One Product" model to ASEAN local communities by organizing study tours for knowledge transfer.

4. Engagement with the Community

ASCC BLUEPRINT STRATEGIC OBJECTIVE: Inculcate an ASEAN identity and build a people-oriented ASEAN where people are at the center of community building, through the participation of all sectors of society.

ASEAN-JAPAN PLAN OF ACTION (2011–2013): 3.7 People to people connectivity—3.7.7 Promote exchanges among villages, municipalities, and cities; and strengthen people-to-people contacts, utilizing the schemes of the Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC), and the Japan Foundation.

Since the 1990s, civil society organizations have been recognized globally as a critical force. Traditional civil society organizations that originally formed as philanthropic, religious, labor, and community development organizations have become increasingly active. Civil society organizations have been very much empowered during the 1980s and 1990s. Many philanthropic community-development organizations shifted their orientation from a needs-based to rights-based focus and began working as advocacy groups, demanding the rights of people on various issues. Locally, organizations working on the same issue have formed networks and are working collaboratively in order to empower themselves.

Just as multinational corporations, international financial institutions (e.g., the World Bank, International Monetary Fund, and World Trade Organization), and multilateral organizations are linked transnationally, civil society organizations are also becoming linked transnationally and are forming social movements. New social movements have become a

reality during the past two decades with some new features. Two important observations can be made about these social movements. First, it is clear that politics has moved beyond the traditional definitions that evolved around the realm of the nation-state, government, political parties, and so on. And second, these new social movements can be viewed as “resistance movements” or “civil disobedience,” not necessarily against any particular nation-state or government, but possibly against transnational entities or even supranational institutions. They are demanding more space for ordinary people, a reduction in the gap between the government and the people, and a more humane government.

Therefore, the new social movements are an alternative, providing the political space for the ASEAN Community. They are not merely replacing “government” with “governance”; the new social movements advocate for more proactive strategies to bring social justice to society. The new social movements, and especially the antiglobalization movements, are themselves developing as supranational entities, which have a high degree of changeability, adaptability, and flexibility. In this way, new social movements open political space for negotiations with other supranational organizations, such as the ASEAN Community, as well as with nation-states. However, there is an argument that the promotion of culture-based civic groups may lead to the fragmentation of society instead of integration. Thus, multiethnic civil society activities and movements based on issues are less detrimental to national security.

Recommendations for Future ASEAN-Japan Cooperation:

- (1) The ASEAN Secretariat, with support from the Japanese government, should support an “ASEAN Identity Project” by encouraging civil society organizations to perform political and cultural functions for cultural groups in cases where marginalized groups need support for social services as well as socio-cultural activities.
- (2) The ASEAN Secretariat, with support from Japanese counterparts, should support civil society activities by promoting the concept of “ASEAN identity” as an issue for the movement to advocate. ASEAN culture must be seen in the coexistence of diverse forms of cultural relations. ASEAN local heritage, cosmopolitanism, fusion culture, and cultural pluralism are some of the forms identified and should be allowed to coexist.

5. Narrowing the Development Gap for 2015–2030

ASCC BLUEPRINT STRATEGIC OBJECTIVE: Strengthen cooperation to reduce the development gap, in particular the social dimensions of

development between the ASEAN-6 and the CLMV countries and within ASEAN where some isolated pockets of under development persist.

ASEAN-JAPAN PLAN OF ACTION (2011–2013): 2.14.1 Provide macro-economic policy support for socio-economic development in ASEAN member states to narrow the development gap; 2.14.2 Strengthen support for the realization of the Initiative for ASEAN Integration (IAI) and other regional and subregional endeavors to narrow the development gaps in ASEAN to expedite regional integration; and enhance cooperation and activities within the framework of the ASEAN-Japan Centre, particularly through the promotion of trade, investment, and tourism, to narrow the development gaps.

The negative impact of globalization has been recognized as one reason for poverty in developing countries. The income gap between the rich and the poor has become wider and wider. Overinvestment by the rich brought about the collapse of the economy, as was evident in the financial and economic crises of 1997 and 2007. The mainstream capitalistic economy brought about inequality and social injustice. The concept of a sufficiency economy is now being proposed to replace the overexploitation of natural resources, overinvestment, and overconsumption. Local wisdom and knowledge are being revived and reexamined with a newfound respect instead of being discarded as old-fashioned. Cultural diversity is allowed and promoted in many societies and cultural domination is no longer acceptable.

The development gaps between the rich and the poor and between nation-states are becoming increasingly severe. The ASCC recognizes the differences between the ASEAN-6 and the CLMV countries (Cambodia, Laos, Myanmar, and Vietnam). Table 2 shows the figures from the Human Development Index (HDI) for the two groups. When comparing gross national income and the percentage of population living below the poverty line, the distinctions between the two groups are very much evident. However, it should be noted that Vietnam is gradually moving up the scale, and some of the indicators clearly indicate that Vietnam is at the top of the CLMV group, almost ready to move up to the level of the ASEAN-6 group.

With regard to the social sector indicators presented in table 3, similar observations can be made for the case of Vietnam. The figures indicate that for literacy and life expectancy, Vietnam more closely resembles the ASEAN-6 group. Figures for the employment-to-population ratio are very much the same for both groups. Among ASEAN countries, employment indicators do not indicate significant differences. On the other hand, figures

Table 2. HDI rank and value and poverty indicators of ASEAN countries

Country	2011 HDI		Gross National Income (GNI) per capita (2011) (c)	Income Gini Coefficient (d)	Pop. under national poverty (e)	Human poverty index (f)
	Rank (a)	Value (b)				
ASEAN – 6						
Brunei	33	0.838	45,753 (2005)	-	-	-
Indonesia	124	0.617	3,716	36.8	12.5 (2011)	17.0
Malaysia	61	0.761	13,685	46.2	3.8 (2009)	6.1
Philippines	112	0.644	3,478	44.0	26.5 (2009)	12.4
Singapore	26	0.866	52,569	--	--	3.9
Thailand	103	0.682	7,694	53.6	7.8 (2010)	8.5
CLMV						
Cambodia	139	0.523	1,848	44.4	30.1 (2007)	27.7
Laos	138	0.524	2,242	36.7	27.6 (2008)	30.7
Myanmar	149	0.483	1,535	--	25.6 (2010)	20.4
Vietnam	128	0.593	2,805	37.6	14.5 (2008)	12.4

Sources: (a), (b), (c), (d): United Nations Development Programme (UNDP), *Human Development Report 2011* (New York: UNDP, 2011); (e) ADB, *Framework of Inclusive Growth Indicators 2012* (Manila: ADB, 2012); (f) UNDP, *Human Development Report 2009* (New York: UNDP, 2009).

for safety net measures based on expenditure on health, security, and welfare are not available for all countries. At this stage, the reliability of the figures is still questionable since the concept of safety nets may not be interpreted the same way in all countries.

The issue of social safety nets needs to be further examined as an instrument to narrow the development gap between member states. Bilateral support may be provided to states at the bottom of the ranks in an attempt to improve social services and social infrastructure in countries that are in need.

Table 4 provides data from the *Global Gender Gap Report 2012*. Data are not available for Laos and Myanmar. Figures presented do not give a clear indication of differences between the ASEAN-6 and Cambodia and Vietnam. The lack of a clear distinction between the two groups may be because ASEAN societies have a similar culture and traditions as they relate to gender roles and discrimination between males and females is not related

Table 3. HDI social sector indicators for ASEAN countries

Country	Adult literacy rate (a)	Health adjusted life expectancy (b)	15 yrs+ employment to pop. ratio (2011) (c)	Safety Nets (2010) (d)	
				% expend. on health	% expend. on security & welfare
ASEAN – 6					
Brunei	95.3	66	63.1 (2001)	-	4.8
Indonesia	92.5	60	61.9 (2009)	13.9	-
Malaysia	92.5	64	60.6 (2009)	0.7	3.6
Philippines	95.4	62	59.2 (2009)	29.7	5.7
Singapore	94.7	73	61.6 (2009)	15.6	7.7
Thailand	93.5	62	72.7 (2009)	10.1	6.8
CLMV					
Cambodia	77.6	53	60.6 (2008)	-	5.2
Laos	72.7	54	65.7 (2005)	5.0	-
Myanmar	92.0	50	-	1.3	-
Vietnam	92.8	64	69.9 (2004)	36.0	-

Sources: (a), (b): *Human Development Report 2011*; (c), (d): *Framework of Inclusive Growth Indicators 2012*.

Table 4. Gender gap report in ASEAN countries, 2012

Country	Rank (a)	Score (b)	F/M Ratio of earned income (c)	F/M Ratio of literacy rate (d)	F/M ratio of labor force part. (e)	F/M ratio of seats in parliament (f)	Old-age dependency (g)	
							1981-1990	2011-2020
ASEAN – 6								
Brunei	75	0.6750	0.90	0.97	0.80	-	-	-
Indonesia	97	0.6591	0.94	0.89	0.61	0.22	0.062	0.1
Malaysia	100	0.6539	0.43	0.95	0.57	0.12	0.064	0.09
Philippines	8	0.7757	0.60	1.01	0.63	0.30	0.058	0.08
Singapore	55	0.6989	1.00	0.96	0.74	0.31	0.074	0.193
Thailand	65	0.6893	0.62	0.96	0.83	0.19	0.068	0.127
CLMV								
Cambodia	103	0.6457	0.71	0.80	0.87	0.25	-	-
Laos	-	-	-	-	-	-	-	-
Myanmar	-	--	-	-	-	-	-	-
Vietnam	66	0.6867	0.69	0.96	0.92	0.32	0.085	0.0975

Sources: (a), (b), (c), (d), (e), (f): Ricardo Hausmann, Laura D. Tyson, and Saadia Zahidi, *The Global Gender Gap Report 2012* (Geneva: World Economic Forum, 2012); (g): National Intelligence Council, *Global Trend 2030 Alternative Worlds* (Washington DC: NIC, 2012).

to the level of development. In all eight countries, however, it can be seen that the female-to-male (F/M) ratio of earned income and the labor force F/M ratio are equally low while the F/M ratio of seats in parliament is extremely low. On the other hand, the F/M ratio in literacy rates is mostly high, as female opportunities for education have been on par or even better than for men, except in Cambodia.

In terms of old-age dependency, it is undeniable that between 1981 and 2020, the old-age dependency ratio is increasing for all countries with available data. However, Singapore, Thailand, and Indonesia have a more serious problem than the rest of the ASEAN member states.

This means that support for gender equality schemes should be made across the board. All 10 member states need to establish an ASEAN empowerment scheme to bring about gender equality. At the same time, programs and projects for the elderly, together with programs and projects to address the trafficking of women and children mentioned earlier in this chapter, are still essential if the ASEAN Community is to be recognized as a socially just community.

The *Human Development Report 2009* provides information on selected conventions ratified by different countries. A breakdown of these conventions along with the ASEAN member states that have ratified them is presented in table 5. As mentioned above, most ASEAN countries have ratified the three UN conventions focusing on vulnerable groups—the Convention on the Elimination of All Forms of Discrimination Against Women, the Convention on the Rights of the Child, and the Convention on the Rights of Persons with Disabilities. The Convention Relating to the Status of Refugees and the Convention on the Protection of the Rights of All Migrant Workers have been ratified by only three countries. This table provides an example of international tools that may be utilized to bring about more comprehensive development for all ASEAN countries. The ASEAN Community could develop instruments to help establish common goals to strengthen the community as a whole.

To date, in addition to the ASEAN Charter, the ASEAN Intergovernmental Commission on Human Rights (AICHR) has been established and the ASEAN Declaration on Human Rights (ADHR) was recently endorsed at the ASEAN Ministerial Meeting in Cambodia in November 2012, despite strong criticism from civil society that the newly adopted ADHR does not meet international human rights standards. Furthermore, greater support is needed for the establishment of the ASEAN Committee on Migrant Workers. The upcoming establishment of the ASEAN Community at the end of 2015 will require an agreement on labor and migration standards to be observed by all member states equally. This is an urgent issue that needs

immediate attention. As mentioned above, it is in Japan's interest to help facilitate discussions on migrant labor issues among ASEAN member states. At the moment, there seems to be a conflict of interests among and between ASEAN countries. Japan is strategically positioned to help bring about a solution that would be acceptable to all ASEAN member states and would lead to the successful establishment of an ASEAN Commission on Migrant Workers that, if and when it was established, would provide opportunities to bridge the development gap between ASEAN nations as well.

STRATEGIC DIRECTIONS FOR THE ASEAN-JAPAN PARTNERSHIP

This chapter has focused on three of the six aspects of the ASCC identified in the ASCC Blueprint: social justice and rights, building the ASEAN identity, and narrowing the development gap. To strengthen the ASCC, the chapter recommends that the ASEAN-Japan partnership support and promote a people-centered and human-oriented development paradigm through the promotion of people's participation and sense of ownership.

To promote social justice and human rights, the ASEAN-Japan partnership should engage with the community and civil society by working with community groups on projects to prevent the negative impacts of development on vulnerable peoples, including women, children and youth, the elderly, people with disabilities, indigenous peoples, and migrant workers. An ASEAN code of conduct for CSR should be encouraged to prevent negative social impacts on vulnerable groups and undesirable exploitation of natural resources.

To build an ASEAN community and identity, the ASEAN-Japan partnership should promote ASEAN consciousness and a sense of community through the preservation and promotion of ASEAN cultural heritage in a way that recognizes the unique cultural diversity of the region. Furthermore, it should promote cultural creativity and industry by supporting local craftsmanship, SMEs, and other innovative projects, both as income-generating activities and activities to strengthen a sense of ownership and identity. The support can be in the form of grants, loans to governments, as well as loans to the private sector.

To narrow the development gap, the ASEAN-Japan partnership should work with diverse groups of people to identify gaps in development, both within each country and between ASEAN countries. Concrete activities should include the following:

Table 5. Selected conventions related to human rights ratified by ASEAN member states

Country	Year Ratified										CRPD (signed/ ratified) (i)	
	1951	1966	1966	1966	1966	1966	1979	1984	1989	1990		2000	2006/2007
	Refugees (a)	ICCPR (b)	ICESCR (c)	CERD (d)	CEDAW (e)	CAT (f)	CRC (g)	ICPRMW (h)	Protocol on Trafficking (i)			
Brunei	--	--	--	--	2006	--	1995	--	--	--	--	2007
Indonesia	--	2006	2006	1999	1984	1998	1990	2004	2000	2000	2000	2007
Malaysia	1981	--	--	--	1995	--	1995	--	2009	2009	2008/2010	2007/2008
Philippines	--	1986	1974	1967	1981	1986	1990	1995	2002	2002	2007/2008	
Singapore	--	--	--	--	1995	--	1995	--	--	--	--	--
Thailand	--	1996	1999	2003	1985	2007	1992	--	2001	2001	2007/2008	
Cambodia	1997	1992	1992	1983	1992	1992	1992	2004	2007	2007	2007	
Laos	--	2000	2007	1974	1981	--	1991	--	2003	2003	2008/2009	
Myanmar	2004	--	--	--	1997	--	1991	--	--	--	--	--
Vietnam	--	1982	1982	1982	1982	--	1990	--	--	--	2007	

Source: (a)–(i) *Human Development Report 2009*; (j) Convention on the Rights of Persons with Disabilities website: <http://www.un.org/disabilities/convention/full.shtml>

- Support for social safety net programs needed by the CLMV countries
- Support for gender empowerment programs for all ASEAN countries
- Close cooperation with the ASEAN Commission on Women and Children
- Support for the establishment of the ASEAN Committee on Migrant Workers

In order to pursue these activities in the 2015–2030 period, it is essential that additional studies be carried out to further explore and identify appropriate programs and projects. The approach should be forward-looking and concrete action plans should be proposed for the first five years (2016–2020), to be reviewed and improved upon after implementation. The subsequent five-year plan should then be developed based on the output or outcome of the activities in the initial phase.

NOTES

1. Third World Network, “The Potential Contribution of Japan to Asian Recovery: External Aid and Domestic Fiscal Stimulus,” <http://www.twinside.org.sg/title/japan-cn.htm>.
2. Chanyong Park and Kye Woo Lee, eds., *Globalization and Social Safety Nets in Asia-Pacific Region* (Seoul: KIHASA, 2003), 27–28.
3. Amara Pongsapich, “A Case of Thailand,” in *Globalization and Social Safety Nets*, ed. Chanyong Park and Kye Woo Lee (Seoul: KIHASA, 2003), 87–125.
4. The full text of the report is available at <http://www.unocha.org/humansecurity/chs/finalreport/index.html>.
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Migrant Workers in a People-Centered ASEAN Community and ASEAN-Japan Cooperation

VANNARITH CHHEANG

MIGRATION IS ONE of the key political, economic, and social phenomena in Asia. Southeast Asia in particular serves as both an outbound and inbound source of migration, and the number of people crossing local and national borders is on the rise. This trend is mainly driven by demographic differences, development gaps, and regional integration. As ASEAN is moving toward becoming a people-based community in which people are the key benefactors of the regional community-building process, it needs to integrate and concretize different aspects of social and economic policies to realize the interests of the people of ASEAN. In that context, clearly “the integration of migration issues and labor and social protection issues is integral to progressing the social dimension of ASEAN.”¹ Currently, however, ASEAN migrant workers are facing numerous difficulties and challenges concerning their rights and dignity.²

Being aware of those challenges and difficulties, ASEAN and its dialogue partners have been promoting regional cooperation and institution building to develop a migration policy and an integrated transnational migration governance regime. For instance, the protection of migrant workers is stated as an objective in the ASEAN Socio-Cultural Community (ASCC) Blueprint and the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers. Similarly, in the ASEAN Political-Security Community Blueprint, it mentions the need to address human trafficking through regional cooperation. And within the framework of ASEAN-Japan cooperation, there is an ASEAN-Japan Plan of Action (2011–2015) in which the protection of migrant workers is incorporated under the framework of social justice.

This chapter attempts to examine the patterns and characteristics of migration in Southeast Asia and identify the gaps and responses to the issue. It then tries to provide policy recommendations concerning collective and cooperative solutions at both the national and regional levels, especially under the ASEAN-Japan cooperation framework. Given that the nature of and trends in migration are getting more complex and multidimensional, well-coordinated and coherent national and regional migration policies and governance structures are required that include the full participation of all relevant actors (state, market, and civil society). With regard to the existing ASEAN and ASEAN-Japan cooperation framework, more action-oriented policy guidelines are needed to effectively implement the ASCC Blueprint and the ASEAN-Japan Plan of Action 2011–2015 through a holistic approach and from a multi-stakeholder perspective.

PATTERNS AND CHARACTERISTICS OF MIGRATION IN SOUTHEAST ASIA

Migration within and from Southeast Asia has been increasing over the years in scale, complexity, and dimensionality. It generates significant population redistribution with economic, social, cultural, and political implications. It is argued that “migrants have been central to enduring and significant changes in modern Asian history: to economic and environmental transformations; to the spread of new political ideas and religious practices; to the social and demographic change.”³ Indeed, migration is one of the most striking and massive transformations that have swept across Southeast Asia.⁴

The first wave of Asian migration started in the 1970s. It involved the migration of millions of short-term contract workers, both skilled and unskilled, from South China, the Philippines, Indonesia, and Thailand to the oil-producing countries in the Middle East. The second wave took place from the 1980s and involved migration from South Asia, Indonesia, the Philippines, Myanmar, and Vietnam to the growing economies of Southeast Asia, such as Singapore, Malaysia, and Thailand.⁵ The third wave of migration in Southeast Asia is associated with the construction of an ASEAN community-building process, in which the flow of skilled workers is promoted.

The number of international migrants in Asia Pacific in 2010 was estimated to be 31.5 million.⁶ There is an increasing trend toward intraregional migration with dynamic and diverse forms. Structural and geographical elements are key factors causing this trend. Structural problems related to the economic and development differential between sending and receiving

countries, and especially the development gap and the uneven progress of the demographic transition across the countries in the region, creates a sharp division between labor-deficit and labor-surplus countries.⁷ The lack of job opportunities and the presence of higher incomes in neighboring countries have significantly contributed to the out-migration of hundreds of thousands of people. The major Southeast Asian labor-importing countries rely on guest worker programs to solve their labor-shortage problems. The mismatch between the origin country's labor supply and its economic capacity to absorb them pushes the governments to export their labor forces in order to avoid social and economic difficulties at home. In addition, the need on the part of the receiving countries to provide labor-intensive services and production opens up opportunities for migrant workers from the region to fill in these sectors as well. There are different types and flows of migrant workers, but irregular migration surpasses regular migration.

State policy on migration and development planning, formal and informal institutions and mechanisms in facilitating international migration, social networks, and the immigration industry including labor brokers, contractors, and transporters, all contribute to increase the flow of migrant workers both legally and illegally. Legal recruitment is done through licensed recruitment agencies while illegal recruitment generally utilizes intensive social networking and black market channel. Southeast Asia is home to sources, transit points, and destinations for international migration. There are both pull and push factors shaping migration flows, including economic disparity, poverty, demographic inequality, labor market fragmentation, political and security issues, national and regional policies, and institutions. Significant development gaps within countries and within the region motivates or even forces people from the least developed economies like Cambodia, Laos, Myanmar, and Vietnam (CLMV) to find employment opportunities in more developed countries such as Thailand, Singapore, and Malaysia. Singapore has the highest share of migrants, as one third of its workers are foreigners. The Singapore government encourages the entry of professionals and talents, but limits unskilled migrants and domestic helpers. Malaysia has 2 million migrants in a labor force of 10 million, with Indonesians dominating among construction and plantation workers. Thailand is Southeast Asia's third largest migrant destination, with perhaps 2 million Burmese, Cambodian, and Laotian workers.⁸

Intraregional migration is increasing, especially in the context of regional integration, institutional harmonization (e.g., harmonization of visa policy), regional infrastructure connectivity, labor market information and commercialization. The common characteristics of international migration in Southeast Asia are the feminization of labor migration, increasing

undocumented or irregular migration, and labor exploitation. Subregional labor market hubs are being formed on both maritime and mainland Southeast Asia. Meanwhile, protection mechanisms for the migrant workers—both legal and illegal—have been developed at both the national and regional levels. There is an increasing trend toward strengthening regional institutions such as ASEAN to manage intraregional migration, especially when it comes to issues concerning the promotion and protection of migrant workers and curbing human trafficking. In addition, there is an increasing role for civil society organizations (CSOs) in shaping the norms of regional cooperation on migration.

Migration brings with it many issues and challenges. On the migration continuum, it also generates the issues of human trafficking, smuggling, forced labor migration, and other social and health issues. According to the International Organization for Migration (IOM), in East and Southeast Asia, irregular migration and human trafficking remain significant challenges, particularly trafficking for sexual exploitation and irregular labor migration movements. In addition, migration-related public health concerns such as tuberculosis, HIV/AIDS, and malaria need more collaborative efforts and coordination.⁹

Human trafficking is another key issue in Southeast Asia. According to a report produced by the US State Department on trafficking in persons, Cambodia, Indonesia, Laos, the Philippines, and Singapore are regarded as countries that do not fully comply with the minimum standards as set forth in the Trafficking Victims Protection Act, but are making “significant efforts” to do so (tier 2); Brunei, Malaysia, Thailand, and Vietnam are regarded as countries that do not fully comply, that have a very significant or increasing number of victims, and have failed to provide evidence of increasing efforts (tier 2 watch list); and Burma falls into the worst category (tier 3), in which the government does not fully comply and is not making significant efforts to do so.¹⁰

There are other national and regional efforts to cope with human trafficking as well. State-driven development agendas, interstate relations, nonstate agents, and the border itself shape anti-trafficking programs and agendas. Counter-trafficking efforts have gained momentum in Southeast Asia in the last decade due to the increasing number of victims stemming from human trafficking and forced labor migration. Partnerships between and among state actors, CSOs, and international and regional organizations have played a significant role in managing international migration in Southeast Asia. Civil society organizations and networks¹¹ have contributed in promoting dialogues, protecting the rights of migrant workers and the victims of human trafficking, and advocating for the enhancement of norms

of protection for the rights of migrant workers at the national, subregional, and the ASEAN levels. And, as a number of scholars have pointed out, it is critical that further efforts be made to engage nonstate actors, including trade unions, migrant advocacy groups, and other CSOs in discussions of ASEAN social standards and policy.¹²

ASEAN COOPERATION FRAMEWORK

Management and Protection of Migrant Workers

It is difficult to overcome economic and demographic inequality quickly, and governments are reluctant to limit their exposure to globalization. International migration trends thus reflect what Hugo refers to as “the increasing pervasiveness of globalization, namely migrant social networks and the proliferation of an immigration industry, as well as rapid social, economic and political change.”¹³ The remaining policy option for managing migration is to adjust to protect and promote the rights and dignity of migrants.

In order to realize a people-centered ASEAN, the ASCC Blueprint emphasizes protecting the fundamental human rights and dignity of migrant workers. It aims to “facilitate data-sharing on matters related to migrant workers, for the purpose of enhancing policies and programmes concerning migrant workers in both sending and receiving states.” Moreover, it also requests the sending states to “set up policies and procedures to facilitate aspects of migration of workers, including recruitment, preparation for deployment overseas and protection of the migrant workers when abroad as well as repatriation and reintegration to the countries of origin.” The ASCC encourages the receiving states to “facilitate access to resources and remedies through information, training and education, access to justice, and social welfare services as appropriate and in accordance with the legislation and of the receiving state, provided that they fulfill the requirements under applicable laws, regulations, and policies of the said state, bilateral agreements and multilateral treaties.” It also obliges sending states to “establish and promote legal practices to regulate recruitment of migrant workers and adopt mechanisms to eliminate recruitment malpractices through legal and valid contracts, regulation, and accreditation of recruitment agencies and employers, and blacklisting of negligent/unlawful agencies.” Finally, the ASCC aims to “promote capacity building by sharing of information, best practices as well as opportunities and challenges encountered by ASEAN Member Countries in relation to protection and promotion of migrant workers’ rights and welfare.”

In 2004, ASEAN adopted the ASEAN Declaration Against Trafficking in Persons Particularly Women and Children (hereafter, the Declaration Against Trafficking in Persons). The declaration was designed to provide a path “to undertake concerted efforts to effectively address an emerging regional problem, namely the trafficking in persons, particularly women and children.” The declaration encouraged, among others, cooperation and information sharing, safeguarding the dignity and human rights of victims, as well taking actions against individuals and syndicates engaged in human trafficking. Furthermore, in 2007 the ASEAN leaders issued an ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers (hereafter, the Declaration on Migrant Workers). It stipulates, “Both the receiving and sending states shall strengthen the political, economic and social pillars of the ASEAN Community by promoting the full potential and dignity of migrant workers in a climate of freedom, equity, and stability in accordance with the laws, regulations, and policies of respective ASEAN Member Countries.” It also requests the member states to closely cooperate to resolve the cases of undocumented migrant workers and respect the rights and dignity of migrant workers and their families. At the same time, the ASEAN leaders also created the ASEAN Committee on the Implementation of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers in order to ensure the effective implementation of the declaration and facilitate the development of an ASEAN instrument to promote and protect the rights of migrant workers.

The Declaration on Migrant Workers requests that member states commit to

- (a) promote decent, humane, productive, dignified and remunerative employment for migrant workers;
- (b) establish and implement human resource development programmes and reintegration programmes for migrant workers in their countries of origin;
- (c) take concrete measures to prevent or curb the smuggling and trafficking in persons by, among others, introducing stiffer penalties for those who are involved in these activities; and
- (d) facilitate data-sharing on matters related to migrant workers, for the purpose of enhancing policies and programmes concerning migrant workers in both sending and receiving states;
- (e) promote capacity building by sharing of information, best practices as well as opportunities and challenges encountered by ASEAN Member Countries in relation to protection and promotion of migrant workers’ rights and welfare;

- (f) extend assistance to migrant workers of ASEAN Member Countries who are caught in conflict or crisis situations outside ASEAN in the event of need and based on the capacities and resources of the Embassies and Consular Offices of the relevant ASEAN Member Countries, based on bilateral consultations and arrangements;
- (g) encourage international organisations, ASEAN dialogue partners and other countries to respect the principles and extend support and assistance to the implementation of the measures contained in this Declaration; and
- (h) task the relevant ASEAN bodies to follow up on the Declaration and to develop an ASEAN instrument on the protection and promotion of the rights of migrant workers, consistent with ASEAN's vision of a caring and sharing Community, and direct the Secretary-General of ASEAN to submit annually a report on the progress of the implementation of the Declaration to the Summit through the ASEAN Ministerial Meeting.

Since 2007, ASEAN has worked closely with the International Labour Organization (ILO) in managing migration issues in the region. In 2008, ASEAN issued a joint ASEAN-UN press statement to highlight a report on joint efforts to cope with the spread of HIV among mobile populations. Among the report's recommendations were that policymakers should "develop gender-sensitive epidemiological data collection mechanisms; strengthen regional cooperation to ensure a continuum of services for migrants; create and fund coordinated, multi-sectoral, cross-border HIV efforts; allocate sufficient financial and human resources to address migrants' needs; and reinforce policies and commitments on HIV/AIDS."¹⁴

At the Fifth ASEAN Forum on Migrant Labor in October 2012, some concrete actions to promote and protect the rights of migrant workers were developed. It emphasized the promotion of universal human rights and fundamental principles and rights at work; transparency, accountability, and affordability; information sharing and public awareness; effective monitoring and complaint mechanisms; and the meaningful involvement of multiple stakeholders. Migration governance requires effective recruitment practices and regulations in line with international instruments.

Addressing Human Trafficking

As noted above, ASEAN has introduced and implemented a number of legal and policy instruments that address human trafficking, including the ASEAN Declaration Against Trafficking in Persons (2004), the

ASEAN Practitioner Guidelines on Effective Criminal Justice Responses to Trafficking in Persons (2007), and the ASEAN Declaration on Migrant Workers (2007). As noted in a recent report, “All countries of East and South-East Asia are also active participants in the Regional Ministerial Process on People Smuggling, Trafficking in Persons and Related Transnational Crime (called the Bali Process) initiated by the governments of Australia and Indonesia in 2002, which serve as co-chairs to the process. The Bali Process draws together 40 countries across the Asia-Pacific region to address the transnational crimes of people smuggling and trafficking through convening targeted participatory workshops that contribute to strengthening regional capacities to combat the crimes and fostering improved intra-regional and interdepartmental cooperation.”¹⁵

At the subregional level, the six Greater Mekong Subregion (GMS) countries—Cambodia, China, Laos, Myanmar, Thailand, and Vietnam—signed a memorandum of understanding (MOU) in October 2004 that laid out a comprehensive framework for cooperation on trafficking, known as the COMMIT Process. The MOU contains operational objectives in the following key areas: (1) policy and cooperation; (2) legal frameworks, law enforcement, and justice; (3) protection, recovery, and reintegration; (4) preventive measures; and (5) mechanisms for implementation, monitoring, and evaluation of the MOU. Subsequently, the countries have been developing an associated subregional action plan to clarify the next steps to be taken at the national, bilateral, and subregional levels, including the holding of annual senior officials meetings, to advance the implementation of the MOU.¹⁶

ASEAN-JAPAN COOPERATION FRAMEWORK

Extra-regional cooperation was one of the key elements inscribed in the ASEAN Plan of Action for Cooperation on Immigration Matters, which was adopted in 2000. The ASEAN member states were encouraged to

- (a) seek technical assistance from ASEAN dialogue partners and relevant specialized agencies of the United Nations and other international organizations, particularly with regards to training;
- (b) enhance information exchange with ASEAN dialogue partners, regional organizations, relevant specialized agencies of the United Nations and other international organizations, particularly towards the sharing of critical information on the identities, movement and activities of criminal organizations involved in trafficking in persons;

- (c) gain the support of the international community for ASEAN initiative on immigration and relevant matters through the participation of ASEAN member states and the ASEAN Secretariat in relevant international conferences; and
- (d) establish working relationship with immigration officials from other more developed countries using advanced immigration systems to ensure ASEAN immigration authorities to promote awareness of latest developments on immigration matters.

In order to cope with the challenges of addressing international migration issues, ASEAN needs support, especially technical assistance, from its dialogue and development partners. Japan has assisted ASEAN in many ways, especially in narrowing the development gap and promoting economic integration and socio-cultural community building. The governments of Japan and ASEAN established the ASEAN-Japan Centre in 1981 in order to promote trade, investment, and tourism. Japan created the Japan-ASEAN Solidarity Fund in 1998, the Japan-ASEAN General Exchange Fund in 2005, and the Japan-ASEAN Integration Fund in 2006, with the objective of supporting ASEAN community building and strengthening ASEAN-Japan partnership and cooperation. It is therefore important that ASEAN and Japan continue to work together to build a sustainable and effective international migration regime in order to realize the ASEAN Community.

In November 2011, the heads of ASEAN states and governments and of the Japanese government agreed to implement the objectives laid out in the Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together through the ASEAN-Japan Plan of Action (2011–2015). Protective measures for migrant workers are included in the section on cooperation on social justice, in which the leaders committed their respective nations to “cooperate on programs that will assist migrant workers and their families in achieving financial stability through training, investment promotion, savings assistance and entrepreneurship development programs” and to “promote dialogues on the adoption of arrangements for the portability of social security benefits for migrant workers and for the harmonization of remittance charges.”

In addition, there are other functional cooperation frameworks that have been established by Japan and ASEAN to promote and protect the interests, rights, and dignity of labor forces including migrant workers. The ASEAN & Japan High Level Officials Meeting on Caring Societies has been held annually since 2003 to develop human resources and promote collaborative relationships between the ASEAN countries and Japan. There is also the ASEAN-Japan Collaboration Programme for

Strengthening the Basis of Human Resources Development in CLMV Countries-Phase II (2008–2011).

Through the ILO, Japan has implemented several projects to support migrant workers in Southeast Asia. For instance, from 2006 to 2010, Japan provided more than US\$2 million to support the implementation of a program protecting migrant workers in Cambodia, Indonesia, Laos, and Thailand by “developing a knowledge base on migration issues for policy makers and building up the capacity of governments to manage orderly labor migration. It also advocates sound national labor migration policies, assists with raising migrant workers’ awareness of their rights, facilitates their access to legal systems, promotes low-cost and efficient remittance systems, and supports skills training and enterprise development.”¹⁷

Japan has also been supportive in addressing human trafficking in the region. In Japan’s 2009 Action Plan to Combat Trafficking in Persons, it emphasized “close cooperation among all relevant government ministries and agencies concerned” as well as enhanced cooperation with international organizations and civil society groups to counter human trafficking.¹⁸ Moreover, there are several bilateral cooperation initiatives between Japan, as a primary destination country, and other countries in Southeast Asia such as Indonesia, the Philippines, and Thailand to manage international migration and human trafficking.

Within the context of the trend toward increasing migration in the region, Japan can play an important role in assisting ASEAN and its related and supported institutions to harmonize and coordinate regional policy on and approaches to migration. Technical and financial support from Japan is crucial to realizing these efforts. Action-oriented cooperation needs to be emphasized. As Japan is faced with an aging population, maintaining its economic dynamism in the long term will require that Japan attract more labor and talent from Southeast Asia. ASEAN-Japan cooperation on regional human-resource development and migration will be a win-win strategic option for both sides.

ISSUES AND CHALLENGES

Over the last decade, there has been an increase in discussions and negotiations on managing intraregional migration, and that has resulted in a number of regional agreements and policy guidelines. Nevertheless, many issues remain. Some of the key challenges that need to be addressed are the following:

- the lack of standard, reliable, and updated statistics on the state of migrant workers and human trafficking in the region (the information and data on migration remains limited and is not systematically gathered or shared)
- the high cost and complexity of formal or regular migration force some migrant workers, especially unskilled and low-skilled workers, to choose irregular migration
- the existing regional institutions focus only on the movement of skilled workers and professionals; this reflects the lack of protection mechanisms for the irregular and low skilled migrant workers
- women and children remain most vulnerable to labor exploitation and human trafficking
- migrant workers face with labor exploitation and human rights violation
- regional governments and agencies do not have coherent migration policies, as each individual member state of ASEAN has its own national policy on migration (receiving states want to maintain their flexibility and freedom in applying domestic laws and policy guidelines in order to serve their national interests, while sending states want to have measures that are more protective for their people working overseas)
- the remittances from migration have not been used effectively or productively; moreover, there is no systematic mechanism in place to oversee and analyze the application of remittances and their impact on poverty reduction throughout the region
- intra-regional migration has not constructively transformed into a regional community building process through common identity construction
- the lack of resources to implement the ASEAN-Japan cooperation framework and action plan on migration is a key challenge to developing an effective and transparent migration regime in the region

POLICY RECOMMENDATIONS

Migration needs to be addressed holistically. It is important to understand the patterns, characteristics, and complexities of migration so that the negative impacts of migration can be minimized and mitigated.¹⁹ The policies that are going to affect migration are those integral to national development planning and regional community building, and are the result of negotiations between states, the private sector, and CSOs. It will require effective policies to respond to demographic and economic forces and the international division of labor.

There are two main aspects of migration policy harmonization. First, migration policies should be internally coherent based on objectives that are agreed upon at the national and international levels. Second, migration policies should be consistent with the broader social and economic development policies of the country and the region. Most importantly, it is necessary to strengthen international cooperation in order to maximize the positive impacts of migration and minimize the negative aspects. The region needs to find effective ways and means to gradually transform the irreversible trend of migration into a source of sustainable development and regional community building. Third, migration policy needs to include social policy, healthcare, and a rights-based approach to be part of the people-centered ASEAN framework.

ASEAN and Japan need to forge a common understanding and approach to cope with intraregional migration. The harmonization of national and regional policies on migration is an essential first step. They need to work together to strengthen the migration governance regime and transform migration into a source of growth and community building; enhance public-private-CSO partnerships; look for effective measures to transform migration into a source of growth in East Asia; and transform migration into one of the key elements in building an East Asian community based on economic and cultural connectivity.

Japan can assist ASEAN in establishing and supporting regional programs as well as bilateral programs to promote and protect the rights and welfare of migrant workers; creating an independent body to promote migrant worker rights; supporting CSOs working on migrant worker rights; and supporting the establishment of the ASEAN Commission on the Implementation of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers (ACMW).

To effectively implement the Plan of Action (2011–2015), Japan and ASEAN need to double their efforts in establishing up-to-date, reliable, and systematic data sets and information on migration. They should then conduct mapping exercises to identify the target groups and entry points for policy intervention. The current action plan is vague and does not provide concrete programs to be implemented. Looking forward, it is therefore necessary to develop a policy matrix for the implementation of more specific measures. Table 1 outlines recommendations for a policy matrix, highlighting different and interconnected policies, programs, implementing agencies, and target groups.

For their plan of action beyond 2015, ASEAN and Japan should expand their migration cooperation to include other aspects of the issue, such as the migration-development nexus and the migration–community

Table 1. Proposed ASEAN-Japan migration cooperation policy matrix

Policy	Activities/Programs	Implementing Agencies	Target Groups
Human Resource Development	<ul style="list-style-type: none"> • vocational training (necessary skills, cultures, and languages) • short-term training • workshops and seminars 	<ul style="list-style-type: none"> • ILO-Japan • JICA • Other related institutions 	<ul style="list-style-type: none"> • potential migrant workers • representatives from the public, private, and civil society sectors who are working on labor movement or migration issues
Recruitment	<ul style="list-style-type: none"> • information sharing • rules and regulations • employment and working conditions • benefits and incentives 	<ul style="list-style-type: none"> • recruiting agencies • government ministries & agencies 	<ul style="list-style-type: none"> • future migrant workers and their families
Pre-deployment	<ul style="list-style-type: none"> • introduction to support networks such as contacts at the company, embassy, police, immigration office, CSOs supporting the rights of migrant workers, etc. 	<ul style="list-style-type: none"> • government agencies • recruiting companies • CSOs 	<ul style="list-style-type: none"> • future migrant workers and their families
Protection in the Destination Country	<ul style="list-style-type: none"> • monitoring • consultation • information sharing • social policy • human rights and justice • savings assistance 	<ul style="list-style-type: none"> • affiliated companies or families (in case of housekeeping) • local authority and CSOs 	<ul style="list-style-type: none"> • migrant workers
Remittances	<ul style="list-style-type: none"> • harmonization of remittances in order to reduce cost and time • effective and productive use of remittances 	<ul style="list-style-type: none"> • intergovernmental agencies of the sending and receiving countries • financial institutions • development agencies 	<ul style="list-style-type: none"> • migrant workers and their families
Return to Original Country	<ul style="list-style-type: none"> • re-integration • training & entrepreneurship development • employment 	<ul style="list-style-type: none"> • ILO-Japan • JICA • Other related institutions 	<ul style="list-style-type: none"> • returning migrant workers

building nexus. Migration should become a key element or sector of cooperation, rather than just being one issue under the broader social justice section, as was the case in the Plan of Action (2011–2015). The migration-development nexus, for example, can include different aspects of labor distribution and productivity, productive use of remittances and poverty reduction, women’s empowerment, and knowledge circulation. Similarly, the migration–community building nexus can incorporate cultural exchanges, mutual understanding, and friendship between the migrant workers and the local community. Such programs to support interaction between migrant workers and the local community in which they are working can be extremely important.

Migration will continue to be one of the key issues for ASEAN Community building and for ASEAN’s external relations in the foreseeable future. It presents both opportunities and challenges for regional integration. ASEAN-Japan cooperation must shift from the current broad policy guidelines to more concrete action plans such as those proposed in this chapter in order to provide the effective management needed to establish a healthy migration regime and ensure that migration will be a source of economic growth and community building in the decades ahead.

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Disaster Management and Humanitarian Action in Southeast Asia: Opportunities for an ASEAN-Japan Coordinated Approach

MOE THUZAR

JAPAN IS ONE OF the oldest dialogue partners of ASEAN. Initial dialogue started between the foreign ministers of Japan and the countries of ASEAN in 1973, and this was later formalized in 1977. In fact, 2013 marks 40 years of dialogue between ASEAN and Japan, dating from the first informal meeting in 1973.

ASEAN-Japan cooperation takes on a new significance when reviewed in its historical entirety. A number of developments have served to enhance ties between ASEAN and Japan. First, several of Japan's milestone doctrines set the direction for cooperation in—and with—the region, which had an impact on ASEAN's own efforts at region building. Second, Japan has participated in regional mechanisms such as the ASEAN Regional Forum (ARF), ASEAN+3, and the more recent East Asia Summit (EAS). Third, the establishment of the ASEAN-Japan Centre in 1981 was a pioneering moment. And finally, Japan has appointed an ambassador to ASEAN who is resident in Jakarta.¹

ASEAN procedures and the "ASEAN way" dominate at ASEAN forums. For example, the ARF provides a venue for security discussions, ASEAN+3 discusses community building in economic and functional areas, and the EAS adds a broader strategic dimension to the process. But these different forums also contribute to new approaches for addressing issues and challenges that confront countries in East Asia. They have provided the

framework for strategic partnerships to emerge from ASEAN's existing bilateral relations with its dialogue partners.

ASEAN-Japan cooperation provides a good example of these new approaches. Japan's role in ASEAN regional processes—based on the “heart-to-heart” principles of the 1977 Fukuda Doctrine—has been that of a bridge, initially between the original six non-communist ASEAN states and the communist and socialist Southeast Asian states that joined ASEAN in the 1990s. This later evolved into a more constructive role of supporting ASEAN's growth and progress when the grouping's membership expanded. Japan has also been the most active country in carrying out activities under the ASEAN+3 framework, assisting ASEAN countries in addressing emerging issues for human security and development. In addition, Japan is ASEAN's second largest trading partner and the second largest source of foreign direct investment (FDI).²

Although ASEAN-Japan cooperation started from rather humble beginnings, with the establishment of a forum on synthetic rubber in 1973, the breadth of ASEAN-Japan cooperation has spread extensively since then, covering sectors ranging from maritime security to trade and cultural exchange and, more recently, addressing and promoting cooperation in disaster management.³ This last area was accorded a separate strategy area in the 2011 Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together (Bali Declaration) issued in Bali, Indonesia, on the occasion of the 14th ASEAN-Japan Summit.

Several initiatives have been set in motion under the various ASEAN-Japan collaborative frameworks to implement the 2011 Bali Declaration. One of these initiatives is the ASEAN-Japan Strategic Partnership and Regional Community Building Project, the comprehensive research project that forms the basis for this volume. This project assesses ASEAN-Japan cooperation with the aim of suggesting pathways for enhancing the existing partnership in a pragmatic and positive manner with the participation of the policy, business, and academic communities, as well as the general public in Japan and in the ASEAN member countries. The project, the brainchild of the late Tadashi Yamamoto (founder and president of the Japan Center for International Exchange), also contributes to further enriching cross-sectoral dialogue among the different community pillars of ASEAN.

This chapter assesses the potential for more in-depth collaboration between ASEAN and Japan in responding to disaster relief needs and the role of multilateral diplomacy afforded to strategic partnerships under regional arrangements, such as ASEAN, in addressing such concerns. ASEAN-Japan dialogue on disaster management cooperation merits further examination, as it was only in the wake of the March 2011 Great

East Japan Earthquake that Japan turned its interest to furthering collaboration with ASEAN in the area of disaster relief and humanitarian assistance. Developing better mitigation and preparedness measures against the impact of mega-disasters that require massive humanitarian operations is also a priority for ASEAN, highlighted by its experience following the 2004 Indian Ocean tsunami and the 2008 Cyclone Nargis humanitarian crises.

SETTING THE CONTEXT

Southeast Asia has historically been at the core of frequent natural disasters that beset the countries in the region. In recent years, these disasters have increased in frequency and intensity, causing immeasurable damage to life and property. At times, the natural disasters are exacerbated by human interference or inaction. The manmade element of natural disasters cannot be discounted. Some experts have even stated that the damage caused by these disasters is comparable to that caused by war, as disasters—whether natural or manmade—can have a serious impact on economic and social development in the affected countries. The magnitude of the disasters and the immediacy of the needs of disaster victims have shortened the reaction time afforded to governments in handling crises.

In the age of instantaneous information, images of suffering and destruction caused by disasters are disseminated rapidly through various information platforms. An increasingly aware and vocal civil society creates commentaries on social media and other online discussion spaces. Indeed, commentaries and analyses of the concerned government's response, or lack thereof, and the issues and challenges faced in responding to disasters, mushroom in the wake of these disasters, acting as a prod to many governments to respond efficiently and effectively.

The intensity and the frequency of such disasters have prompted ASEAN to develop and strengthen regional response mechanisms, as well as to seek collaborative partnerships with countries in the wider Asia Pacific region and with other regional and international organizations. This is premised on the recognition that the scale of the disasters that have occurred in recent years requires a coordinated multisectoral, multi-agency response that national governments alone cannot handle. To meet the challenge, the international community needs to come to the affected country's aid through various mechanisms and arrangements available under the United Nations framework and those under other intergovernmental and nongovernmental organizations.

WHAT'S THE PROBLEM?

The International Encyclopedia of the Social Sciences defines natural disasters as “destructive consequences of extreme natural hazards.” Natural hazards are defined as “an extreme natural phenomenon that threatens human lives, activities or property or the environment of life.”⁴ Floods, earthquakes, and cyclones are the most destructive. For the purpose of this chapter, the term “cyclone” is used to refer to the extreme weather events that occur in the South Pacific and Indian Oceans, although countries in or around the Northwest Pacific Ocean (such as the Philippines and Japan) usually use the term “typhoon” in referring to these violent tropical storms.

Citizens of Southeast Asia—especially those in the disaster-prone (coastal) areas—can certainly attest to the destruction caused by extreme weather. In assessing disaster management in Southeast Asia, Uday Bhanu Singh estimated a toll of 140,000 lives on average each year lost to natural disasters. More than 280,000 lives were lost in the 2004 tsunami, while more than 5,000 lives were lost during the earthquake in Indonesia in May 2006.⁵ Those dead or missing after Cyclone Nargis in May 2008 numbered some 138,000, while more than 2 million lives were affected. The official death toll for Thailand’s overwhelming floods in 2011 stood at over 800, with more than 13 million people affected. At the time of writing, the death toll of Cyclone Bopha that struck the Philippines in early December 2012 (the strongest ever cyclone to hit the Philippines) had exceeded 1,000 and, some fear, could reach 2,000.

The Indian Ocean tsunami of 2004 that ravaged coastal areas in Thailand and Indonesia, Cyclone Nargis in 2008 that devastated Myanmar’s lower Ayeyarwady Delta, the more recent floods in Bangkok, and most recently Cyclone Bopha in the Philippines have demonstrated the importance of constant preparedness and prompt action at both the national and regional levels. Although individual governments shoulder the responsibility of coordinating disaster relief and management efforts in their countries, the 2004 tsunami and 2008 cyclone have highlighted that working alone is not an option.

The humanitarian fallout of natural disasters—climate driven, manmade, or otherwise—highlights the importance of treating disaster risk reduction and risk management as a first line of defense. The more frequent, more intense, less predictable, and longer-lasting nature of natural disasters in recent years magnifies the risk of these disasters, particularly in areas that are already vulnerable.

ASEAN COOPERATION ON DISASTER MANAGEMENT AND RESPONSE

ASEAN's first regional commitment to disaster response was in 1976, with the adoption of the ASEAN Declaration of Mutual Assistance on Natural Disasters. An expert group that was elevated in 2003 to a committee of senior-level officials has been meeting annually to discuss collaborative activities and share information. However it was only in 2004, three weeks prior to the Indian Ocean tsunami, that the ASEAN ministers responsible for disaster management agreed to proceed with the formulation of a regional agreement on disaster management and emergency response. The rest is history, as the saying goes.

ASEAN today has several mechanisms for monitoring and responding to natural and manmade disasters in the region. At the ASEAN level, the ASEAN Ministerial Meeting on Disaster Management monitors the implementation of the ASEAN Regional Programme on Disaster Management (ARPDm). The ARPDm provides a programmatic approach for ASEAN members to coordinate information, preparedness, awareness, and action for disaster response. The ASEAN Committee on Disaster Management coordinates work among the ASEAN members in implementing the ARPDm and also liaises with ASEAN's dialogue partners and other international partners. Involving the wider Asia Pacific and beyond, ARF ministers also monitor search-and-rescue activities in the wake of disasters under the ARF inter-sessional exercises.

ASEAN has demonstrated a collective impact in responding to disasters in recent years. The good offices of the ASEAN secretary-general have been recognized and, to a certain extent, facilitated by the ASEAN Charter's provision for an expanded role for the secretary-general. The ASEAN secretary-general has been given the additional responsibility of serving as ASEAN humanitarian assistance coordinator, building on the success of former ASEAN Secretary-General Dr. Surin Pitsuwan's role in facilitating regional and international cooperation on humanitarian assistance in the wake of the cyclone disaster in Myanmar in 2008.

However, ASEAN still emphasizes the need for consultation and consensus before regional assistance can be provided to countries in need of assistance. The ASEAN Agreement on Disaster Management and Emergency Response (AADMER) has a clause that highlights that assistance may only be provided to an ASEAN member "upon request." This provision ensures that assistance is not given where—or in a manner in which—it is not welcome.

While the different ASEAN mechanisms provide for regional coordination and policy coherence, it would also be worthwhile to consider

supporting national or subregional mechanisms that can impact or influence regional interventions. The tripartite coordination mechanism that successfully brought together different interest groups during the humanitarian crisis in Myanmar and the subregional institutional framework for addressing transboundary haze pollution in ASEAN stand as good examples.

The different levels of development, readiness, and capacity to implement regional agreements in member countries tend to hamper national commitments to follow up on the agreements. How ASEAN rallies for better preparedness in responding to disasters and disaster-related crises will be the ultimate test of regionalism, as the often diverse interests of nations strive to find some common ground to safeguard the region's economic and social wellbeing.

ASEAN's key instrument for regional cooperation in responding to natural disasters is the AADMER, adopted in 2005. The agreement provides a framework for the development of operational procedures to respond collectively and expeditiously to disasters. These include provisions for setting up an ASEAN disaster relief fund, mobilizing relief assistance, expediting customs and immigration clearance, utilizing military and civilian personnel in disaster relief, and establishing a center to coordinate the regional disaster response. The agreement also provides for simulation exercises to test emergency responses on a regular basis. The agreement's implementation was first put to the test in the wake of Cyclone Nargis, which wreaked death and devastation in Myanmar. Interestingly, Myanmar ratified the agreement on November 17, 2006, making it one of the earlier countries to ratify the agreement after its adoption in July 2005. At the time when Cyclone Nargis devastated Myanmar's lower delta area in May 2008, only six countries had ratified the agreement. The AADMER came into effect only in December 2009.⁶

The unique circumstances surrounding the response in Myanmar provided a window for ASEAN to assume the "honest broker" role in coordinating humanitarian assistance for natural disasters and emergencies, coming to the aid of ASEAN member states. One positive result is the recent establishment of the ASEAN Coordinating Centre for Humanitarian Assistance on disaster management (AHA Centre), which works with relevant agencies in ASEAN member states, the United Nations, and other international organizations.⁷

ASEAN first discussed Myanmar's humanitarian situation in the wake of Cyclone Nargis not in the context of disaster management but at the ARF Senior Officials Meeting (SOM) held in Singapore on May 9, 2008.⁸ This was followed by the Special Meeting of the ASEAN Foreign Ministers, also in Singapore, on May 19, 2008. It is noteworthy that the United States,

a member of the ARF, had stated its readiness to “help Myanmar” at the ARF SOM,⁹ even though the offer was not taken up then.

Disaster relief, including search and rescue, is also a topic on the ARF’s cooperation agenda. The ARF started its inter-sessional meetings on search and rescue coordination and cooperation in 1996, following the agreement by ARF ministers at their second meeting in August 1995. Since then, ARF inter-sessional meetings on disaster relief have continued annually (with a hiatus between 2000 and 2005). After several preliminary discussions and consultations, the ARF Disaster Relief Exercise (DiREx) was launched in 2011. The ARF has also convened expert group meetings, training seminars, and workshops on disaster relief, humanitarian assistance response, joint civil-military operations, stabilization and reconstruction issues, as well as laws and regulations on disaster relief cooperation.¹⁰

A ROLE FOR ASEAN-JAPAN PARTNERSHIP?

A special ASEAN-Japan Ministerial Meeting was held on April 9, 2011, in Jakarta, Indonesia, which discussed strengthening ASEAN-Japan cooperation on disaster management. This was just a month after the disastrous earthquake and tsunami that severely affected northeastern Japan and also caused the nuclear power plant accident in Fukushima Prefecture.

Then Japanese Foreign Minister Takeaki Matsumoto proposed to ASEAN foreign ministers that “further strengthening of cooperation in the area of disaster management between Japan and ASEAN in light of the current major earthquake, [would be a part of] Japan’s foreign policy for ASEAN going forward.”¹¹ To this end, several initiatives to strengthen cooperation in this area were proposed by Japan, including convening of seminars, dispatch of personnel from the AHA Centre, training and capacity building for rescue teams, and provision of support by Japan to improve the AHA Centre’s communication facilities and stockpile systems.

In addition to individual expressions and offers of support, ASEAN countries also collectively expressed support to Japan over the Fukushima incident in the context of regional cooperation on nuclear safety.¹² In a way, the Fukushima tragedy also prompted ASEAN countries to highlight the importance of strengthening “existing disaster management cooperation under the various regional mechanisms, including ASEAN+3, EAS, ARF, and ADMM Plus [ASEAN Defence Ministers Meeting+8], as well as periodic holding of Disaster Relief Exercises.”¹³

Additionally, ASEAN mounted an ASEAN Youth Caravan goodwill visit to Japan in June 2011 in support of relief and rehabilitation efforts for the

survivors of the Fukushima disaster and to “further strengthen the human bond with Japan.”¹⁴ This is an area worth further exploring, as it also resonates with a long-standing strategy of ASEAN-Japan partnerships to deepen people-to-people contacts. The Youth-Exchange Project with Asia-Oceania and North America (Kizuna Project) initiated by Japan and launched in June 2012 has already taken steps to encourage youth volunteerism in disaster-affected areas.¹⁵ Such initiatives should be continued.

Since the pronouncement of high-level statements calling for closer cooperation in disaster management and risk reduction, ASEAN and Japan have held several collaborative activities. The Japan-ASEAN Disaster Management Seminar was held in December 2011 in conjunction with a wider conference hosted by Japan on strengthening disaster management, which involved participants from the international community. The Japan International Cooperation Agency (JICA) supported and organized both events, serving as co-organizer with the AHA Centre for the seminar specifically on ASEAN-Japan cooperation.¹⁶ Under the ASEAN University Network’s (AUN) partnership with Japan through the Southeast Asia Engineering Education Network (SEED-Net), JICA also supported an ASEAN-Japan seminar and workshop on satellite data applications on floods in July 2012.¹⁷ Earlier, in May 2012, Japan and the United States partnered with the AHA Centre in organizing an AHA Centre ICT [information and communications technology] Workshop.¹⁸

ASEAN and Japan continue to cooperate and take initiatives to strengthen cooperation on disaster management, which is now a key priority on the ASEAN-Japan dialogue agenda. ASEAN and Japan are exploring effective use of science and technology in disaster preparedness, such as using satellite systems to identify and share information on potential disaster threats. Japan jointly developed the regional network for disaster preparedness and disaster relief with the AHA Centre. This regional network is named the Disaster Management Network for the ASEAN Region, with the AHA Centre as the hub.

Japan has also contributed significantly to the AHA Centre’s operationalization. The center’s information and technology systems—and those of the national disaster management offices of Cambodia, Laos, and Myanmar—were provided by Japan to ensure smooth and consistent communication among the respective national disaster management offices of the ASEAN members. Japan also contributed more than US\$11 million to the ASEAN regional emergency stockpile and logistics system located in Subang, Malaysia, where the United Nations Humanitarian Response Depot (UNHRD) is also located.¹⁹ And the funds for the Disaster Emergency Logistic System come from the Japan-ASEAN Integration Fund. The system is aimed at

providing “rapid delivery of relief items in times of disaster emergencies” and was first operationalized to deploy relief items to areas in the Philippines affected by Cyclone Bopha.²⁰

There is, thus, a role for closer ASEAN-Japan partnership in the area of disaster management and humanitarian response. While the initial collaborative activities carried out under the ASEAN-Japan dialogue rubric show ASEAN in more of a receiving role, ASEAN brings to this partnership the considerable experience it has gained in recent years in coordinating multi-agency responses across countries.

Many of the coordination mechanisms and facilitative measures implemented by the AHA Centre, and provided for under the AADMER framework, owe their existence to the lessons learned from the tragedies of the 2004 Indian Ocean tsunami and the 2008 Cyclone Nargis. While it can be said that an ASEAN-coordinated response did not play a prominent role in the aftermath of the 2004 tsunami disaster that affected ASEAN members Indonesia and Thailand, the ASEAN role—and the value of regionally coordinated response efforts—came to the fore in the humanitarian disaster following Cyclone Nargis in Myanmar. The AADMER’s preparation was accelerated in the wake of the 2004 tsunami. However, its ratification did not receive any impetus until the 2008 Nargis tragedy. The importance of having a dedicated regional center monitoring and supporting the humanitarian needs of disasters was also highlighted by these two major disasters in ASEAN, leading to the much-needed support for the speedy establishment of the AHA Centre.

Today the impact of Cyclone Nargis is remembered more for the confusion over Myanmar’s stance on accepting aid and ASEAN’s role in brokering the coordination of humanitarian assistance. Less remembered is the role of the Tripartite Core Group (TCG) through which the government of Myanmar, the UN, and ASEAN coordinated relief and recovery assistance. The TCG’s consultative mechanism has been used as a model for Japan’s provision of capacity support to ASEAN’s newer members, such as Laos, to facilitate their integration into the ASEAN processes of community building and connectivity. The pilot program currently underway in Laos is expected to expand to the other CLMV [Cambodia, Laos, Myanmar, and Vietnam] countries. Japan’s assistance to Laos is part of Japan’s overall contribution to the Initiative for ASEAN Integration, which ASEAN launched in 2000 to help the newer members of ASEAN fully participate in regional integration processes.

The main gain from the experience of these two major disasters in the region has been that ASEAN efforts to address problems that require special engagement with its members, such as human rights and emergency

response to disasters, have been brought sharply into focus. With the entry into force of the ASEAN Charter in December 2009, the administrative role of ASEAN as a coordinator and facilitator has been better defined. The Nargis experience has also served as a benchmark of sorts for circumventing the institutional hurdles of the non-interference principle and the requirement for political consensus. During the Nargis response, the media—both local and international—failed to share more human interest stories to give people a sense of the tremendous constraints that private citizens and civil servants faced and surmounted to help villages recover their livelihoods and build a sustainable future after the cyclone. One useful lesson from this experience is that more stories on the human element in responding to humanitarian needs should be highlighted. The ASEAN Youth Caravan of Goodwill to Japan in 2011 and the Kizuna Project are good examples of how this can be put into practice.

THE FUTURE OF ASEAN-JAPAN PARTNERSHIP IN DISASTER RESPONSE

Conceptual paradigms for disaster management also take into consideration the importance of disaster preparedness. This is premised on the recognition that disaster management strategies cannot take a reactive, “firefighting” approach post-disaster but should in fact focus more on disaster risk reduction by strengthening preparedness (including awareness) and prevention measures.

High-level commitment exists for strategic partnerships between ASEAN and Japan in strengthening disaster resilience. The 2011 Bali Declaration highlights five strategies to “further enhance peace, stability and prosperity in the region.”²¹ Creating a disaster-resilient society is listed as the fourth strategy, after the priorities dealing with political-security cooperation, Japan’s support for ASEAN Community building, and enhancing ASEAN-Japan connectivity. The fifth strategy is to address common regional and global challenges together.

The declaration lists broad commitments to implement the priority for strengthening disaster resilience, including Japan’s support for the AHA Centre and a disaster management resource network for the ASEAN region. The declaration also recognizes the significant—albeit intangible—contributions of people-to-people interactions or connectivity in humanitarian responses to disasters. In addition, the declaration calls for joint action in addressing global challenges such as climate change, the impact of which can be found in increasingly frequent natural disasters such as flash floods,

cyclones and tsunamis, longer and more frequent droughts, less distinct seasons, disrupted agriculture patterns, and increasing pressure on already overcrowded cities as mounting numbers of migrants flee these phenomena.²²

The ASEAN-Japan Plan of Action 2011–2015 further lists specific activities to give effect to the broad priorities of the declaration. The section on “Creating a Disaster Resilient Society” lists 11 priority activities to carry out the vision of the declaration and the commitments made at the April 2011 Special ASEAN-Japan Ministerial Meeting. The priority activities include the usual range of information sharing, capacity building, joint monitoring and response, and preparedness exercises. However, Activity 3.11.7, which calls for “an integrated approach to disaster management cooperation including conducting studies and exploring the risk areas, promoting public awareness and education on environmental protection and conservation, and strengthening community participation,” resonates most with the need to create a disaster-resilient society that places people at the core of the process.²³

Involving people, especially at the community level, is important in strengthening disaster resilience in ASEAN countries and in Japan. This is where Japan’s expertise and rich experience can be shared meaningfully with ASEAN countries. This is also where people-centered disaster response mechanisms can be developed together with ASEAN countries. As ASEAN moves closer toward the integration date of December 31, 2015, for a single ASEAN Community, the focus of regional integration is also being directed more toward the people who are the builders and beneficiaries of regional integration. Brunei, the ASEAN chair for 2013, has reflected this increasing focus in ASEAN’s theme for 2013: “Our People, Our Future Together.” Myanmar, which will take up ASEAN chair responsibilities in 2014, is seriously considering a theme for ASEAN that continues the focus on people and their shared future. Malaysia, which will chair ASEAN in 2015, aims to take the people-oriented theme a step further toward making ASEAN truly people centered. It is thus fitting for ASEAN-Japan partnerships that aim to create a more disaster-resilient society in East and Southeast Asia to focus on people in strengthening the existing disaster management and response strategies.

The Asia-Pacific Disaster Report 2012 prepared by the United Nations Economic and Social Commission for Asia and the Pacific and the United Nations International Strategy for Disaster Risk Reduction highlights people’s exposure and vulnerability to disaster, experienced individually and collectively, as continuing twin challenges for the region. The report also emphasizes the importance of constant re-evaluation of disasters and their risks, which are rightly described as dynamic. The first step toward

achieving this is through systematic recording and analysis of disaster impacts and losses by strong national disaster inventory systems. This systematic inventory will provide governments with the information they need on the investments necessary to reduce their citizens' vulnerability to disasters. It will also inform and assist the regular disaster response exercises and monitoring that take place in the region.

Japan's support and assistance for disaster risk reduction (DRR) in ASEAN countries can take the form of sharing its experience in formulating disaster preparedness procedures and promoting disaster management awareness. Lessons from the ASEAN and international community's response, including Japan's, to the humanitarian needs in Aceh after the 2004 Indian Ocean tsunami and in Myanmar after Cyclone Nargis in 2008 also highlight the value of encouraging volunteerism and building capacities long before disasters strike. Many disaster relief agencies operating in East and Southeast Asia need to strengthen their capacity to accurately assess the humanitarian assistance needs and deliver appropriate relief assistance effectively. It is also important for relief agencies to be aware of cultural and religious factors that may inhibit the provision of aid.²⁴

Drawing from the respective learned experiences shaped by their diverse historical, cultural, and political contexts, it is timely for ASEAN and Japan to bolster the emerging importance of perspectives from the Global South in modern humanitarian action.

To this end, the following measures are suggested for future ASEAN-Japan partnership in addressing disaster resilience. The measures build on the immediate-term priorities of the ASEAN-Japan Plan of Action 2011–2015 and look forward to the medium-term (2015–2020).

The rationale for the suggested measures is based on the premise that disaster management, especially disaster risk reduction and awareness, is an area where Japan's partnership with ASEAN can be brought to bear with good effect. Japan has comprehensive bilateral programs with each of the ASEAN countries, in addition to the activities carried out under cooperation with ASEAN. It should be taken into account that almost all of the ASEAN countries have extensive, heavily populated coastlines, large agricultural sectors, and sections of the population living below the poverty line.²⁵

1. Support Relevant Priorities of the Initiative for ASEAN Integration

- Continue supporting rural infrastructure development, particularly in the CLMV countries, focusing on disaster-resilient structures in rural coastal communities exposed to natural disasters and hazards.

2. Increase Capacities for Evaluating Disaster Risks and Vulnerabilities

- Support or undertake national and regional studies that assess national disaster inventory system capacities and needs. Further assist those that need to be developed and strengthened.
- Strengthen disaster awareness education in the communities most exposed and vulnerable to natural hazards.
- Promote greater public dialogue and discussion on disaster preparedness, including government-NGO consultations.
- Develop and conduct sector-specific capacity-building programs for government officials and civil society organizations to effectively manage disaster relief and emergency responses.
- Strengthen institutions and human capacities, including local civil society organizations, to respond to disasters and emergencies.

3. Continue Enhancing People-to-People Linkages in Post-Disaster Relief and Reconstruction Efforts

- Encourage volunteerism, especially among the youth, to assist in rehabilitation and recovery efforts in the disaster-affected areas. Consider restarting the Kizuna Project.

4. Support or Complement National Commitments to Common Objectives under the MDGs and Rio+20 goals

- Through existing bilateral, subregional, and regional frameworks, identify priorities where capacity building or other technical and financial support can complement and assist ASEAN members' national commitments to common global undertakings for sustainable development.
- Support greater disaster resilience by assisting the development of integrated approaches in environmental, economic, and social policies in ASEAN members that are most vulnerable or exposed to disasters.

There is much potential for ASEAN-Japan collaboration in disaster response and management. ASEAN and Japan have both weathered crises arising from natural and manmade disasters, and the Plan of Action places the right emphasis on building disaster-resilient societies. Disasters of large magnitude usually attract attention from the international community and evoke support for emergency assistance from governments and communities around the world. However, ASEAN member countries and Japan have learned from their respective experiences in disaster management that whether it is a recurring natural hazard or an unforeseen complication of responses to multiple disaster events, disaster management and response

must be integral parts of national agendas, and that resilience needs to be built at every level of society. ASEAN and Japan have already taken positive steps toward strengthening partnerships in this area. Implementation of the ASEAN-Japan Plan of Action's commitments for disaster-resilient societies will build stronger local capacities for disaster management and response in ASEAN countries. The example of Myanmar has shown that regional and bilateral cooperation can help leverage humanitarian and development assistance for successful and sustained recovery. Ultimately, ASEAN-Japan collaboration on disaster management and humanitarian action should build this region's strength as a contributing force to reducing the social and economic impact of humanitarian emergencies wherever and whenever they occur.

NOTES

1. Japan is one of only four ASEAN dialogue partners to have done so. The others are the United States, China, and the Republic of Korea. Ambassadors to ASEAN from Australia and India are not resident in Jakarta. The other countries have concurrently appointed their ambassadors to Indonesia as their ASEAN envoys.
2. ASEAN Secretariat, "ASEAN-Japan Dialogue Relations," <http://www.asean.org/asean/external-relations/japan/item/external-relations-japan-overview-of-asean-japan-relations>.
3. ASEAN Secretariat, "Thoughts Connected, Future Connected: Celebrating 40 Years of ASEAN-Japan Friendship and Cooperation," <http://www.asean.org/news/asean-secretariat-news/item/thoughts-connected-future-connected-celebrating-40-years-of-asean-japan-friendship-cooperation>.
4. *International Encyclopedia of the Social Sciences*, 2nd edition (New York: Thomas Gale, 2007).
5. Udai Bhanu Singh, "Disaster Management in South-east Asia," *Journal of Defence Studies* (Institute for Defence Studies and Analyses) 6, no. 1 (2012).
6. Table of ASEAN Treaties/Agreements and Ratifications, as of May 2011, compiled by the ASEAN Secretariat. The AADMER required all 10 ASEAN members to ratify it for entry into effect. Between its adoption at the 38th ASEAN Ministerial Meeting in Vientiane, Laos, in July 2005, and the occurrence of Cyclone Nargis in May 2008, only 6 ASEAN members had ratified it, including Myanmar. (The others were Malaysia, Thailand, Vietnam, Laos, and Cambodia.)
7. The AHA Centre was launched at the 19th ASEAN Summit on November 17, 2011.
8. Ministry of Foreign Affairs of Japan (MOFA), "Statement from the Singapore Chair of the ASEAN Regional Forum Senior Officials Meeting on the Cyclone Nargis Disaster in Myanmar," May 9, 2008, <http://reliefweb.int/report/myanmar/statement-singapore-chair-asean-regional-forum-senior-officials-meeting-cyclone>.

9. "ARF Plans Statement on Providing Aid to Myanmar," *Kyodo News*, May 12, 2008, <http://www.thefreelibrary.com/ARF+plans+statement+on+providing+aid+to+Myanmar.-a0179074812>.
10. For more details on the ASEAN Regional Forum's (ARF) disaster-relief activities, please see the list of ARF Track 1 activities on the ARF website: <http://aseanregionalforum.asean.org/library/arf-activities/list-of-arf-track-1-activities-by-subject.html>.
11. MOFA, "Special ASEAN-Japan Ministerial Meeting: Building Solidarity and Strengthening Cooperation on Disaster Management in Japan-ASEAN Relations," April 9, 2011, <http://www.mofa.go.jp/region/asia-paci/asean/sajmm/sajmm1104.html>.
12. Chair's Statement of the 18th ASEAN Summit, May 7–8, 2011, Jakarta. Paragraph 23 attests to ASEAN's "solidarity with Japan" and commits to engaging in "information-sharing and promote transparency on relevant nuclear-related issues in the region," http://www.asean.org/archive/Statement_18th_ASEAN_Summit.pdf.
13. Ibid. Paragraph 60 of the 18th ASEAN Summit Chair's Statement elaborates the actions to be undertaken in strengthening disaster management cooperation.
14. Mission of Japan to ASEAN, "Press Conference on ASEAN Youth Caravan's Goodwill Visit to Japan," <http://www.asean.emb-japan.go.jp/news20110526.html>.
15. Under the Kizuna Project, more than 10,000 youth, approximately 3,500 of whom are from ASEAN member states, had an opportunity to participate in several programs, visit disaster-affected areas, and engage in volunteer activities. The project ended at the end of March 2013.
16. Japan International Cooperation Agency, "Asia Pacific Countries Share Disaster Management Lessons," http://www.jica.go.jp/english/news/field/2011/2011226_01.html.
17. The seminar program is available at <http://www.seed-net.org/download/floodseminar.pdf>.
18. Mission of Japan to ASEAN, "AHA Centre ICT Workshop," http://www.asean.emb-japan.go.jp/news12_09.html.
19. A. K. P. Mochtan, "Towards a Disaster Resilient ASEAN," *Nation*, online December 18, 2012. <http://www.nationmultimedia.com/opinion/Towards-a-disaster-resilient-Asean-30196273.html>.
20. "ASEAN Supports the Typhoon Affected Communities in the Philippines," *ASEAN Secretariat News*, December 14, 2012, <http://www.asean.org/news/asean-secretariat-news/item/asean-supports-the-typhoon-affected-communities-in-the-philippines>.
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22. Rachel Roach, "Dried Up, Drowned Out. Voices from the Developing World on a Changing Climate" (London: Tearfund, 2005), 7–18.
23. ASEAN-Japan Plan of Action 2011–2015, November 18, 2011, <http://www.asean.org/archive/documents/19th%20summit/JP-PoA.pdf>.
24. Anecdotal reports cite instances in which aid supplies delivered to Aceh in the immediate aftermath of the tsunami could not be consumed or used by many of the survivors who were Muslim. A similar situation arose in Myanmar, where the cyclone survivors did not perceive energy biscuits as proper sustenance. The insular nature of decision makers also led to the rejection of a team of aid workers from Qatar because the flight on which the team arrived was "authorized" only to deliver aid and not aid workers. (There were also members of the media on the flight.) In the aftermath of the March 2011 triple disaster

in Japan, donations of bottled water, blankets, and medical assistance from abroad did not suit local needs.

25. The “2011 ASEAN Statistical Report on the Millennium Development Goals” (ASEAN Secretariat, 2012) reports that by 2010, the proportion of the population living on less than US\$1.25 PPP per day had gone down to 15 percent.

ASEAN-Japan Cooperation for Achieving the Millennium Development Goals: Synergizing Regional Efforts for Human-Centered Development

RISAKO ISHII

IN 2000, THE 10 members of ASEAN signed the Millennium Declaration to eradicate extreme poverty in the world by 2015 through the achievement of the so-called Millennium Development Goals (MDGs). These are numerical indicators consisting of 8 goals with 21 targets, the focus of which is on human-centered development rather than economic-oriented development (see appendix). The MDGs have been mainstreamed in the process of building the ASEAN Socio-cultural Community (ASCC), which has the same deadline of 2015. As we approach the target year of 2015, however, some of the MDG targets have not been met in the ASEAN member countries, and significant gaps in achievement are evident across these countries. In addition, the MDGs are likely to be affected by regional megatrends, such as development and inequality, urbanization, climate change, demographic change, and natural resource scarcities beyond the year 2015.

In light of this situation, the purpose of this chapter is to review what has been done through ASEAN-Japan cooperation to achieve the MDGs in the region and to consider what should be done in the coming years and in the post-MDGs era. In the following sections, the regional cooperation efforts to date to achieve the MDGs are reviewed, including both intra-ASEAN cooperation and ASEAN-Japan cooperation. Next, an overview and comparison is offered of the current achievements of the MDGs in ASEAN member countries, so as to analyze the relevance

of the regional cooperation. Finally, recommendations are proposed for future cooperation.

ASEAN-JAPAN COOPERATION FOR ACHIEVING THE MDGs: WHAT HAS BEEN DONE?

As mentioned above, the MDGs are deeply interrelated with the framework of the ASCC in ASEAN Community building. Hence, the purposes of this section are to examine what has been done to achieve the MDGs within the ASCC framework; to address the bilateral cooperation of ASEAN member governments, which has been implemented in parallel with multilateral cooperation within the ASCC framework; and to provide an overview of the Japanese contributions on the issue through bilateral and multilateral official development assistance (ODA).

Regional Cooperation within the ASCC Framework

The commitment of the governments of the ASEAN member states to cooperate to achieve the MDGs reflects the consensus of ASEAN on building a unified “community of caring societies” by 2015, which has been confirmed in a series of agreements, including the ASEAN Vision 2020, the Declaration of ASEAN Concord II (Bali Concord II), and the Roadmap for an ASEAN Community. Among the three pillars of the ASEAN Community, the ASCC is particularly associated with the targets set in the MDGs because the focus of the ASCC includes poverty alleviation, human development, social welfare, and environmental sustainability.

The framework of the ASCC was first proposed in the Bali Concord II in 2003 as one of the three pillars of a “community of caring societies,” a concept described in 1997 in the ASEAN Vision 2020. Subsequently, the ASCC Plan of Action (POA) was adopted in 2004 at the ASEAN Summit in Vientiane, in which the following four points were identified as the core elements of the ASCC:

- 1. Building a community of caring societies** to address issues of poverty, equity, and human development;
- 2. Managing the social impact of economic integration** by building a competitive human resource base and adequate systems of social protection;
- 3. Enhancing environmental sustainability** and sound environmental governance; and

4. Strengthening the foundations of regional social cohesion toward an ASEAN Community in 2020.¹

In the POA, among the issues related to these four elements, poverty alleviation is considered to be “the very core of a strong and resilient ASEAN Socio-Cultural Community,” and accelerating the goal of poverty reduction in the MDGs framework is clearly listed among the specific measures to be taken. Such a recognition seems to have been incorporated into the ASCC Blueprint (2009)² and the ASEAN Charter (2007; in force from 2008),³ although the MDGs are not directly referred to. For example, three out of the six characteristics envisaged in the ASCC Blueprint—human development (section A), social welfare and protection (section B), and narrowing the development gap (section F)—address the very issues covered by the MDGs, and in particular, the following sections mirror various MDG targets:

- Section A.1 Advancing and prioritizing education
- Section A.3 Promoting decent work
- Section A.5 Facilitating access to applied science and technology
- Section B.1 Alleviating poverty
- Section B.4 Ensuring access to healthcare and promoting healthy lifestyles
- Section B.5 Improving capacity to control communicative diseases

In section F, which encourages efforts to narrow regional development gaps, special attention is paid to the gaps between the ASEAN-6, or the “senior” ASEAN member countries, and the “junior” ASEAN member countries of Cambodia, Laos, Myanmar, and Vietnam (CLMV). In this way, the MDGs have become the mainstream in the Initiative for ASEAN Integration (IAI) within the framework of the ASCC.⁴

Since a consensus on regional cooperation to achieve the MDGs was reached, collective efforts have been made to attain the MDGs through various sectoral bodies organized by the ASEAN member countries. The sectoral bodies of the ASCC that have direct relevance to the MDGs include the ASEAN Senior Officials Meeting on Rural Development and Poverty Eradication, the ASEAN Senior Officials Meeting on Education, the ASEAN Committee on Women, the ASEAN Senior Officials’ Meeting on Health Development, the ASEAN Senior Officials’ Meeting on the Environment, and the ASEAN Senior Officials’ Meeting on Social Welfare and Development. In individual sectors, there has been practical dialogue among officials to develop declarations, agreements, and action plans that would encourage each member country to strive to reach the targets of the MDGs. Considering the limited budget available for the sectoral bodies,

partnerships with external bodies in each sector—including international development agencies and civil organizations—have been promoted to urge the implementation of relevant regional cooperation programs to tackle the challenges of achieving the MDGs.

Along with such multilateral regional cooperation, bilateral cooperation between countries in the region, or South-South cooperation (SSC), has also been directed at the attainment of the MDGs. Among the “senior” ASEAN members, Thailand is an earnest emerging provider of SSC. Thai ODA schemes include bilateral financial cooperation (both loans and grants) through the Neighbouring Countries Economic Development Cooperation Agency, and technical assistance implemented by the Thai International Cooperation Programme. As much as 73 percent of the total Thai ODA supports Cambodia, Laos, and Myanmar, the three least developed countries in ASEAN, and is considered to be contributing to the achievement of the MDGs in these countries.⁵ However, financial support for infrastructure development is the main focus of Thai ODA, while technical assistance and cooperation in the social sector are fairly limited.⁶ Conversely, the development cooperation carried out by Singapore and Malaysia concentrates on technical cooperation and human development. These governments provide training programs in various fields, and many of them are directed at the IAI. In particular, Singapore has established IAI centers in the CLMV countries that train government officials in the prioritized policy areas. Triangular cooperation is a modality commonly utilized in all of these countries with regard to the provision of training with support from development partners such as Japan and international organizations such as the United Nations Development Programme (UNDP).

More recently, the Joint Declaration on the Attainment of the MDGs in ASEAN was adopted at the ASEAN Summit in 2009, and the ASEAN Roadmap for the Attainment of the Millennium Development Goals (hereafter, ASEAN MDGs Roadmap) was released in 2011 as a follow-up to the declaration.⁷ What is noteworthy about this roadmap is its call for the promotion of intrasectoral cooperation to address the MDG targets in the region, while the ASCC Blueprint and its sectoral work plan guide sector-specific activities. Acknowledging the limited resources available for each sector and the necessity to seek support from external development partners, the ASEAN MDGs Roadmap claims that promoting a cohesive approach across sectors and synergizing efforts and resources would ensure that the “implementation of programmes and activities could be more impactful” than operating unilaterally. It also emphasizes the significance of SSC as a means of accelerating the attainment of the MDGs. Furthermore,

it recommends sharing knowledge and information on best practices within the region and building networks of regional experts.

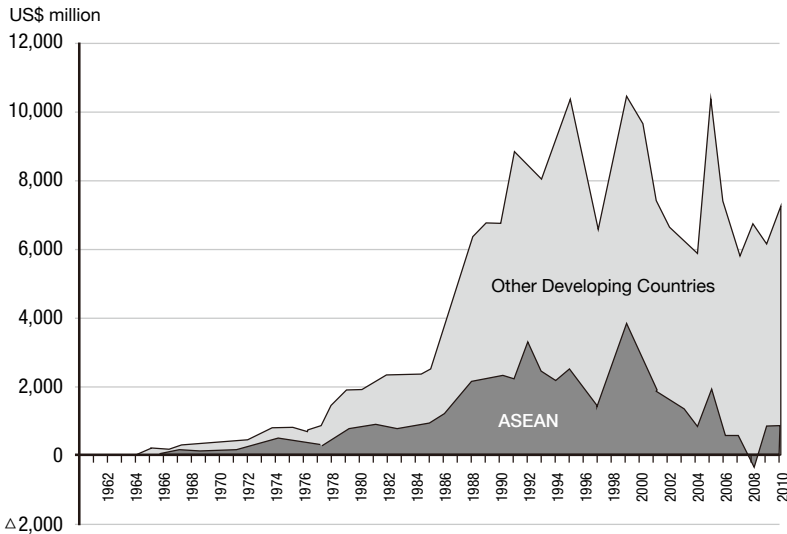
Japanese Contribution to the Achievement of the MDGs in ASEAN

The achievement of the MDGs in ASEAN member countries is also important for the Japanese government for two reasons. First, since ASEAN is a strategic partner of Japan both economically and diplomatically, the development and stability of ASEAN member countries as well as the creation of a unified ASEAN Community are considered great benefits for Japan and for the broader Asia Pacific region. Second, the MDGs address pressing issues of human security that have been promoted by the Japanese government. It was the Japanese initiative, the Commission on Human Security, that identified human security as “freedom from fear” and “freedom from want.”⁸ The MDGs directly represent the “freedom from want” aspect of human security. Hence, human security and the MDGs, as an instrument of mainstreaming the concept of human security, have been given priority in Japanese diplomacy and ODA.⁹ This is reflected in the ASEAN–Japan Plan of Action 2011–2015, adopted at the 14th ASEAN–Japan Summit in 2011, which confirmed the goal of cooperation on the attainment of the MDGs (section 3.2), as well as cooperation on health- and education-related matters (sections 3.4 and 3.5).

Since then, how has the Japanese government been supporting ASEAN, or the ASCC, on MDG-related issues? Obviously, ODA has been Japan’s major tool of cooperation with the ASEAN member countries. As shown in figure 1, ASEAN has historically been a priority region for Japanese ODA. At the same time, the global achievement of the MDGs has been a priority area of cooperation as well. In particular, Japan has emphasized cooperation on maternal health, basic education, and water provision—areas in which the achievement of targets is far behind schedule throughout the world.¹⁰ Although cooperation with African countries is also emphasized, ASEAN member countries have been the beneficiaries of a series of ODA projects directed at efforts to achieve the MDGs.

While many of the projects in the education sector in the ASEAN member countries have addressed the improvement of middle or higher education rather than basic education, maternal health is still a hot issue in the region, and almost all of the current recipient countries have accepted cooperation in this field in the past decade. For example, in Indonesia, the Japan International Cooperation Agency (JICA) implemented a technical cooperation project, “Ensuring Maternal and Child Health Service with the

Figure 1. Japanese bilateral ODA net disbursements to ASEAN and other developing countries



Source: Compiled by the author based on data from the OECD iLibrary.

Maternal and Child Health (MCH) Handbook.”¹¹ The distribution of the “MCH Handbook” to expectant and nursing mothers began in Indonesia in the early 1990s, after a doctor from Central Java visited Japan to participate in a training course and was impressed to see the Japanese system of distributing a notebook to pregnant and nursing mothers. This system, established in Japan in 1942, was designed to help mothers keep track of information on antenatal care, vaccinations, childbirth, and the growth of children. It was also expected to function as a tool for consolidating different kinds of maternal and child health services in order to ensure a continuum of care at any health facility. The Ministry of Public Health of Indonesia recognized the effects of the Indonesian MCH Handbook, which was introduced in one city on a trial basis with the support of JICA, and pledged to launch a national program to distribute the handbook in other regions in 1997. By 2003, the system was in place in 26 out of 31 provinces and the ministry finally issued an ordinance to institutionalize the MCH Handbook in the country in 2003. Thus, JICA’s technical assistance was instrumental in the decision to launch and disseminate this initiative on the part of the Indonesian government. Since then, the handbook has become widespread in Indonesia. According to a national household survey, as of 2010, the handbook had been provided to 68.5 percent of pregnant women.¹² Due to its success in Indonesia, the

handbook was introduced in neighboring countries, such as the Philippines and Vietnam, and JICA has provided technical assistance to those countries as well. Another approach taken by JICA projects to support the improvement of maternal health is administrative capacity building. For example, in Laos, where various development partners intervene in health-service provision, technical-support projects have been implemented to enhance the coordination and planning capacity of the Ministry of Health and make the interventions function effectively.¹³ At the same time, ongoing support has been provided for human resource development of medical personnel.¹⁴

Japanese ODA projects have also addressed regional gaps within ASEAN. A recent ODA White Paper explicitly states that Japan supports narrowing the gaps in the region to achieve ASEAN integration, and for this reason its ODA is prioritizing assistance to the countries in the Mekong region.¹⁵ In this regard, in Cambodia the improvement of the water supply and sewerage systems in the expanding urban areas has been an issue of concern, and projects have been implemented both through grant aid and the technical assistance schemes of Japanese ODA since the early 1990s, soon after the termination of the civil conflict in that country.¹⁶ Such assistance is considered to have contributed to a better water supply system: in the capital city of Phnom Penh, the percentage of the population with access to safe water increased from 25 percent in 1991 to 90 percent in 2006.¹⁷

Japanese ODA efforts to narrow the regional gaps have been made through multilateral as well as bilateral cooperation schemes. A cooperation scheme called the “Third Country Training Programme” (TCTP) has been running in the region since the 1970s, through which JICA has financially and technically supported its development partners to transfer their expertise or to re-transfer Japanese expertise to a third country.¹⁸ In 1999, the “Regional Meetings for Mutual Consultation on the Third Country Training Programme” (TCTP Meeting), a collective consultation meeting between JICA and its bilateral development partners in ASEAN, was launched to share information and to improve TCTP implementation.¹⁹ The TCTP Meeting was further developed as a new triangle cooperation framework, the “JICA-ASEAN Regional Cooperation Meeting” (JARCOM), established in 2002, with the attendance of development partners, the “senior” ASEAN member countries, as well as the recipient CLMV countries.²⁰ JARCOM is not only used to refer to the name of this new forum; it is also used to refer to its unique mechanism, which features an annual participatory cycle of project identification, implementation, and monitoring.²¹ While the TCTP tended to be supply driven, the JARCOM mechanism made it demand driven to attain a better match of providers and recipients under the TCTP. The role of JICA was to facilitate the proposal and negotiation process and

to provide any necessary financial and technical inputs. Cost sharing (15–50 percent) and implementation arrangements were agreed upon bilaterally with the partner countries in accordance with their capacities. Under the JARCOM framework, 119 projects (out of 169 proposals) were conducted from 2004 to 2009, a certain number of which were certainly related to the MDGs, as those were the priority policy areas of the recipient countries.²² From its early stage, JARCOM sought collaboration with the IAI,²³ and the ASEAN Secretariat endorsed 17 JARCOM projects as IAI projects.²⁴ Although JARCOM initially assumed that the “senior” ASEAN member countries would be the training providers, Vietnam also provided training on basic education to the other member countries.

The problem with JARCOM, however, was that too many financial and coordination costs were borne by JICA, and it became difficult for JICA to defend the effectiveness of providing assistance through JARCOM.²⁵ Moreover, although it was initially expected that regionwide projects to tackle common issues or nurture the capacity of the ASEAN Secretariat would be undertaken within the framework of JARCOM, such projects did not materialize because the TCTP scheme required a bilateral project formulation and implementation process.²⁶ Hence, in 2009 JARCOM was reorganized as the Japan–Southeast Asian Meeting for South-South Cooperation (J-SEAM) to redirect its main focus “toward the formulation and implementation of well-prepared South-South technical cooperation among Southeast Asian countries, and also toward networking between member states.”²⁷ J-SEAM functioned up until July 2011 as an arena for strengthening the network of development partners of the ASEAN member countries, at which point the meeting was dissolved because these agencies had the capacity to arrange SSC on their own and to request JICA’s support as necessary. Meanwhile, JICA and the ASEAN Secretariat entered into a cooperation agreement in June 2008 to seek to formulate regionwide projects that JARCOM had failed to address. A JICA-ASEAN pilot project was launched in Laos under this agreement.

CURRENT ACHIEVEMENTS ON THE MDGs IN THE REGION

In this section, the current achievements on the MDGs will be reviewed by target and by country to clarify the background of regional cooperation efforts, which will serve as the basis for assessing current cooperation.

According to the latest progress chart from the UN (see table 1), the countries in “Southeastern Asia” as a whole are considered to have achieved

Table 1. MDGs progress chart 2012

Goals and Targets	Africa		Asia				Oceania	Latin America & Caribbean	Caucasus & Central Asia
	Northern	Sub-Saharan	Eastern	Southeastern	Southern	Western			
GOAL 1 | Eradicate extreme poverty and hunger									
Reduce extreme poverty by half	low poverty	very high poverty	moderate poverty	high poverty	very high poverty	low poverty	very high poverty	moderate poverty	low poverty
Productive and decent employment	large deficit in decent work	very large deficit in decent work	large deficit in decent work	large deficit in decent work	very large deficit in decent work	large deficit in decent work	very large deficit in decent work	moderate deficit in decent work	moderate deficit in decent work
Reduce hunger by half	low hunger	very high hunger	moderate hunger	moderate hunger	high hunger	moderate hunger	moderate hunger	moderate hunger	moderate hunger
GOAL 2 | Achieve universal primary education									
Universal primary schooling	high enrolment	moderate enrolment	high enrolment	high enrolment	high enrolment	high enrolment	—	high enrolment	high enrolment
GOAL 3 | Promote gender equality and empower women									
Equal girls' enrolment in primary school	close to parity	close to parity	parity	parity	parity	close to parity	close to parity	parity	parity
Women's share of paid employment	low share	medium share	high share	medium share	low share	low share	medium share	high share	high share
Women's equal representation in national parliaments	low representation	moderate representation	moderate representation	low representation	low representation	low representation	very low representation	moderate representation	low representation
GOAL 4 | Reduce child mortality									
Reduce mortality of under-five-year-olds by two thirds	low mortality	high mortality	low mortality	low mortality	moderate mortality	low mortality	moderate mortality	low mortality	moderate mortality
GOAL 5 | Improve maternal health									
Reduce maternal mortality by three quarters	low mortality	very high mortality	low mortality	moderate mortality	high mortality	low mortality	high mortality	low mortality	low mortality
Access to reproductive health	moderate access	low access	high access	moderate access	moderate access	moderate access	low access	high access	moderate access
GOAL 6 | Combat HIV/AIDS, malaria, and other diseases									
Halt and begin to reverse the spread of HIV/AIDS	low incidence	high incidence	low incidence	low incidence	low incidence	low incidence	low incidence	low incidence	low incidence
Halt and reverse the spread of tuberculosis	low mortality	high mortality	low mortality	moderate mortality	moderate mortality	low mortality	high mortality	low mortality	moderate mortality
GOAL 7 | Ensure environmental sustainability									
Halve proportion of population without improved drinking water	high coverage	low coverage	high coverage	moderate coverage	high coverage	moderate coverage	low coverage	high coverage	moderate coverage
Halve proportion of population without sanitation	high coverage	very low coverage	low coverage	low coverage	very low coverage	moderate coverage	low coverage	moderate coverage	high coverage
Improve the lives of slum-dwellers	moderate proportion of slum-dwellers	very high proportion of slum-dwellers	moderate proportion of slum-dwellers	high proportion of slum-dwellers	high proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	—
GOAL 8 | Develop a global partnership for development									
Internet users	high usage	moderate usage	high usage	moderate usage	low usage	high usage	low usage	high usage	high usage

The progress chart operates on two levels. The words in each box indicate the present degree of compliance with the target. The colours show progress towards the target according to the legend below:

<ul style="list-style-type: none"> Target already met or expected to be met by 2015. Progress insufficient to reach the target if prevailing trends persist. 	<ul style="list-style-type: none"> No progress or deterioration. Missing or insufficient data.
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Source: United Nations, “Millennium Goals Indicators: The Official United Nations Website for the MDGs Indicators,” http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2012/Progress_E.pdf.

or to be likely to achieve 10 targets out of 16.²⁸ More precisely, all targets under goal 4 on child mortality and goal 7 on environmental sustainability either have been met already or are projected to be met by 2015. Under goal 8 on global partnership for development, efforts are also on track to achieve the target for expanded Internet usage. On the other hand, the region is off track in terms of meeting the targets under goal 5 on maternal health and goal 2 on primary education. The rest of the goals—goal 1 on poverty and hunger, goal 3 on gender equality, and goal 6 on combating

disease—have been partially achieved, but efforts on some of the targets are still off track. Among the unmet targets, achievements in productive and decent employment (goal 1), women's equal representation in national parliaments (goal 3), and access to reproductive health (goal 5) are particularly behind schedule and are considered priority issues for the region, as highlighted in table 1.

What, then, are the achievements of each ASEAN member country? Table 2 summarizes the current progress on the MDGs in the ASEAN member countries. Since the two high-income countries in the region, Brunei and Singapore, are likely to be similar to developed countries in terms of their progress toward meeting most of the MDG targets, they are omitted from the table.²⁹ This table illustrates that the unmet goals vary significantly across countries. Goals such as 4 and 7 that are successfully on track in one country may not be attained in time in others, while goal 2, which is considered to be behind schedule, has already been achieved in many of the countries.

Table 3 presents more detailed data pertaining to the achievements to date in each country. The data in this table reveal the areas where there are large achievement gaps across the countries. The maternal mortality rate (goal 5) is nearly 10 times higher in Cambodia, Indonesia, and Myanmar (0.25, 0.22, and 0.2 percent respectively) and 30 times higher in Laos (0.47 percent) than in Malaysia (0.029 percent). The ratio of births attended by skilled health staff (goal 5) is particularly low in Laos (37 percent), the Philippines (62 percent), and Cambodia (71 percent), while the data are unavailable in Myanmar. Although not shown in table 3, the percentage of Internet users (goal 8) is remarkably small in Myanmar (0.3 percent) and Cambodia (1.3 percent). On the other hand, access to improved sanitation and water sources (goal 7) is limited in Indonesia, Cambodia, and Laos, while Myanmar has been making good progress on this issue. Since some of the numerical targets of the MDGs are set as percentages of advancement or reduction compared with the 1990 levels, gaps are observed even in the targets that are to be attained. For example, Cambodia and Laos are significantly behind other countries in the infant and under-five child mortality rates (goal 4), although they are on track in terms of their respective country targets. The mortality rates of infants and children are also quite high in Myanmar. The other targets of concern in the region—achievements in productive and decent employment (goal 1) and women's equal representation in national parliaments (goal 3)—seem to be similarly unsuccessful across countries, although with regard to the latter goal, the rate is actually much better in Cambodia, Laos, and Vietnam, where achievement matches the level of Singapore.

Table 2. Progress of the MDGs in the ASEAN member countries

Goals/Country	Goal 1: Eradicate extreme poverty and hunger	Goal 2: Achieve universal primary education	Goal 3: Promote gender equality and empower women	Goal 4: Reduce child mortality	Goal 5: Improve maternal health	Goal 6: Combat HIV/ AIDS, malaria, and other diseases	Goal 7: Ensure environmental sustainability
Cambodia	Off track	Off track	Off track	On track	Off track	On track	Off track
Indonesia	Off track	On track	On track	On track	Off track	Off track	On track
Laos	On track	Partly off track	NA	On track	NA	NA	NA
Malaysia	Achieved	Achieved	Achieved	On track	On track	Partly off track	Partly off track
Myanmar	Off track	On track	Early achiever	Off track	Off track	Partly achieved/ On track	Achieved
Philippines	Off track	Off track	On track	Off track	Off track	Partly off track	Partly off track
Thailand	Achieved	On track	Achieved	Achieved	Achieved	Partly achieved/ On track	On track
Vietnam	Achieved	Achieved	On track	On track	On track	Off track	Off track

Source: Compiled by the author based on Herman Joseph S. Kraft, "Achieving the MDG Targets by 2015: Lessons for Mainstreaming Human Security," in *Mainstreaming Human Security in ASEAN Integration: Lessons Learned from MDGs Implementation in Southeast Asia*, ed. Herman Joseph S. Kraft (Quezon City: Institute for Strategic and Development Studies, 2012); and UN Country Office in Myanmar, *Thematic Analysis 2011: Achieving the Millennium Development Goals in Myanmar* (Yangon: UN in Myanmar, 2011).

Table 3. MDG indicators in the ASEAN member countries

Millennium Development Goals	Burmei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
Goal 1: Eradicate extreme poverty and hunger										
Employment to population ratio, 15+, total (%)	63	81	63	77	59	76	60	63	71	75
Employment to population ratio, ages 15-24, total (%)	41	70	40	62	35	53	39	34	46	58
GDP per person employed (constant 1990 PPP \$)	..	3,988	10,587	..	25,058	5,235	8,354	44,524	15,743	5,898
Income share held by lowest 20%	..	8	..	8	5	..	6	..	7	7
Malnutrition prevalence, weight for age (% of children under 5)	..	29	..	..	..	23	21	..	..	20
Poverty gap at \$1.25 a day (PPP) (%)	..	5	3	9	0	..	4	..	0	4
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	..	23	18	34	0	..	18	..	0	17
Vulnerable employment, total (% of total employment)	..	83	64	..	22	..	44	10	53	..
Goal 2: Achieve universal primary education										
Literacy rate, youth female (% of females ages 15-24)	100	86	99	..	99	95	98	100	..	96
Literacy rate, youth male (% of males ages 15-24)	100	89	100	..	98	96	97	100	..	97
Persistence to last grade of primary, total (% of cohort)	96	..	..	..	98	75	76	99	..	..
Primary completion rate, total (% of relevant age group)	118	87	105	87	..	104	92	..	..	..
Total enrollment, primary (% net)	97	96	98	89	..	..	89	..	90	98
Goal 3: Promote gender equality and empower women										
Proportion of seats held by women in national parliaments (%)	..	21	18	25	10	4	21	23	13	26
Ratio of female to male primary enrollment (%)	101	95	102	93	..	100	98	..	99	94
Ratio of female to male secondary enrollment (%)	103	90	100	83	107	106	108	..	108	109
Ratio of female to male tertiary enrollment (%)	179	53	89	77	129	..	125	..	131	100
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	..	32.4	..	39.2	..	41.9	45.4	45.5	..

Goal 4: Reduce child mortality												
Immunization, measles (% of children ages 12-23 months)	94	93	89	64	96	88	88	88	95	98	98	98
Mortality rate, infant (per 1,000 live births)	6	39	26	35	6	49	21	11	2	11	18	18
Mortality rate, under-5 (per 1,000 live births)	7	46	33	44	7	65	26	13	3	13	23	23
Goal 5: Improve maternal health												
Adolescent fertility rate (births per 1,000 women ages 15-19)	24	36	43	34	12	14	50	6	6	40	24	24
Births attended by skilled health staff (% of total)	100	71	82	37	..	..	62	..	..	99	..	..
Contraceptive prevalence (% of women ages 15-49)	..	51	56	..	..	..	51	..	..	80	80	80
Maternal mortality ratio (modeled estimate, per 100,000 live births)	24	250	220	470	29	200	99	3	48	59	59	59
Pregnant women receiving prenatal care (%)	99	89	95	71	..	..	91	..	..	99	..	..
Unmet need for contraception (% of married women ages 15-49)	..	17	15	..	..	..	22	..	..	..	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases												
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	..	..	..	0	..	..	..	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..	..	..	..	..	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..	..	..	..	..	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	68	437	189	90	82	384	275	35	137	199	199	199
Prevalence of HIV, female (% ages 15-24)	..	0.1	0.1	0.2	0.1	0.3	0.1	0.1	0.1	..	0.1	0.1
Prevalence of HIV, male (% ages 15-24)	..	0.1	0.1	0.1	0.1	0.3	0.1	0.1	0.1	..	0.1	0.1
Prevalence of HIV, total (% of population ages 15-49)	..	0.5	0.2	0.2	0.5	0.6	0.1	0.1	0.1	1.3	0.4	0.4
Tuberculosis case detection rate (% of all forms)	88	65	66	72	80	71	65	87	70	54	54	54
Goal 7: Ensure environmental sustainability												
CO ₂ emissions (kg per PPP \$ of GDP)	1	0	0	0	1	..	0	0	0	1	1	1
CO ₂ emissions (metric tons per capita)	2.8	0	2	0	8	0	1	7	4	1	1	1
Forest area (% of land area)	72.1	57.2	52.1	68.2	62.3	48.6	25.7	37.1	2.9	37.1	44.5	44.5
Improved sanitation facilities (% of population with access)	..	31	54	63	96	76	74	100	96	96	76	76

Improved water source (% of population with access)	..	64	82	67	100	83	92	100	96	95
Marine protected areas (% of territorial waters)	1	0	2	..	2	0	2	1	4	2
Net ODA received per capita (current US\$)	..	52	6	67	0	7	6	..	0	34
Goal 8: Develop a global partnership for development										
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	..	1	5	6	1	..	14	..	1	2
Internet users (per 100 people)	53.0	1.3	10.9	7.0	56.3	0.3	25.0	71.1	22.4	31.0
Mobile cellular subscriptions (per 100 people)	109	58	88	65	119	1	86	145	104	127
Telephone lines (per 100 people)	20	3	17	2	16	1	7	39	10	16
Fertility rate, total (births per woman)	2	3	2	3	3	2	3	1	2	2
Other										
GNI per capita, Atlas method (current US\$)	31,800	750	2,500	1,010	7760	..	2,060	39,410	4,150	1,160
GNI, Atlas method (current US\$) (billions)	12.5	10.6	600.1	6.2	220.4	..	192.2	200.1	286.7	101.1
Gross capital formation (% of GDP)	15.9	17.4	32.4	24.3	21.4	..	20.5	22.1	25.9	38.9
Life expectancy at birth, total (years)	78	63	69	67	74	65	68	82	74	75
Literacy rate, adult total (% of people ages 15 and above)	95	78	92	..	92	92	95	95	..	93
Population, total (billions)	0.0	0.0	0.2	0.0	0.0	0.0	0.1	0.0	0.1	0.1
Trade (% of GDP)	114.3	113.6	47.5	73.5	176.8	..	71.4	385.9	135.1	165.3

Source: World Development Indicators

Figures in italics refer to periods other than those specified.

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In this way, despite the identified regional tendencies toward the achievement of the MDGs, the progress is markedly different across the member countries, and radical regional development gaps do exist in some areas.

ASEAN–JAPAN COOPERATION FOR ACHIEVING THE MDGs: PERSPECTIVES FOR FUTURE COOPERATION

On the basis of the evidence presented in the previous section, this section analyzes the relevance of the current regional cooperation for achieving the MDGs. This analysis leads to short-term and long-term policy recommendations.

Findings and Assessment of Current ASCC cooperation

The tables above indicate that regional development gaps exist in most of the target areas of the MDGs. Apart from the two high-income countries, Singapore and Brunei, every country has areas in which they may not fulfill the MDG requirements. Contrary to the common view on regional gaps, which assumes that the CLMV countries, as the “junior” members of ASEAN, are at the lower end of the development gaps, detailed statistical data show that it is not necessarily the CLMV countries that need to be concerned about their development. In fact, Vietnam has been making good progress compared with the “senior” ASEAN member countries in many of the MDG target areas. For example, its level of achievement in universal education is more advanced than in Thailand and the Philippines. Although it is still true that Cambodia, Laos, and Myanmar are behind in many of the target areas, as noted above, women’s political representation is more prominent in Cambodia and Laos than in the other countries, while the ratio of access to sanitation and water resources in Myanmar is competitive with the Philippines and Vietnam. Furthermore, considerable development gaps may exist even within a country. Hence, regional MDG attainment needs to be analyzed in detail from multiple perspectives.

How relevant has regional cooperation been in addressing such situations? As illustrated in the previous section, MDGs have been mainstreamed in ASEAN through various documents and statements highlighting the significance of the MDG-related issues in the framework of the ASCC. Based on these policy directions, cooperative actions are taken by different sectoral bodies. Along with multilateral cooperation, SSC has also been increasingly extended by the “senior” ASEAN countries. ASCC cooperation

can be appreciated for its contribution to the attainment of the MDGs in the region in two ways. First, it changed the manner in which human development is approached in the ASCC by mainstreaming the MDGs as regional issues to be worked on together, as opposed to essentially treating it as domestic policy areas under the nonintervention principle of ASEAN. In other words, the ASCC succeeded in promoting cooperation on domestic issues by making use of the MDGs, the initiative for which originally came from external sources. Second, it is considered to have increased the pressure on the ASEAN member countries to strive toward meeting the MDGs and to align domestic policies to the policy directions of the ASCC through documents and statements, even though they have no binding force.

At the same time, however, there are clear deficits of cooperation. First, the regional gaps between the ASEAN-6 and CLMV countries have been strongly emphasized, while other gaps might have been overlooked. Second, due to the lack of its own funding, ASCC cooperation tends to be limited to planning without implementation. Third, related to the second point, it has been assumed that external development partners will be the potential funding sources while the emerging SSC within the region has not been utilized. Finally—and most importantly—many different sectoral bodies have been working to attain the MDGs without coordination to harmonize the separate activities that have been undertaken. In particular, some of the MDG-related policy areas contain cross-sectoral issues and require multisectoral approaches. In this regard, recent progress was seen in the 2011 ASEAN MDGs Roadmap. This roadmap recognized the third and fourth deficits presented above: it proposed intrasectoral coordination of the ASCC and the utilization of SSC to synergize the regional efforts to achieve the MDGs by making use of limited resources. Indeed, organic linkages in the cooperation between different sectoral bodies, as well as between the member countries, may be crucial for the ASCC. Without such coordination, as Motoko Shuto rightly points out, the significance of the ASCC framework would be undermined, considering that so-called “functional cooperation” was already being implemented in each sector before the establishment of the ASCC.³⁰

Findings and Assessment of Current ASEAN–Japan Cooperation

The second question is how relevant Japanese cooperation is to supporting the efforts of the region to achieve the MDGs. Bilateral ODA seems to have addressed the MDGs in many of the ASEAN member countries. ASEAN has historically been included in the strategic target areas for Japanese ODA,

and the MDGs are currently the main focus issues for Japanese cooperation. In particular, Japanese assistance has been applied broadly toward the implementation of maternal health projects in ASEAN, which are extremely relevant to achieving the MDGs in the region given that the high maternal mortality rate in Southeast Asia has been a crucial bottleneck in reaching those goals. Japanese ODA is also committed to narrowing the regional gaps within ASEAN, but again, its main focus is the development of the CLMV countries. Moreover, since the bilateral projects are formulated on a demand basis, they may not be aligned with the policy directions of the ASCC.

In this sense, multilateral cooperation through JARCOM could have been an ideal focal point to promote Japanese support for the regional initiatives. It is also noteworthy that Vietnam became a training provider under the JARCOM scheme, as this could produce momentum to enhance the recognition of regional gaps, which may not be limited to those between the old and the new ASEAN member countries. Nonetheless, there are shortcomings in the Japanese ODA schemes. First, excessive reliance on Japanese resources has undermined the sustainability of multilateral mechanisms like JARCOM. Second, more crucially, the cooperation scheme of Japanese ODA is now limited to the TCTP and cannot make use of the cooperation capacities of the member countries apart from training provision. Given that ODA is a crucial policy means for Japan to contribute to the realization of the ASCC, it is problematic that Japanese ODA does not have multilateral regional cooperation schemes apart from the TCTP, or occasional special funding for regional organizations. Due to these deficits, Japanese multilateral cooperation up to the present has been in a state of continual trial and error.

Recommendations for Short-Term (by 2015) Actions

Based on the analysis above, the following short-term actions are recommended:

- **Both the ASEAN member countries and Japan** should analyze the development gaps in the areas related to the MDGs across ASEAN, as well as within each country, to identify the priority cooperation needs of the ASCC as a whole, not limited to CLMV countries.
- **The ASEAN member countries** should encourage the intrasectoral coordination of initiatives taken by different sectoral bodies of the ASCC. Issue-based working groups could serve this purpose. The role of the working groups would be to prioritize the cooperation needs for the issues of concern and to harmonize the cooperation and other kinds of

activities undertaken in the region. The relevant sectoral bodies of other ASEAN communities and potential development partners would also be involved in the working groups.

- **The ASEAN member countries** should utilize regional cooperation resources by enhancing SSC coordination. SSC donor countries are strongly encouraged to ensure that their cooperation is aligned with the regional priorities of the ASCC.
- **Both the ASEAN member countries and Japan** should ensure that Japanese ODA projects are aligned with the regional priorities of the ASCC, considering that Japanese ODA to the countries in the region will continue to be dispensed on a request basis.
- **The ASEAN member countries and Japan** should promote knowledge and information sharing on regional best practices as well as the efforts of regional experts in each policy area by building a knowledge databank, as proposed in the ASEAN MDGs Roadmap, the efforts of which may be supported by the Japan–ASEAN Integration Fund (JAIF) of the ASEAN Secretariat, or by the regionwide project based on the JICA–ASEAN cooperation agreement. Japanese experiences and expertise could also be included in the databank. More importantly, information from less developed member countries should be considered for inclusion in the databank, rather than limiting it to the economically successful countries.
- **Japan** should consider a multilateral cooperation scheme that would no longer be limited to the TCTP. Joint projects with the SSC donor countries of ASEAN could also be considered by enhancing the flexibility of the ODA schemes.
- **Both the ASEAN member countries and Japan** need to identify the potential social and human development issues that may be common problems in the region to be tackled in the post-MDG era (e.g., social welfare in aging societies and the falling birth rate) and consider the possible policy reactions. It may be relevant for Japan to share its experiences in this regard.

Recommendations for Long-Term (beyond 2015) Actions

- **The ASEAN member countries** should make continuous efforts to identify development gaps within the ASCC. Priority cooperation needs may be identified not by country but by city or community at this stage of the ASCC. Cities and communities could be supported or subsidized to maintain the momentum of adequate human-centered development, along the lines of the European Union’s Structural Funds.

- **The ASEAN member countries** also need to consider post-MDGs issues within the ASCC framework. Working groups for the MDG-related issues could be developed to facilitate a discussion arena for emerging human-centered development issues. The databank will also still be relevant for sharing information and knowledge among the ASEAN member countries and external regional partners, including Japan.
- **Both the ASEAN member countries and Japan** should work together as partners for social development in priority cities and communities, since many of the ASEAN member countries would have graduated from Japanese ODA and will be likely to share common social problems with Japan.
- **Japan** should further reconsider its ODA schemes, especially the multi-lateral ones, to enhance its flexibility so as to nurture its partnership with ASEAN as mentioned above. For example, it would be effective if Japan's ODA program opened up its bidding system to contractors or experts from any country in the region at this stage.

As discussed in this chapter, ASCC cooperation and ASEAN–Japan cooperation have made great strides in helping the ASEAN member states attain the MDGs in the region. Yet, there remains a great deal of room for improvement, and continuous efforts are required and expected from both ASEAN member countries and Japan, as strategic partners.

APPENDIX: TARGETS OF MDGS

Goal 1: Eradicate Extreme Poverty and Hunger

Target 1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1.25 a day

Target 1.B: Achieve full and productive employment and decent work for all, including women and young people

Target 1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger

Goal 2: Achieve Universal Primary Education

Target 2.A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

Goal 3: Promote Gender Equality and Empower Women

Target 3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015

Goal 4: Reduce Child Mortality

Target 4.A: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate

Goal 5: Improve Maternal Health

Target 5.A: Reduce by three quarters the maternal mortality ratio

Target 5.B: Achieve universal access to reproductive health

Goal 6: Combat HIV/AIDS, Malaria, and Other Diseases

Target 6.A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

Target 6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it

Target 6.C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

Goal 7: Ensure Environmental Sustainability

Target 7.A: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources

Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss

Target 7.C: Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation

Target 7.D: Achieve, by 2020, a significant improvement in the lives of at least 100 million slum dwellers

Goal 8: Develop a Global Partnership for Development

Target 8.A: Develop further an open, rules-based, predictable, non-discriminatory trading and financial system

Target 8.B: Address the special needs of least-developed countries

Target 8.C: Address the special needs of landlocked developing countries and small island developing states

Target 8.E: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries

Target 8.F: In cooperation with the private sector, make available benefits of new technologies, especially information and communications

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