

# ASEAN & Japan: Overview of Bilateral Relationship



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Japan is one of the earliest partners of the Association of Southeast Asian Nations (ASEAN). Even before ASEAN's founding in August 1967, Japan had strong relations with its five founding members – Indonesia, Malaysia, the Philippines, Singapore and Thailand. In their earlier years, these relations were, in most cases, marred by various degrees of animosity born of the atrocities of Japanese occupation. Nevertheless, the benefits that each side derived from the relationship quickly became apparent.

As Asia's only developed economy, Japan, after the Pacific War, rapidly became a major export market for the raw materials and, later, manufactured products of Southeast Asia. Many of these exports were made possible by massive Japanese investments in a wide range of sectors of Southeast Asia's economies in combination with large-scale Japanese government assistance programs that, in several instances, started out as war reparations. A number of milestones in the ASEAN-Japan relationship marked and gave impetus to this trend. Two of the earliest ones were the enunciation of the Fukuda Doctrine in 1977 and the appreciation of the Japanese yen as a result of the 1985 Plaza Accord.

## The 1974 Anti-Japanese Riots

In January 1974, when Japanese Prime Minister Kakuei Tanaka went on what was, for Japanese leaders, to become a regular and routine tour of Southeast Asian capitals, he – and Japan – were shocked to be met by anti-Japanese demonstrations of surprising ferocity in Bangkok and Jakarta. What precisely gave rise to these incidents of mass vehemence is now lost in the mists of history, but in any case it led to a deep rethinking and reformulation of Japan's relationship with its neighbors to the south.

Not very long before the Tanaka tour, Japan had tried to integrate Southeast Asia into its own sphere through military occupation and economic domination in a "Greater East Asia Co-prosperity Sphere." The effort led to widespread destruction and tragedy, not least in its impact on Japan-Southeast Asia relations. This time, after the war's end, the relationship, as Japan publicly projected it, would be based on mutual benefit and peaceful cooperation.

Moreover, the 1973 oil crisis, precipitated by conflict in the Middle East, had exposed Japan's vulnerability to the cut-off of its access to crude oil and other natural resources essential for its industrial power and possessed in abundance by the countries to the south. That sense of vulnerability to a cut-off, which actually took place in the 1930s and 1940s, had given rise to Japan's military actions and the tragedy and atrocities of the Pacific War. By the time of Tanaka's Southeast Asian visits, a newly independent Indonesia had emerged as an important source of energy and, together with its Southeast Asian neighbors, of valuable minerals and other commodities. Japan's export-fueled economy, before and after the war, also depended in large measure on the Southeast Asian market.

## The Fukuda Doctrine

On August 4-5, 1977, ASEAN convened its second summit meeting in Kuala Lumpur, only a year after the first on the Indonesian island of Bali, ostensibly to commemorate the 10th anniversary of the association's founding. On that occasion, Japan's Prime Minister Takeo Fukuda and those of Australia and New Zealand met

the political leaders of the then five ASEAN member states. After the meeting with ASEAN, Fukuda went on a tour of the ASEAN member countries, as his predecessors had done and his successors were to do. At the end of his tour, in Manila, Fukuda enunciated his doctrine, which later Japanese leaders were to invoke ever since.

The doctrine had three basic elements. One was to reassure Southeast Asia of Japan's commitment to peace and rejection of military power. The second was to pledge Japan's efforts to foster mutual confidence and trust with the nations of Southeast Asia on the basis of "heart-to-heart understanding." The third was Japan's commitment to cooperation with ASEAN as a group and as an institution and with the "nations of Indochina," which had just emerged from war.

The second early milestone in Japan-Southeast Asia relations was the Plaza Accord of September 1985. That agreement, entered into by the world's then five leading industrialized nations – France, West Germany, Japan, Britain and the United States – called for the depreciation of the US dollar against the Japanese yen and the German mark. The resulting appreciation of the yen induced Japanese companies, encouraged by the Japanese government, to relocate their direct investments outside Japan, notably to Southeast Asia. This, among other factors, launched the industrialization of Southeast Asia.

In order to support these corporate moves and decisions, the Japanese government had to extend assistance to the Southeast Asian nations, transforming, in most cases, war reparations seamlessly into official development assistance. People's purchasing power had to be raised in order to expand Southeast Asia's domestic consumer markets. Their skills had to be upgraded for their efficient employment in Japanese firms. Infrastructure, like ports, roads, bridges and airports, had to be built.

## Japan as a Leading ASEAN Partner

Today, with Japan remaining as the world's second largest economy (with China's much-larger population breathing down its neck), the exports to Japan of Southeast Asia's six leading trading nations (Singapore, Malaysia, Thailand, Indonesia, the Philippines

and Vietnam), at \$105 billion in 2008, far exceeded their exports to China, at less than \$86 billion, even as those same ASEAN countries' imports from Japan, at \$107 billion, about equaled their imports from China. Similarly, investments from Japan in Southeast Asia, at almost \$8 billion in 2008, outstripped China's \$1.5 billion. It is to be noted that participation in the ASEAN Industrial Cooperation scheme, or AICO, is dominated by Japanese companies, mainly in the automotive or electronic sector. Under AICO, firms operating in two or more ASEAN countries are allowed to ship their products to one another free of duty.

Japan supports measures that are meant to advance regional economic integration in Southeast Asia, such as capacity-building in customs operations and the harmonization of product standards. It is the largest contributor to the multilateralized ASEAN Plus Three (China, Japan and South Korea) currency swap arrangement under the Chiang Mai Initiative. Japan's contribution is equaled only by the combination of China and Hong Kong. Japanese professionals dominate the leadership and work of the Asian Development Bank, for whose successes Japan can take credit and for whose shortcomings it must assume responsibility. Japan is also a leading promoter of the East Asia Summit (EAS), a forum of the leaders of the 10 ASEAN members, Australia, China, India, Japan, South Korea and New Zealand, with ASEAN at its core. Mainly in support of the EAS, Tokyo has devoted resources to the Economic Research Institute for ASEAN and East Asia (ERIA). It has also pushed for a Comprehensive Economic Partnership for East Asia, which envisions in the first place a free trade area among the EAS countries.

Beyond direct economic linkages, Japan has contributed significantly to the building of institutions and the relief of inhabitants in war-ravaged Southeast Asian nations. ASEAN had Japan's support in its resistance to Vietnam's military occupation of Cambodia in the 1980s and in its efforts towards a political settlement of the conflict there. Japan provided the leadership of the postwar United Nations Transitional Authority in Cambodia. It suggested valuable ideas for the settlement of the 1997 civil conflict there.

Japan was also at the forefront of reconstruction efforts in the wide swaths of Southeast Asia and elsewhere devastated by the December 2004 killer *tsunami*, including Aceh, and in East Timor following the violence in that new country.



Photo: AFRO

*After winding up a tour of East Asian countries on Aug. 18, 1977, Japanese Prime Minister Takeo Fukuda and his delegation leave for home from Manila airport.*

## Supporting Southeast Asia's Regionalization

Recognizing the importance of a sense of regional identity and of people-to-people exchanges for regional economic integration, political cohesion and regional cooperation and for international relations in general, Japan has long been a large contributor to the cultivation of such endeavors and regional relationships. It has given the bulk of the funding for the Jakarta-based ASEAN Foundation. It endowed a Cultural Fund, the interest on which has financed numerous ASEAN cultural activities for many years. It has sponsored regular contact among young Japanese and Southeast Asian people. These include the Ship for Southeast Asian Youth which since 1974 has annually gathered more than 300 youths from Japan and Southeast Asia for about 50 days aboard a Japanese cruise liner that docks at several Japanese and Southeast Asian ports.

Yet, despite all this expenditure by Japan of financial and human resources in Southeast Asia, it is increasingly looked upon as a stagnant, even declining, power. **JS**

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