

Exclusive Interview

LEADERS IN JAPAN

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ASEAN: A New Stage of Community Building amid Geopolitical & Economic Uncertainty

By Mohan Gopal

The Economic Research Institute for ASEAN and East Asia (ERIA) is a Jakarta-based international organization leading economic policies in ASEAN and East Asia. Its mission is to achieve sustainable economic development in this area. This is important for global growth as well, since this is the area enjoying the most dynamic growth in the world and considered the engine of the world economy.

Another important point is that ERIA is working on a wide range of policy issues ranging from trade and industrial policy to macro policy, energy and environment policy, so its interdisciplinary approach would be effective in pursuing well-balanced economic development. Thirdly, it is working on not only short-term policy goals such as stabilizing business cycles but also long-term ones such as achieving equilibrium among the economy, environment, and energy.

ERIA's contribution to global governance should be encouraged in the light of rising geopolitical risks today, since its most important policy goal is to realize a rules-based international order supporting trade liberalization which its principal member nations such as ASEAN embrace as the key to their stable development. Amid geopolitical and economic uncertainty, trust building is very important and trust can only be achieved by rules and a rules-based international economic order. Nations with different political regimes and different values, such as Asian nations with different historical backgrounds, could then be better connected.

Japan SPOTLIGHT is privileged to interview Tetsuya Watanabe, president of ERIA, on its mission and roles in developing Asia's future. He worked for METI for more than 30 years, mainly in the international trade policy area, and is an expert on Southeast Asian issues.

(Interviewed on June 2, 2025)

ASEAN's Enhanced Influence

JS: Thank you very much for taking the time, Mr. Watanabe, from your intense schedule.

Watanabe: It is an honour. Thank you very much for inviting me.

JS: I have three main questions. The first one is that you are one of very few Japanese heads of an international organisation. How do you see your mission in global economic society?

Watanabe: We are seeing fundamental changes in the global and regional landscape, driven by 1) geopolitical tensions, 2) technological disruption, and 3) the imminent need for climate action. In this environment, ASEAN plays a key role because it is now a driver of global economic growth, and it provides political stability amid the uncertain global political environment. We are working with ASEAN – with its member states and its Secretariat – in its policymaking, which stems from evidence-based policy analysis.

If I may say a little bit more about ASEAN: it is not the ASEAN of 10 or 20 years ago. It is quite different. It has transformed dramatically. Over the past decades, its economic growth has risen highly, with capable and steady political leadership and a strong

model of collective diplomacy; this has given ASEAN influence over regional and global affairs. ASEAN's "agency" has grown significantly over the past years. People are talking about the Global South – ASEAN, India, Africa, the Middle East, South America. I think a global powershift is happening. For Japan, ASEAN is a sort of gateway to the Global South. In the past, the political and economic narrative always came from the West – from the United States, from Japan, from Europe. But now ASEAN's narrative power and convening power are gaining prominence. ERIA is located in the heart of ASEAN, in Jakarta, Indonesia. We work with ASEAN Member States (AMS) and the ASEAN Secretariat on many issues – trade and investment, supply chains, climate and energy issues, public health, the digital economy and startups. Our mission is to strengthen its policymaking capacity, as well as its voice and narrative in both global and regional settings.

Interpretation of ASEAN Summit 2025

JS: What did you expect from the ASEAN summit this year? How can ERIA contribute to the ASEAN community's vision?

Watanabe: Malaysia's chairmanship of ASEAN has started quite successfully. At the previous summit held in May in Kuala Lumpur, we attended some of the meetings on the margins of the Summit. We could see strong leadership coming from Prime Minister Anwar Ibrahim and the Malaysian government in showcasing ASEAN's strengths in the changing global landscape. Of course, US President Donald Trump's tariffs affected ASEAN significantly. For example, Vietnam has been imposed with a tariff of 46%, and Cambodia 49%; for Indonesia, it is 34%. However, what is remarkable is ASEAN's unity which strengthened its resolution as a region. They are trying to further strengthen regional integration, work closely to facilitate cross-border trade and improve the domestic investment environment.

Of course, negotiating bilaterally with the US is one way, but it is remarkable to see that ASEAN is taking this challenge and uncertainty as an opportunity to deepen its integration as a single market. Also, ASEAN is making efforts to diversify its export markets. For example, Anwar held an ASEAN-GCC (Gulf Cooperation Council) summit meeting recently. That is a win-win situation, because the Middle East is also a growing economic region and both regions can connect more closely. Here at ERIA, we are contributing to this process. We have done simulation studies of the impact of ASEAN and GCC concluding an FTA in the future. We have constructed an economic impact analysis which went up to the

leaders of both ASEAN and GCC countries. This is one example of ERIA's contribution to the ASEAN Community's Vision. We are also working on semiconductor supply chains and energy transition to support Malaysia's ASEAN chairmanship's priority economic deliverables this year.

In addition, ASEAN is scheduled to conclude the ASEAN Digital Economy Framework Agreement (DEFA) by the end of this year under the ASEAN chairmanship of Malaysia. And ERIA is contributing to the negotiation process as well through our policy studies and capacity building programs. These are some of the areas where ERIA has been trying to align with ASEAN priorities this year.

ASEAN's Response to Trump Administration's Tariff Policy

JS: Thank you for that detailed answer. We are in a world of rising geopolitical risks and economic security concerns. How do you think ERIA can contribute to ASEAN given these risks, and in particular regarding Trump's tariff policy?

Watanabe: As I mentioned earlier, the Trump tariff policy is affecting many ASEAN countries. But they see this as an opportunity to strengthen their own economic resilience as a region, promoting intra-trade and investment, domestic reform, cross-border trade, digital innovation, adoption of AI and common action for addressing climate change. A strong leadership message is coming at this stage from Malaysia, for ASEAN to strengthen integration amid political tensions. At the ASEAN Summit in Kuala Lumpur in May, a resolution for the future was adopted, namely "The ASEAN Community Vision 2045". The slogan is: "Our shared future – resilient, innovative, dynamic and a people-centric ASEAN". ASEAN also adopted a strategic action plan for political security, economic community, socio-cultural community, and connectivity.

I think they identify their policy priorities as supply chains, trade and investment, digital and AI, energy transition, and public health. These are all quite aligned to their vision as a community and with Vision 2045, with strategic action plans outlined for each year.

On Trump's tariff policy, actually, we have already worked quite intensely at the request of ASEAN policymakers to assess this policy's impact on the ASEAN as a region, as well as on individual member countries, in terms of GDP, trade and how investments and supply chains may shift.

Our work is still going on, but we have presented our preliminary findings to the newly established ASEAN Geo-economic Task Force (GTF) co-chaired by Indonesia and Malaysia. The GTF was

established to understand the impact and the policy actions needed to overcome the Trump administration's tariff policy towards Southeast Asia. As I mentioned earlier, ERIA was tasked by the trade and economic ministers of ASEAN and the Task Force to help in understanding the impact and provide policy recommendations.

Important Long-Term Policy Issues

JS: Thank you for your interesting response. Let's move on to questions which are related to long-term challenges such as energy transition.

Watanabe: You may know about the initiative called the Asia Zero Emission Community (AZEC) originally launched by former Japanese Prime Minister Fumio Kishida in 2023. At the AZEC Leaders Meeting in November 2024 in Vientiane attended by current Japanese Prime Minister Shigeru Ishiba, ERIA was tasked to be a policymaking platform to support the initiative, and we are hosting a center called the Asia Zero Emission Center. We are doing three things at the center:

1. Roadmap exercise – this is a sort of “back-casting” from the net-zero targets for 2055 for ASEAN as a region and its individual countries. To begin with, we are looking at what transition technology is available at this time and the cost. In what manner can individual countries deploy this technology?

2. Sector-specific actions, particularly on: 1) power, 2) transport, 3) industry emissions.

3. Market enablers. We are working on transition finance in collaboration with Japan's METI and the Asian Development Bank. We are also working on the voluntary carbon market mechanism. This is in collaboration with ASEAN Capital Markets Forum, which is a subsidiary body under the finance ministers of ASEAN.

Most important for AZEC is to implement specific business activities. To achieve this, in collaboration with the governments of ASEAN, Japan, and Australia, ERIA is supporting the implementations of specific energy transition projects.

If I may touch upon digital economy and innovation. We launched the ERIA Digital Innovation and Sustainable Economy Centre (E-DISC) two years ago. We are working with Japan and ASEAN member states to support the DEFA negotiations as well as provide a policy dialogue platform and a friendly networking atmosphere for ASEAN-based startups.

On public service aspects, our healthcare unit is working on ageing issues, particularly in countries like Vietnam and the Philippines, in collaboration with the OECD. We analyse the impact of an ageing society on macroeconomic and financial sustainability and

the appropriate policy response to address this challenge. Further, we have just launched a new internship program for medical doctors of ASEAN to visit and stay at Japanese medical schools to learn about Japanese medical practices.

These are our current priorities and areas of activities. I notice I haven't answered your question on economic security.

JS: Yes, please, if you have time could you give us a brief insight?

Watanabe: On economic security, especially relating to high-tech issues like AI, we are examining how Japan and some ASEAN member states can collaborate. These are important but sensitive matters, so we have to be careful how to proceed. In relation to this, human resource development is an important issue that the ASEAN region needs to address. For example, the semiconductor industry is coming to this region but there is a sparsity in human resources for this. To address this gap, we have to consider skill development programs. Advancement of science and technology is indeed a critical issue for ASEAN. It is an upcoming agenda and provides plenty of scope for cooperation between Japan and ASEAN.

Another interesting question could be related to regional FTA issues. There is the RCEP and the CPTPP; some of the ASEAN countries are finalising agreements with the EU. I don't think the US is interested in these kinds of agreements, so in the meantime ASEAN, the CPTPP and the EU are collaborating and strengthening partnerships to provide stability amid the uncertainties in the global environment. ERIA is working on these areas to support ASEAN and will continue to do so.

JS: Thank you for your time in the midst of your extremely busy schedule.

Watanabe: Thank you very much for this great opportunity. I am deeply honoured to be a part of this respected journal.

JS: We hope you have good luck in your important work. Thank you.

JS

Written with the cooperation of Mohan Gopal, an IT professional living in Tokyo since 1991. He is a multi-culture specialist, teacher and sales coach and is closely associated with global humanitarian organization The Art of Living as special advisor in Japan. He is also an Editorial Committee member of *Japan SPOTLIGHT*.