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ASEAN-Japan Contributions to Global Governance: An Overview

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ISSUES OF GLOBAL governance are extremely diverse and complex. As we look to the year 2025 and beyond, ASEAN and Japan should expand the scope of cooperation beyond their bilateral relations and play a more proactive role in shaping and improving the infrastructure of the ever-globalizing world. On the one hand, ASEAN-Japan cooperation should serve as a transmission mechanism, facilitating the flow of ideas and practices from ASEAN and Japan to regional and global governance institutions, as well as the flow of ideas and practices for good global governance from the rest of the world to ASEAN and Japan. At the same time, ASEAN-Japan cooperation can serve as a facilitator of knowledge spillovers, particularly in respect to the spreading of good policy practices, which will continue to be the defining feature of “winners” in the game of “catch up.”

Finding something new under the sun is not easy. ASEAN-Japan cooperation has risen in intensity and widened immensely in terms of the issues that are covered. Nevertheless, a number of initiatives are recommended in this overview chapter, capitalizing largely on individual papers that are presented in the section that follows. Recommendations include the creation of an ASEAN-Japan Financial Stability Forum; an ASEAN-Japan Dialogue on Sustainable Development, which would include an ASEAN-Japan Dialogue on Water Conservation and an Emerging Energy Community in East Asia; an ASEAN-Japan Comprehensive Partnership²¹ that would promote both sustainable development and inclusive development; an ASEAN-Japan Diversity Program; as well as an ASEAN-Japan Commission of Eminent Experts for International Law Principles and Practices. None of these topics are new. Yet, if they are addressed properly,

we can look into the future and expect such initiatives to foster better and more effective governance for community building in East Asia or even perhaps to enrich global governance.

TIME FOR EAST ASIA'S PROACTIVE PARTICIPATION

Understood as an exercise of power to steer things in a transparent, accountable, and fair manner alongside the human progression toward higher income and wealth, a higher human development index (HDI), greater well-being, greater happiness, or simply a better life, good governance has been pursued for millennia by human beings ever since they began living in villages, cities, and now metropolises. The amalgamation of cities into nations is a clear indication that city-based governance can deal only with local issues. For issues of wider relevance, parallel mechanisms are needed, be they bilateral, regional, or multilateral mechanisms, or even supranational mechanisms, a term that already applies to certain processes in European regionalism. In the debates on global governance, the establishment of a world government is in fact considered by some globalists as a necessary condition for perpetual peace.¹ While that argument entails certain truths, or ideals, what we are witnessing in reality is the emergence of a global governance architecture and structure “without” world government,² though it tends to be partial and still rather incomplete.

The partial nature of the current governance architecture and structure derives from its unmistakably occidental origin. It grew layer by layer along with the transformation from agricultural to industrial and to post-industrial civilizations in the West.³ East Asian footprints are hardly visible. East Asia was mostly under occidental colonial rule or on the wrong side of history when the current system of global governance was laid down. Even today, occidental-dominant leadership in global governance is largely uncontested. Leading positions in global governance institutions are almost all virtually reserved for the citizens of Western Europe and North America. Seventy years after the end of World War II, only one of the five permanent members of the UN Security Council is of non-occidental origin. The dominant position of the West in general, and of the United States in particular, is deeply ingrained in the system, making reform improbable. Major East Asian governance initiatives, such as the initiative on the Asian monetary system, often stumble as they face vehement opposition from the two sides of the Atlantic.

The fault lies partly with East Asians, who until recently accepted the role of followers in global governance, comfortably seeking to sustain

the progressive acceleration of their economic development while hardly bothering to take any shared regional position on important governance issues. East Asians are scattered throughout the entire development ladder. Cambodia, with a 2014 per capita income of US\$3,100 (based on purchasing power parity), undoubtedly looks at global governance differently from Singapore or Japan, which enjoyed incomes in 2014 of US\$82,763 and US\$36,426 respectively.⁴ China, the only Asian permanent member of the UN Security Council, is reluctant to accept reform initiatives that would undermine its privileged and comfortable position in the current global governance system. Fault lines in East Asia include unfinished issues of race, ethnicity, religion, history, and ideology. The wounds afflicted during World War II have been healed in the West, but by and large continue to handicap relations in East Asia, particularly in Northeast Asia. Even in the largest countries in East Asia, a regional position on global governance ranks conspicuously low on the foreign policy agenda.

A series of changes in recent years has raised the need for a greater contribution from Asia to global governance. Not only is Asia home to over 48 percent of the world's people, it has also become the most buoyant source of growth of world output and wealth. Whatever happens to growth in the region is bound to reverberate throughout the world. With the rise of China, India, and Indonesia, three of the world's most populous countries, global governance will have to open greater windows for Asian voices, however nebulous those voices may sound at the current juncture of shifting power. And the role of Japan, with its recent economic recovery after more than two decades of stagnation and slow growth, needs to be properly identified by working closely with its Asian partners, and particularly with like-minded members of ASEAN. What is more, limits to the current architecture for global governance are coming to light to differing degrees across sectors. Its economic pillar, the Bretton Woods system, is prone to crisis, eating up a sizeable portion of the world's wealth anytime a crisis strikes. The underlying model of limitless growth is increasingly in doubt in terms of its sustainability and the degree to which its fruits are equitably shared. Asia may be able to bring creative elements to the current architecture. Even if it cannot contribute immediately, the ongoing quest for a new architecture can benefit from the elements of diversity that Asia can bring to the table. Development has progressed beyond practical imitation in Asia. The increased devotion of resources to research and development has allowed some countries in the region to narrow the gap with the West in terms of the origins of knowledge and the ability to convert that knowledge into noble and useful products and services. In short, Asia is in a much better position today than it was 40 years ago in terms of the contributions that

it can make to global governance. In this context, it is the responsibility of ASEAN and Japan to jointly take the lead in placing global governance architecture on the proper track.

The argument for Asia's collective engagement in global governance is much harder to put forward. In terms of physical geography, China is a region in its own right and is already seen as a "partial power" with a presence on all continents. India qualifies as a region and, like China, is widely accorded a respectable status as a global power in the making. Archipelagic Indonesia also looks like a unique geographical unit. Under the current government, Japan is more interested in strengthening its alliance with the United States than in leaning closer to its neighbors, particularly China. However, there are issues that require a regional solution to complement national and global solutions. These include, for instance, the protection of regional commons such as air space security, sea lanes of communication, air pollution, and biodiversity. On a more mundane matter, the rice bowls of East Asian countries are much more dependent on one another than the noise of territorial disputes suggests. Supply chains in the region are knitted in such a way that a disruption in one hub or spoke is likely to disturb the entire chain, particularly in information and communication technologies (ICT) and automotive industries, which serve as two of East Asia's leading growth sectors.

East Asia has also turned into a vibrant theater of regional economic cooperation and integration—a significant change from its position as a mere bystander before the establishment of the ASEAN Free Trade Area (AFTA) in 1992. East Asia woke up with the financial crisis of 1997–1998. Free trade has branched out from ASEAN to six other countries in East Asia. Negotiations on the Regional Comprehensive Economic Partnership (RCEP) were scheduled to be completed in 2015. The seeds of a macroeconomic stability pact have also been sown in the form of the Chiang Mai Initiative Multilateralization (CMIM) and the establishment of the ASEAN+3 Macroeconomic Research Office (AMRO). Critics do have a point when they state that East Asian regionalism remains shallow, but the region's accomplishments in economic integration and cooperation have been enormous, considering that East Asia is a novice to regionalism compared with Europe or even the Americas.⁵

On the political and security front, the challenges remain substantial in East Asia, as demonstrated by the direct expressions of national sovereignty with regard to territorial claims and the deficits in trust in other countries' military doctrines and capabilities, among others, in spite of their dense economic interdependence and active day-to-day communications and transactions. The progress in democratic governance in many countries in

East Asia, as represented by ASEAN members, is also quite impressive, save for some countries with more deep-rooted authoritarian traditions, such as China and North Korea. The outcry for change, both from outside and from within, will make it hard even for a stringent regime to resist necessary reforms that are economic, political, and social in nature. The peaceful settlement of domestic troubles is equally needed, as contestations among states are frequently stimulated by efforts to distract from domestic troubles by focusing on outside threats.

While embroiled in disputes, no government in East Asia has indicated any intent to dismantle regionalism. The more likely scenario for East Asian regionalism is an evolutionary progression necessitated partly by the forces of integration that are inherent in technological changes and the responses of governments, businesses, and societies to such forces worldwide. In short, finding a solid theoretical argument for East Asian integration may be difficult. But doing and learning can run in parallel in nature and culture, which can create a strong glue over the course of time. The fact that circumstances appear as dire as they currently do with regard to certain elements of relations in East Asia does not justify a disengagement from regionalism. On the contrary, regional integration serves as a much-needed glue in times of dispute.

ASEAN-Japan cooperation is an outgrowth of ASEAN. Therefore, it is best put in the context of wider East Asian regionalism, though a direct link can also be created between ASEAN-Japan cooperation and institutions like the G20 or even UN agencies. On matters of global governance, ASEAN-Japan cooperation can contribute in a number of different ways. First, it can serve as one pillar for governance reform in East Asian regionalism and, by extension, in the world, given that East Asia accounts for a very large and growing part of the world population and economy. A well-governed East Asian regionalism indirectly but meaningfully contributes to global governance. Second, ASEAN-Japan cooperation can serve as a transmission mechanism for East Asian ideas and aspirations on good governance to global institutions on the one hand and for global ideas to East Asia on the other hand. Enormous positive knowledge spillovers can be created through such a two-way transmission. The diffusion of best policymaking practices is perhaps one of the most valuable benefits that can be gained from regional integration and cooperation arrangements among countries at different stages of development (such as the emerging RCEP) or even among those at similar stages of development (such as the OECD), although it is difficult to capture such knowledge spillovers through quantitative analysis. Third, ASEAN-Japan cooperation can help attract good governance with regard to science and technology cooperation. So far, most cooperation

programs involving ASEAN and its partners have been patterned as transfer mechanisms in the context of traditional North-South cooperation. Little has been done to enable ASEAN countries to access science and technology capabilities through diversity-based collaboration. This type of cooperation may look illusory at first glance. But ASEAN countries do have capacity of their own that can be combined synergistically with the capacity of its partners, and particularly that of Japan. In the event that collaboration attracts other countries from East Asia, such cooperation would serve as a glue of a stronger kind. Finally, ASEAN-Japan cooperation can serve as a model for successful pooling of resources in spite of diversity and asymmetries.

Of the immensely wide spectrum of global governance issues, some can be singled out for their immediate relevance to ASEAN-Japan cooperation. They are grouped in four clusters in the remainder of this chapter. Cluster one centers on macroeconomic stability. Cluster two pivots around sustainable development. Cluster three deals with a more equitable access to resources, participation in development, and sharing of income and wealth, or inclusive development in short. The last cluster deals with the contribution of ASEAN-Japan cooperation to comprehensive international and regional security.

ASEAN-JAPAN FINANCIAL STABILITY FORUM

Macroeconomic stability is essential to the human quest for a better life. Its global governance institutions have evolved into a high level of sophistication with the IMF, the G20, the Bank for International Settlements (BIS), and some regional institutions like the European Monetary System (EMS) and the principles and rules underlying each of these institutions. Yet, macroeconomic performance as reflected in unemployment, output growth, inflation and exchange rates, balance of payments positions, and distribution of income continues to fluctuate. At intervals, the amplitude of the fluctuation rises beyond expectation and forces governments to deploy anti-cyclical measures. In doing so, governments occasionally act selfishly, hoping to heal their respective problems of instability through beggar-thy-neighbor policies, like competitive devaluation, without due regard to the damages that are thereby afflicted on other countries. In times of crisis, huge financial wealth and even real estate wealth are destroyed. While governments are quick to re-regulate in the wake of such crises, new regulations such as the Dodd-Frank Act remain incomplete and are vulnerable to abusive practices. History often repeats itself in the financial world.

With a view to ameliorating vulnerability to erratic financial crises, ASEAN-Japan cooperation should open a dedicated window for financial stability cooperation, which can be named the “ASEAN-Japan Financial Stability Forum,” where high-level officials from institutions related to macroeconomic policymaking are involved on a tripartite basis. The forum would serve in the first place as a mechanism for knowledge spillovers. Its agenda would include what is called “domestic protection” in support of good domestic macroeconomic policy, such as inflation targeting, which is gaining a following in East Asia.⁶ The adoption of fiscal policy anchors—in the form of restraints on new government borrowing and stocks of debt—constitutes another important element, and so does the internalization of macroeconomic policymaking best practices in prudential financial services, such as the flexible adaptation of the Basel III accord to local conditions. As indicated above, one of the greatest benefits that a country can reap from membership in international organizations that include developed countries is the positive externality of learning. Beyond learning, evidence-based advocacy can also be an important element of the proposed ASEAN-Japan Financial Stability Forum. This applies in particular to macroeconomic policy cooperation in East Asia. Consolidation of the CMIM and AMRO and their subsequent elevation to full-fledged macroeconomic cooperation in East Asia would entail the responsibility to work out financial stability indicators, develop an early warning system, conduct surveillance, and trigger remedial actions when indicators threaten to move out of the agreed corridor. This proposal smells of the EMS. It may look ambitious for the time being. However, in the world of finance, where flows are continuously gaining in speed as a result of digitization, regional oases of stability are likely to prove increasingly useful.

Along with financial stability, financial inclusion ranks very high in priority in financial governance worldwide and in ASEAN. Huge, diversified financial institutions and their respective huge debtors are mostly opaque, often becoming so big as to force governments to incur tremendous costs when they fall into crisis, as many did in the Asian financial crisis of 1997–1998 and the global financial crisis of 2007–2008. Therefore, financial inclusion that allows small and medium-sized enterprises to flourish is not only virtuous from a distributional perspective, but it also lessens the probability that a financial crisis will erupt. Strengthening financial inclusion therefore merits inclusion in the core agenda of the proposed “ASEAN-Japan Financial Stability Forum.”

ASEAN-JAPAN DIALOGUE ON SUSTAINABLE DEVELOPMENT

Sustainable development has risen tremendously in importance in national, regional, and global development agendas. Its complexity is mind-boggling. It deals with the endlessly rising demand for resources that accompanies the progression of human society but that is subject to the limited carrying capacity of the earth. Whether one uses income as a yardstick or the Human Development Index (HDI), any accurate measurement of well-being, happiness, or just a good life is elusive, but the implied demand for material resources is boundless. In the case of ASEAN, for example, economic growth ranks very high among its members' development priorities. Even those countries with some of the highest per capita incomes in the world, including Singapore, Brunei, and Japan, still consider growth a necessity, notwithstanding the unclear relationship between rising incomes and people's happiness, as described by the "Easterlin Paradox," or the failure of happiness to rise with increases in income. Poor and rich countries and people living therein are somehow stuck to the dominant lifestyle of abundance in spite of its disharmony with nature's laws. The so-called "homeostatic lifestyle"—where human consumption and other activities seek to mimic nature's laws of consuming the least energy necessary and of diversification—hardly appeals to living humans of the 21st century, despite its promise of sustainability and the examples we have seen of life succumbing to such laws when natural resources have been depleted in a way that creates natural disasters, revealing the binding nature of the scarcity laws with clarity before people's eyes.

Water and Food Security

Armed with better knowledge, people now realize that fresh water resources are scarce compared with human consumption. For the time being, the burning issue is the shortage of water that people can control, like the stock captured in rivers, lakes, underground water tables, dams, and reservoirs, rather than total water resources. The scarcity is exacerbated by the disappearance of forests, the choking of rivers under human settlement, damming in favor of power generation, industrial and commercial consumption, and contamination of ground water. While Southeast Asia is endowed with higher rainfall than many other parts of the world, some areas have occasionally suffered from water crises in times of prolonged drought, which is inherent in the weather pattern of the Pacific Ocean. Southeast Asians do

not have to wait for severe crises to hit before acting to reduce their vulnerability to water shortages.

Strengthening regional cooperation in water-resource management, such as the management of shared rivers, lakes, and underground water resources, as well as in other more fundamental issues such as the halting of deforestation, reforestation, water and air pollution abatements, and the mitigation of global warming is urgently needed. A dedicated window should be created within the context of ASEAN-Japan cooperation to deal with the very complex nature of water resources, such as an “ASEAN-Japan Dialogue on Water Conservation.” Water molecules are of critical importance to life. They are even considered “living” molecules with memories of their own. As discrepancies between supply and demand worsen in Southeast Asia, solutions will increasingly depend on advances in science and technology. An ASEAN-Japan Dialogue on Sustainable Development would elevate water into its core agenda, aiming in particular at protecting water resources through sustainable use; fair sharing of rivers, lakes, and underground resources among neighboring communities; fair pricing of use; and protection against contamination from industrial pollution. The pooling of competencies from ASEAN and Japan can result in innovative solutions to both the supply of and demand for water resources.

Closely related to water security is food security. On this score, ASEAN still has a long way to go. While a great deal of progress has been made in fighting hunger and malnutrition, many Southeast Asians still suffer from malnutrition or even occasional hunger. Food insecurity is still a problem in ASEAN. East Asians happen to depend critically on rice as a staple, the cultivation and preparation of which requires a lot of water. Whichever way it is defined, food security is inconceivable in the context of East Asia without water security, the core element of food security. However, there are also other elements, such as access to continuously improved seeds, fertilizer, pest control, and other inputs. These inputs are increasingly science intensive. As the science intensity increases, food agricultural inputs may be associated with greater intellectual protection, making access increasingly difficult for farmers. Scientific collaboration in seed improvement is an area where scientists from ASEAN and Japan can bring knowledge and skills on a more equitable basis, recognizing that ASEAN countries have also built research and development competencies in this field. Furthermore, while dealing with cyclical fluctuations that are likely to come and go with oscillations in water supply and fluctuations in other inputs, ASEAN and Japan can resort to buffer stocks or strategic reserves, which are already in place on a limited scale through cooperation in East Asia. Under the proposed ASEAN-Japan Dialogue on Sustainable Development, water and food security should be placed high in the hierarchy of priorities.

Energy Security

In the current civilization of motorized global mobility and digital connectivity, energy security is existential in nature. Today's humans travel a longer distance than their ancestors and communicate with more distant places to sustain a given standard of living. Hence, energy is a major issue for global governance. It also constitutes a critical ingredient of sustainable development in East Asia, including ASEAN and Japan.

ASEAN and Japan are faced with complex energy security issues. First of all, they differ starkly in energy intensity, or the amount of energy needed to produce a unit of income. Japan's very low energy intensity is a source of envy for most ASEAN countries, though a lot of that has to do with the "soft" structure of the Japanese economy in contrast to the "hard" structure that one finds in most ASEAN countries. However, the differences point to a significant opportunity for cooperation. The widespread diffusion and adaptation to local conditions in ASEAN of Japan's low-energy-intensive production and consumption technologies would imply a huge saving. ASEAN-Japan cooperation should seek to lower the barriers to or even offer incentives for such diffusion and adaptation, given that technology often suffers from the problems of lock-in. For most users, parting from existing technology is hard.

Second, the thirst in ASEAN for energy is going to rise as the number of cars, ships, trains, aircraft, computers, and other mechanical devices rises progressively with income growth.

Third, the long-term energy outlook suggests that East Asia in general and ASEAN in particular are likely to rely more on coal in meeting their rising energy demands. Even Japan is likely to return to a similar trend after the frightening experience with the Fukushima nuclear plant meltdown. Given the structural dependence on coal, advances in clean coal technologies should constitute an important element in the proposed ASEAN-Japan Dialogue on Sustainable Development. Coal is widely considered dirty. Yet, dirt should also be seen as an untapped opportunity for technology advancements in the entire supply chain from coal prospecting to mining, hauling, mine closure, shipping, burning, and the disposal of residuals.

Fourth, renewable energy technologies, which come in small quantities, may never reach a mass that is big enough to provide a solution to economic development, which is based on massive energy consumption, or may only do so in the very remote future. However, areas such as geothermal energy, wind farming, solar energy, and biofuel can provide distributed solutions to meet the energy needs of small niches, such as villages, or even support the electricity grid to a limited extent during peak hours. Their contribution to

the energy balance can be increased through performance-based incentives, which seem indispensable in an energy market where the choice of fuels is limited and prices fluctuate erratically.

Fifth, it is hard to argue for nuclear energy after the Chernobyl and the Fukushima meltdowns. The memory of these accidents is embedded deeply worldwide. Yet, over a very long-term period when the fossil reserves run dry, alternative energy in the form of nuclear energy is likely to be needed to support the lifestyle of abundance that is very unlikely to be abandoned. Therefore, cooperation in nuclear science and technology should be kept alive in ASEAN and Japan, even if their deployment is reduced currently. Even under the most pessimistic scenario, nuclear science and technology progress is a real possibility. Given enough time, nuclear technology can perhaps spare the earth of the Chernobyl and Fukushima types of accidents. When it comes to energy security, an ASEAN-Japan Dialogue on Sustainable Development can serve as a pooling of research resources, an instrument for knowledge spillover, or even a magnet for collaborative science and technology research and development through which human capital is shared with less-developed countries. There appears to be a significant need for a separate window for an “Emerging Energy Community in East Asia” under the ASEAN-Japan Dialogue on Sustainable Development.

Energy use necessarily creates small or severe stresses on the environment. The stresses can be short-term in nature such as those one is exposed to in many major cities in the developing parts of East Asia or very long-term in nature as they accumulate in the atmosphere. The temptation is very great to free ride in matters of cross-border environmental strains. On the other hand global mechanisms still leave a great deal to be desired in terms of effectiveness. It is therefore imperative that ASEAN and Japan pursue the internalization of environmental issues within the framework of the proposed “Emerging Energy Community in East Asia.”

East Asian Comprehensive Partnership 21

Trade can be clustered together with sustainable development for various reasons. One can assume that the least imperfect competition and cooperation trade stretches the production frontier of participating economies at the lowest possible cost. Growth in all developed and emerging economies of East Asia has so far been led by trade. Small economies like Hong Kong, Macau, and Singapore; medium-size economies like South Korea, Malaysia, and Thailand; and large economies such as Japan and China share this strategy of trade-led development. Countries on the lower end

of the development ladder can still count on this strategy—with some modifications—while they seek to catch up. There is no compelling reason to consider trade-led development an outmoded strategy, notwithstanding the current euphoria about growth led by domestic demand. It is through trade and investment that more-developed countries in East Asia can provide a meaningful impetus to growth in the less-developed countries. Trade is a better aid.

East Asia, including ASEAN and Japan, is a huge, diverse region of complementary physical geographies, natural resource endowments, population dynamics, and cultures. Such diversity is often considered a challenge to economic transformation. However, it should also be seen as an ideal condition for mutually beneficial competition and cooperation. Needless to say, there are elements of these dynamics that a fruitful “ASEAN-Japan Comprehensive Partnership 21” will have to adapt to. A lot has been accomplished to reduce trade and investment barriers on intra-Asian trade through unilateral, regional, and multilateral initiatives. Measured in terms of trade and investment barriers, ASEAN today is almost unrecognizable compared with what it was in the early 1980s. Unlike the earlier developers in East Asia, such as South Korea, Malaysia, Singapore, and Thailand, which started off their respective trade-led growth with a thick margin of tariff preferences in the developed countries, today’s late-comers can no longer count on such privileges, except for in the cases of a very few products. Myanmar, Cambodia, Laos, Vietnam, and even Indonesia will have to accelerate development to be on a more competitive footing. The new opportunities are found in the global production network, particularly its East Asian leg. Those who seek to catch up will have to find niches in the global supply chain, starting with the low skill–intensive quadrants and moving gradually toward the quadrants where higher skills and knowledge are required. Continuous technology changes and progressively rising living standards in the more developed economies will force the relocation of production even under the most optimistic scenario of mechanization of production.

To allow regional production networks to continue and improve in sophistication, progress in human resource development is needed. Admittedly, ASEAN countries have accomplished a great deal in recent years in education, health, and entrepreneurship—the three core blocks of human capital. However, they are faced with huge gaps in vocational schooling, university education in science and engineering, and cross-border flows of students. While a lot has been done under the auspices of ASEAN-Japan cooperation, the partnership should focus on strengthening the catalytic role of future cooperation in order to unleash the potential in individual

ASEAN countries, which should be done by encouraging a greater proportion of ASEAN-wide programs in contrast to bilateral programs.

Effective entry to the global production network is crucial to the shift to higher-growth paths in lower-income ASEAN countries. Entry depends in the first place on the trade policy position of the respective economies. Pragmatic openness is more likely to be rewarded than nationalistic policy. Yet, pragmatic openness is far from sufficient. Attractiveness to global production networks is critically dependent on the reliable functioning of logistic services, their costs, and the trustworthiness of the myriad institutions or institutional connections that are involved in them. In countries like Indonesia, bringing connectivity closer and closer to regional best practices through investment in infrastructure is *sine qua non* for a successful, trade-led catch-up process. Considering the budgetary constraints facing the public sector, dependable public-private partnerships (PPP) are needed to push infrastructure development forward. Experiences in Indonesia demonstrate that the crafting of a PPP's reputation is a painstaking process. At its leaders meeting in Bali in 2013, APEC announced the establishment of a PPP center in Jakarta, hoping that such a center would help strengthen acceptance of PPPs among politicians and officials as well as among investors.

ASEAN and Japan are faced with a complex trade and investment policy agenda. Governments always remember to say positive words about multilateralism. However, ASEAN and Japan are unlikely to create a great deal of impetus for its progress in spite of the success at the WTO Bali Ministerial to agree on the Bali Package of trade facilitation measures. Instead, ASEAN and Japan are likely to concentrate on regional initiatives, particularly the RCEP and the TPP. These two initiatives will coevolve at different levels of ambition. The TPP may lead to a situation where non-TPP countries suffer from discrimination in a TPP signatory country compared with another TPP country. It also is likely to result in discrimination among fellow ASEAN countries toward non-ASEAN countries like Japan, Australia, and New Zealand. Therefore, "ASEAN-Japan Partnership 21" can contribute to the global governance of trade by embarking on an agenda that includes the following: (1) a strong ASEAN-Japan coalition for progress in RCEP negotiations; (2) initiatives for creating convergence between the RCEP and the TPP; (3) a credible commitment to outcome-based capacity building in all partnership initiatives, bearing in mind that such initiatives are indispensable for the active participation of developing countries in ambitious partnerships; and (4) creative ways of transmitting East Asian pragmatism to the global governance of trade. ASEAN-Japan cooperation should help urge the world to become more attentive to East Asian pragmatism as a complement

to the existing occidental governance architecture and structure. It should also help consolidate ASEAN's centrality in community building in East Asia. The imperfect cohesion of ASEAN is public knowledge, as reflected in the tendency of its members to treat as taboo some important issues such as a common external trade and investment policy. Through ASEAN-Japan cooperation, Japan can be instrumental to the crafting of a stronger cohesion even with regard to issues that are currently considered an exclusively internal affair.

Ideas on sustainable development are far from matured. The issues it entails go far beyond the few items discussed above. They include issues related to anthropogenic parts of climate change and its reduction in an environment where free riding is almost impossible to resist and declines in biodiversity and the probable "Sixth Extinction" or man-made extinction. Indeed, sustainability is inversely related to abundance. As long as the lifestyle of abundance, which goes against nature's parsimony, is the dominant design of civilization, sustainable development sounds like an oxymoron. Debates on the "homeostatic lifestyle," as conceived for example by Mahatma Gandhi in the early days of decolonization, need to be refueled, however utopian such debates may sound for the time being. Many of these issues are transnational in nature with a large window for free riding, making policymaking processes nightmarish. Disagreements persist among politicians on how to interpret scientific evidence of climate change and the depletion of biodiversity. In the meantime, some of the phenomena of degradation have become constraints to development and are expected to increasingly be so. Given that there is a great deal yet to be understood in the field of sustainable development, ASEAN-Japan cooperation in this field could produce substantial dividends.

ASEAN-JAPAN PACT FOR INCLUSIVE DEVELOPMENT

Despite the tremendous progress made in economic development in the last 40 years or so, East Asia still struggles with large-scale poverty. The number of people suffering from diverse symptoms of poverty, such as malnutrition or vulnerability to hunger, is huge. Inequality in East Asia has risen rapidly with growth, as one can see from the increases in Gini coefficients, which in the case of China was as high as 0.47 in the most recent year for which data are available. The reputation of the East Asian model of development as one of inclusive strong growth has weakened. East Asia is also home to a huge number of people who struggle to make their livelihoods because of the vulnerability of employment. Poverty and inequality can be explained

in part by the region's early development. The rest may stem from other sources, such as the tendency toward asymmetric factor price equalization under globalization in the sense that low wages in one part of the world pull down the low wages elsewhere, while high salaries in one place push high salaries upward elsewhere. This phenomenon is associated with the so-called "talent premium," which is considered outrageous in financial services and some segments of the ICT industry due in large part to the high market imperfections in these two and other knowledge-intensive industries.

Factors behind poverty and inequality are so complex that they appear almost intractable. Lack of access to clean water and clean air make people susceptible to diseases, which may afflict some people with durable disabilities and low-paying jobs for life. They also harm food production, amplifying the negative effects on people's health. A mother's lack of access to basic food and health increases the probability of her giving birth to an unhealthy baby with long-life implications. Poor health hinders a child from reaping the full benefits of education. Inferior educational attainment leads people to low-paying employment. Low-paying employment disallows people from pursuing knowledge and skill advancement on a continuous basis. Poor macroeconomic performance hurts poor people more than it does rich people. Increases in inflation rates hurt low-income people more than high-income people. They also provoke workers and their unions to ask for even higher increases in wages at the cost of unemployed citizens. Assessing the small probability of finding jobs domestically, large numbers of laborers migrate overseas, taking whatever job is on offer and risking exposure to the dangers of abusive practices as the suffering of some Indonesian migrant workers has demonstrated. Unrealistically high exchange rates divert spending from local production to imports, obstructing employment creation and delaying the transition to higher-wage economies. Poverty and inequality appear to exist in a vicious cycle. Yet, some countries in East Asia have clearly escaped such a cycle, as South Korea has most recently.

Inclusive development has risen very prominently on the agenda of scholars, governments, corporate organizations, NGOs, and international organizations in recent decades, partly because of the worrying trend of worsening inequality brought about by the recent waves of globalization. The Millennium Development Goals (MDGs) reflected a worldwide commitment to more equitable development, as do the post-2015 Sustainable Development Goals (SDGs). Inclusive development has also been accepted as a standard element in regional integration and cooperation. The European Community, for example complemented free factor movement with social programs for poor regions and large-scale resource transfers in favor of

farmers under the Common Agricultural Policy (CAP). East Asians prefer to call their regional initiatives “comprehensive partnerships,” in which cooperation such as capacity building in favor of lower-income members is given the same importance as trade and investment liberalization, at least in a normative sense. However, turning around from exclusive development to inclusive development has proven to be very hard to accomplish.

Notwithstanding years of warning against worsening inequality, the divide between the high- and low-income classes is reported to have continued to widen. The capturing of regulators by high-income groups, which led among other things to a lowered tax on high incomes and a weakened labor union in many places, has become deeply rooted over the 40 years since conservatives seized power in Europe, North America, and many parts of the developing world in the 1980s.

Recognizing the complexity of unequal development, there is no quick panacea for turning it around. Inclusiveness is also going to rely on a myriad of measures that are scattered throughout the entire policy spectrum. It will require the addition of small contributions from countless small initiatives. Finding a meaningful contribution of ASEAN-Japan cooperation to better global governance that relates to inclusive development is like finding a needle in a haystack. Needless to say, it is also going to be very diverse in kind. Some of it can result from social protection. A lot more can stem from cooperation in the areas of health, education, training, technology transfer, and better treatment of migrant workers as productive members of our societies, among others. Given the diversity in the region, ASEAN-Japan cooperation should not be primarily directed at inventing new measures. The more sensible thing to do is to amplify certain elements that have proved to be more effective than others.

One such element is policy advocacy, also referred to as “policy transfer.”⁷ Experiences of successful East Asian countries demonstrate that inclusive development depends predominantly on good domestic policies. It is only through such good domestic policies that external assistance can produce meaningful impacts. Contributions of good policies to inclusive development in low-income economies can never be overemphasized, given that a policy change is often the only alternative available to a government seeking to guide a nation to a higher position on the development ladder. From Japan, ASEAN countries can learn the smart way to combine market mechanisms with targeted government interventions. The very high proportion of government and household spending allotted to human capital formation in the form of health, education, and enterprise formation and development is something that most ASEAN countries have yet to internalize in their development policies.

Policy advocacy or transfer is an integral part of the work of the Japan International Cooperation Agency (JICA). It is also promoted through diverse channels in bilateral relations. What an “ASEAN-Japan Partnership” needs to do is to extend existing policy advocacy to areas that are more directly concerned with inclusive development and to encourage Japan and the countries of ASEAN to make such advocacy an important element in East Asian regional efforts such as the RCEP. Sooner or later, East Asia is likely to have an OECD-type of cooperation. ASEAN-Japan cooperation can serve as an attractive force for such regionwide advocacy or policy transfer. If ASEAN-Japan cooperation can facilitate the adoption or diffusion of good policy practices in ASEAN, it would mean making tremendous contributions of an indirect nature to inclusive development in East Asia in general and ASEAN in particular. Policy advocacy or policy transfer may not be as glittery as some other elements of cooperation. However, it has helped create success stories in Japan, South Korea, and other places, including China, despite the pessimistic prophecies that some European scholars made about East Asia. It also will be good policy that will distinguish the next winners within the development race in East Asia.

Human capital accumulation constitutes another distinctive feature of the East Asian development model. Its imperativeness has already been mentioned in connection with the regional production network. It is amazing that the East Asian countries or economies that have been emancipated in recent times are all thinly endowed with natural resources and that their rapid development is largely attributed to a smart strategy of human capital accumulation in environments that are generally more secular than one finds in some other countries of East Asia, like Indonesia. A number of indicators suggest that Japan and other more developed countries in East Asia have invested more intelligently in health relative to European and North American countries in similar income groups, deriving more health out of a unit of effort. The more developed countries in East Asia beat the world in terms of government expenditures on education as a fraction of GDP as well as in parents’ determination to educate their children. With strong commitments to education, Singapore, Hong Kong, South Korea, and Japan (and perhaps also soon China) have successfully enabled people to advance in social status in a single generation. These East Asian winners may still have to depend on Western science as far as the origination of big ideas is concerned. However, they have performed very well in using and modifying original ideas to the extent that East Asia, with Northeast Asia as its core, has turned into the world’s most vibrant manufacturing base. On matters related to entrepreneurship as the predominant way of turning knowledge into useful things, East Asians have nurtured dynamics of their

own. The ancestral worship that is said to be rooted more deeply in East Asia has not prevented East Asians from winning the global innovative race in a growing number of technologies, particularly consumer electronics, automotive industries, and robotics.

Human capital accumulation has been a perennial element in ASEAN-Japan cooperation, bilaterally and regionally. It is also likely to remain part of the core of future cooperation. In most cases, future cooperation is likely to be an amplification of programs that have been going on for years. Adding something original to them is not easy. However, reinvention is a constant need in a changing environment. Populations are changing asymmetrically in ASEAN and Japan, ASEAN being generally young and Japan aging most rapidly. The advancement of mechanization may help alleviate Japan's need for migrant workers, but is still likely to leave a growing hole in which human services remain indispensable. With big data, 3D printing, and synthetic biology in the frontier of science and technology and future products and services that may stream out of them, humankind is at the threshold of becoming a terra incognita. What is more, East Asian diversity is only sparsely observable even in the region's biggest metropolises. East Asia is still lagging far behind Europe in respect to intraregional *heterozygosity*, which is considered critical to progress, as explored recently by some growth economists.⁸ East Asian people-to-people connectivity is severely hampered by language barriers. A new "ASEAN-Japan Diversity Program" should be added to the expansive ongoing cooperation. Citizens of ASEAN nations and Japan should be encouraged to be universally multilingual, mastering English as a global language and one of the East Asian languages as a language of diversity. By doing so, East Asians would simultaneously be doing a much-needed service to preserve the diversity of human culture.

Even in the best governance environment, development is always probabilistic rather than deterministic. An illiterate mother may have great difficulties caring for herself during pregnancy and rearing a baby in a largely literate society. A child may drop out of school and land in a state of vulnerable employment. In short, a citizen or group of citizens in an industry or a particular space are constantly faced with countless social risks that may strike unexpectedly at a time when the extended family system is losing ground, as depicted frequently in stories about aging in East Asia, particularly Japan and South Korea. To mitigate the costs that may be incurred from the diverse risks, social protection is increasingly necessary. On this score, ASEAN countries and Japan differ starkly. Social protection has evolved to comprehensive coverage and great sophistication in some countries, but remains in a prolonged gestation in others, lagging far behind Western Europe.

There are some compelling reasons for East Asia to step up national and regional endeavors to institutionalize social protection. First, the worsening trend of inequality in the region can be moderated somewhat through a stronger social security system. Second, employment in East Asia is increasingly formal, paving the way for a financially sustainable social security system, though one has to caution against unrealistic speed toward universal coverage as it is being sought in Indonesia. Third, social security helps mobilize long-term savings, which is needed for infrastructure financing. Lastly, human life in East Asia is getting increasingly interdependent. People-to-people connectivity is rising with transnational employment and tourism of all kinds. Sooner or later, East Asia is going to have to confront social protection issues like cross-border portability of protection.

SECURITY COOPERATION

Enhancing the global governance architecture through security cooperation can provide an important basis, or type of infrastructure, on which to build greater progress in the socioeconomic sectors. In this connection, we should be confident that we are in a better world than before. Indeed, humans today have the historical privilege of living more peaceful and secure lives than their ancestors. The frequency of war has diminished greatly, and the probability of war has also lessened for reasons that are yet to be investigated thoroughly. Part of the reason seems to have something to do with the probable enormity of the cost of war. People have also gotten smarter in choosing nonviolent paths to solving disputes, including efforts to defuse them. Scientific findings about the oneness of human origins and the oneness in long-term fate may also have taught people about the need to care for one another. Furthermore, politicians are increasingly forced to listen to people's voices, respecting people's power as part of a democratic repertoire of governance.

The beast within the human animal, however, is never extinct. It is being pushed to the background of human behavior and may burst out again if provoked. Indicative of this is the plethora of nontraditional security issues that have emerged. Terrorists can incapacitate an entire city or even a state if they get hold of hazardous materials of mass destruction such as nuclear technologies or biological weapons. With increasing connectivity, the damage that a terrorist act can cause can be enormous.

Counterterrorism

Given that the 9/11 terrorist attacks in the United States were followed by a series of terror bombings in ASEAN carried out by violent and extremist nonstate actors, ASEAN-Japan cooperation against terrorism should be given a high priority. It is encouraging to note that a set of measures have been pursued through the mechanism of the ASEAN-Japan Counter-Terrorism Dialogue. The measures already taken, including those on money laundering and border controls, must be further enhanced. Terrorist groups can be deprived of material resources if governments can cooperate closely to tighten their grip and fight money laundering. In view of the particularly weak maritime border control mechanisms in the region, there is a growing need to maintain order more effectively in the waters of Southeast Asia. ASEAN and Japan should consider establishing a regional academy for maritime law enforcement agencies (such as coast guards and water police/harbor patrols) that would train and educate civilian officers. Since the Japan Coast Guard is the oldest and largest coast guard in Asia, its leadership role would be highly welcome. Controlling the trade in hazardous materials and nuclear technologies should also be highlighted in this effort.

One additional important perspective in contextualizing global governance of counterterrorism in Southeast Asia and of regionalizing security cooperation within ASEAN and between ASEAN and Japan is to harmonize and synchronize peacebuilding efforts and counterterrorism activities in post-conflict regions and countries in an effective way. Peacebuilding is a package of efforts to consolidate the social structure for sustainable peace in regions or nations that emerged from conflict to avoid relapse into violence. Pursuing the ASEAN-Japan policy “best mix” of peacebuilding and counterterrorism would significantly reduce the risk of radical nonstate terrorist groups manipulating often complex and confusing post-conflict situations.

Nuclear Nonproliferation and Nuclear Security

While we recognize the enduring utility of the peaceful use of nuclear energy, the nonproliferation of and the enhancement of security from military use of nuclear materials and devices must be strictly governed globally. As the only country in the whole world that has experienced the horror of an atomic bombing, Japan has a special responsibility to advance nonproliferation, nuclear security, and eventual nuclear disarmament. Multiple norms and practices attempt to curtail nuclear ambition, like the Nuclear Non-proliferation Treaty, International Atomic Energy

Agency, the Comprehensive Nuclear Test Ban Treaty, and the Proliferation Security Initiative, among others. Thus, it is in the shared interests of ASEAN and Japan to sustain and enhance the legitimacy and credibility of these mechanisms. Additional efforts involving capacity building on export controls for nuclear material and nuclear-related technologies on the part of ASEAN countries should be promoted. Furthermore, combining nuclear security with counterterrorism measures is an urgent task for ASEAN and Japan as these horrific devices are no longer monopolized by state actors.

International Law and Global Governance

Having discussed the innovative ways to address a set of nontraditional threats to regional and global security governance, we cannot lose sight of the security challenges in East Asia that might be triggered by failures to manage the more traditional types of rivalries over national sovereignty and territorial integrity. The stakes are high, as East Asia is getting more assertive in dealing with territorial disputes, particularly—but not exclusively—in the South China Sea and the East China Sea. It is regrettable that wealth has apparently emboldened East Asians to uncouple from the avoidance strategy that has served the region very well for decades. In the face of disputes and differences that arise between Japan and ASEAN, or any ASEAN member, it is important to go back to the basics and explore ways to resolve the issues in a rules-based and timely manner, respecting the value of the norms of international law and, where appropriate, with reference to the relevant international institutions including the International Court of Justice. This spirit of adhering to the rule of law would also prove to be highly relevant when ASEAN and Japan are faced with many intricate troubles with China, for example, dealing with matters ranging from intellectual property to territorial disputes. Indeed, agreed principles and common practices of international law are considered the most explicit in the formation and performance of global governance mechanisms. Here both ASEAN and Japan should be the key actors, not simply the followers, to form and properly apply international norms. For this purpose, it would be a useful step to organize an “ASEAN-Japan Commission of Eminent Experts for International Law Principles and Practices” to survey and report on the conformity of emerging and on-going controversies in the region, with a view to better understanding and agreeing on how international law principles might be applied to resolve, manage, and frame these controversies.

Support for Local Democratic Governance

In view of the fact that domestic turmoil even in a far corner of this globalized world, exacerbated by the rise of failed or vulnerable states, can affect the everyday lives of the people in East Asia, it would prove to be quite useful for ASEAN and Japan to coordinate their efforts to more proactively promote the local democratic governance of those failed or vulnerable members in the international community to lay the foundation for a broader global governance system. In this regard, one useful and concrete step might be to sign an acquisition and cross-servicing agreement between ASEAN and Japan, later possibly joined by other like-minded members in East Asia (namely, South Korea and Australia), to further facilitate joint participation in UN-mandated peacekeeping and peacebuilding missions as well as in humanitarian assistance and disaster relief efforts. Since East Asia is prone to natural disasters, it would also be useful, for example, to establish an ASEAN-Japan Disaster Relief Center in Okinawa, Japan, because of its proximity to Southeast Asia, to better prepare the region through capacity building, joint training, and collaborative relief operations.

CONCLUSION

The essence of global governance is our ambitious and collective attempt to build a more peaceful world order by preventing the so-called “tragedy of the commons” on the one hand and by exploring agreed-upon measures among a broad range of stakeholders on the other hand to address issues of global significance in a more innovative way. Today, ASEAN and Japan share an interest in and responsibility to play a key role in advancing and maintaining good global governance structures. The legitimacy of their roles comes from the unique experiences that both ASEAN members and Japan have shared over the years in transforming their own internal governance structures in mostly peaceful and constructive ways.

Bearing in mind their growing responsibility toward the rest of the world, ASEAN and Japan should be confident of their best collaborative practices—from macroeconomic stability to inclusive and sustainable development, as well as to the broadly defined policy areas of comprehensive security—as they give impetus to the evolution of a better and more effective global governance toward the year 2025 and beyond.

NOTES

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