

Part II

4. Strengthened ASEAN Centrality and East Asia Collective Leadership


v. Strengthened ASEAN Centrality and East Asia Collective Leadership: Role of Japan-ASEAN Cooperation as Development of Heart-to-Heart Diplomacy

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Strengthened ASEAN Centrality and East Asia Collective Leadership: Role of Japan – ASEAN Centrality and ASEAN–Japan Cooperation as Development of Heart-to-Heart Diplomacy

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Discussion Points

- How and as what kind of a partner has Japan regarded the Association of Southeast Asian Nations (ASEAN) countries and vice versa?
- How can ASEAN play an important role in the Asia-Pacific region under the concept of ASEAN centrality in cooperation with Japan?
- How can ASEAN and Japan continue reciprocal cooperation and strengthen ASEAN centrality towards 2040?

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1. Introduction

Although 'centrality' is a relatively new political economy concept for ASEAN, it is a major issue for multinational frameworks. This technical term first appeared in the ASEAN Charter, the official document and the constitution of ASEAN.² The chair's statement of the ASEAN Summit held in Hanoi, Viet Nam, on 28 October 2010 also explicitly mentioned ASEAN centrality.³ The concept of ASEAN centrality signifies that ASEAN needs to play a central role in multinational frameworks of the Asia-Pacific region (sometimes analogous to 'the institutional hub', 'fulcrum', or 'ASEAN in a driving seat'). In other words, this concept has been recognised as a 'primary driving force' to consolidate a framework, together with the cooperation of external partners, in evolving regional architecture and ASEAN integration. ASEAN centrality is a product of both ASEAN and external players (Acharya, 2017).

When it comes to the viewpoint of Japan, which has built a close relationship with ASEAN and is still a major power in the Asia-Pacific region, the strategic importance of ASEAN is characterised by three factors: (i) geographical factors (sea lines of security); (ii) political economic factors (strong economic cooperation using not only official development assistance (ODA) and foreign direct investment (FDI) but also down-to-earth political cooperation); and (iii) changing strategic environments surrounding East Asia (the rise of China, the new rebalance policy of the United States, etc.) (Shoji, 2014).

With respect to building relationships between ASEAN and other countries and regions, Ravenhill (2010) argued that free trade agreements (FTAs) with dialogue partners stemmed from the 'political domino effect' rather than the potential economic effect. On the basis of East Asian regionalism, to reflect the primacy of political motivations in concluding

² One of the main purposes of the ASEAN Charter is 'To maintain the centrality and the proactive role of ASEAN as the primary driving force in its relations and cooperation with its external partners in a regional architecture that is open, transparent, and inclusive' (Article 1.15). It also emphasises 'the centrality of ASEAN in external political, economic, social and cultural relations while remaining actively engaged, outward looking, inclusive, and non-discriminatory' (Article 2.2 (m)).

³ The statement stressed the importance of enhancing and maintaining ASEAN centrality in the evolving regional architecture.

intergovernmental agreements, ASEAN centrality was formed as a result of this complex architecture of FTAs. On the other hand, Japan is one of the countries that vied to conclude FTAs with ASEAN and its member states (AMS), in competition with the Republic of Korea (hereafter, Korea) and China, to establish FTA networks (table) Yamakage (2016) showed that Japan changed its perception of ASEAN in view of diplomacy. Instead of being a mere target of cooperation, ASEAN has become a significant partner in the implementation of regional collaboration policies that encompass the framework of ASEAN and Japan as well as the broader regional framework beyond ASEAN.

Table 1: EPAs/FTAs Concluded with Japan

Country/ Region	Commenced	Signed	Entered into Force	Note
Singapore	January 2001	January 2002	November 2002	Amendment in September 2007
Mexico	November 2002	September 2004	April 2005	Amendment in April 2012
Malaysia	January 2004	December 2005	July 2006	
Chile	February 2006	March 2007	September 2007	
Thailand	February 2004	April 2007	November 2007	
Philippines	February 2004	September 2006	December 2008	
Indonesia	July 2005	August 2007	July 2008	
Brunei Darussalam	June 2006	June 2007	July 2008	
AJCEP	January 2007	March and April 2008	December 2008	Substantial conclusion of Chapters on Trade in Services, Movement of Natural Persons, and Investment in November 2017.
Switzerland	May 2007	February 2009	September 2009	
Viet Nam	January 2007	December 2008	October 2009	
India	January 2007	February 2011	August 2011	
Peru	May 2009	May 2011	March 2012	
Australia	April 2007	July 2014	January 2015	
Mongolia	June 2012	February 2015	June 2016	
EU	April 2013	July 2018		
TPP	July 2013	February 2016		
CPTPP	May 2017	March 2018	December 2018	

AJCEP = ASEAN—Japan Comprehensive Economic Partnership,

CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership, EPA = economic partnership agreement, EU = European Union, FTA = free trade agreement, TPP = Trans-Pacific Partnership.

Source: Compiled by the authors.

This paper patches together these fragmented discussions of previous researchers in reviewing the history of Japan's economic and industrial cooperation with ASEAN. We emphasise the importance of continuing and renewing the reciprocal industrial cooperation between ASEAN and Japan, mainly in terms of the role Japan should play in ensuring and strengthening ASEAN centrality in the regional architecture. The implicit assumption we make is that ASEAN's economic strength and vibrancy are at the heart of its ASEAN centrality. We argue that the key to the robust relationship for both parties is 'socio-economic industrial cooperation', escalated from existing mere 'industrial cooperation', in which Japan has an advantage in addressing increasingly complicated and difficult socio-economic problems such as aging societies. It is hoped that such cooperation, based on Japan's experience, will contribute to bolstering ASEAN centrality associated with conventional heart-to-heart diplomacy.⁴

This paper is organised as follows. Section 2 examines the history of the ASEAN–Japan relationship by dividing it into four periods. Section 3 presents what these two parties need to do to enhance the relationship and strengthen ASEAN centrality towards 2040. Section 4 concludes.

2. Examination of the ASEAN–Japan Relationship

Our paper attempts to review the history of ASEAN centrality – from its advent, the increase in awareness, to the recent decline – with a focus on the ASEAN–Japan relationship. To understand the transition of the concept, we divide ASEAN's history into four periods from the establishment of ASEAN to the present. We show that economic cooperation provided by Japan has fostered the power of ASEAN as a political body and consolidated ASEAN's centrality in the architecture of the Asia-Pacific region.

⁴ Japan established so-called heart-to-heart diplomacy built on relations of trust by reflecting on World War II when it restarted the relationship with ASEAN. For more details, see subsection 2.1.

In examining the ASEAN–Japan relationship, this paper discusses the transition in Japan’s attitude toward ASEAN: (1) the inception of the heart-to-heart relationship and intercommunication between ASEAN and Japan (creation phase of ASEAN: 1960s–1980s); (2) the development of the alliance between the two parties, focusing on industrial cooperation from Japan after the Cold War (early phase of the ASEAN Economic Community (AEC): 1980s–1990s); (3) emphasis on a mega-regional community in the context of China’s emergence (peak and deterioration in ASEAN centrality: 1990s–2010s); and (4) the challenge of ASEAN centrality after the establishment of the AEC (new phase of ASEAN centrality: 2010s). Through a historical overview, we present agenda items to enhance the relationship towards 2040, mainly from the perspective of industrial cooperation, which has been the largest contribution of Japan to the consolidation of ASEAN centrality.

2.1. Creation Phase of ASEAN (1960s–1970s)

Immediately after the establishment of ASEAN in 1967, Japan started expanding its trade, investment, and aid provision to AMS – contributing significantly to ASEAN’s economic development. Japan established the yen-loan finance system (the Overseas Economic Cooperation Fund) in 1961 as a tool to provide long-term credit to developing countries in a different manner from post-war reparation. Despite its explicit objective to advance economic cooperation through stable provision of finance, the fund had an implicit intention to increase manufacturing exports, especially of the chemical plant industry, and to strengthen the global competitiveness of these Japanese industries through ‘tied loans’.⁵ Nonetheless, this is how Japan rapidly built a close relationship with ASEAN in the early development stage.

The ultimate objective of establishing ASEAN as a group of small and medium-sized nations was to avoid unnecessary regional conflicts carried out amongst large nations in terms of security interests.⁶ Taking into

⁵ In general, a government provides a tied loan to a foreign borrower in return for the promise that the borrower will purchase goods and services from the lender’s country using such loan.

⁶ This concept of security interests was reflected in formulating the 1971 Zone of Peace, Freedom and Neutrality and the 1976 Treaty of Amity and Cooperation in Southeast Asia.

consideration this founding principle of ASEAN and reflecting on World War II, Japan's initial relationship with ASEAN put particular emphasis on 'heart-to-heart' intercommunication so as not to impair ASEAN's regional autonomy. This was demonstrated by the careful diplomacy of the former Japanese Prime Minister Kakuei Tanaka. Nikai (2017) recounted the anti-Japanese riots that took place when Prime Minister Tanaka visited Indonesia in 1974, and states that the strong opposition expressed by AMS signalled an opportunity to reconsider the relationship and promote better understanding of Japan amongst the people of ASEAN.

In March 1977, the first formal relationship between ASEAN and Japan was formed at the 1st ASEAN–Japan Forum, which built on the ASEAN–Japan Rubber Forum, to discuss a variety of economic issues. Subsequently, in August 1977, former Prime Minister Takeo Fukuda was invited to the Japan–ASEAN summit on the sidelines of the 2nd ASEAN Summit. There he proposed financial support (\$100 million) to the ASEAN Industrial Complementation project to promote ASEAN regional economic cooperation which had been launched in 1976. He also delivered a speech in Manila on the last day of his visit to ASEAN, known as the 'Fukuda Doctrine', which became a fundamental part of Japan's foreign policy towards ASEAN.⁷ In 1978, Japan obtained the status of dialogue partner with ASEAN.

2.2. Early Phase of the ASEAN Economic Community (1980s–1990s)

The most significant change in ASEAN in this period was a transformation of its collective industrial strategy from the 'import-substitution heavy chemical industry' to the 'foreign capital dependence and export-oriented industry' after experiencing a crucial fail in the former industrial strategy.⁸ ASEAN intended to achieve industrialisation by attracting FDI from multinational firms, including Japanese ones, to special economic

⁷ The Fukuda Doctrine advocates the three principles of Japan's foreign policy: (1) Japan rejects the role of a military power; (2) Japan increases mutual confidence and trust; and (3) Japan is an equal partner of dependence, i.e. mutual dependence.

⁸ The 3rd ASEAN Summit held in Manila in 1987 formally authorised the collective strategy of foreign capital dependence and export-oriented industry.

zones. In line with this strategy shift, Japan aimed to change the target of economic cooperation – particularly to nurture the local private sector and overseas expansion of Japanese firms that tried to set up production bases directly in AMS such as Malaysia and Thailand. Rapid appreciation of the Japanese yen, caused by the Plaza Accord in 1985, accelerated this change on Japan’s side.⁹

In addition to the establishment of the ASEAN–Japan Development Fund in 1987, conspicuous economic cooperation that was developed and deepened during this period includes the Brand to Brand Complementation (BBC) and ASEAN Industrial Cooperation (AICO) schemes. Mitsubishi Motors Cooperation proposed the BBC scheme to ASEAN to take advantage of scale economies and regional trade within ASEAN.¹⁰ This scheme was epoch-making in greatly helping Japanese firms, especially automobile and electric appliance firms, to produce manufacturing parts collectively in one country; it also enhanced the trade and mobilisation of such parts under the same brands, and thus met ASEAN’s expectations to set up domestic production bases. The AICO scheme, based on BBC, provided an opportunity for multinational firms to carry out trade with tariff rates of less than 5% within the region to promote effective division of production bases and facilitate complementation of manufacturing parts before the start of the ASEAN Free Trade Area (AFTA).¹¹

The Cold War ended in 1989 and was followed by a large wave of regionalism (which means a slowdown of multinationalism) (Baldwin, 1993).¹² In this context, ASEAN aimed to transform itself from a superficial association in the international arena to a substantially integrated regional economy. Soon after ASEAN’s decision, this transformation came to fruition in the successful establishment of the AFTA at the 4th ASEAN

⁹ Japan experienced a severe trade war with the United States and the European Economic Community. The trade environment surrounding Japan was another reason for the change in its attitude towards ASEAN.

¹⁰ The memorandum of the BBC scheme was signed amongst economic ministers at the 20th ASEAN Economic Ministers Meeting in October 1988.

¹¹ The AICO scheme was proposed at the 5th ASEAN Summit in December 1995, signed as the Basic Agreement on the ASEAN Industrial Cooperation Scheme at the informal ASEAN Economic Ministers Meeting in April 1996, and became effective in November 1996.

¹² For instance, preferential trade agreements reflected regionalism (Mansfield and Milner, 1999).

Summit in 1992 by leveraging existing trade schemes such as the BBC. In retrospect, the AFTA is essentially the starting point of ASEAN economic integration, in which we can observe the elimination of almost all tariffs for intra-ASEAN trade.

In the 1990s, ASEAN aspired to expand its economic integration to connect with global production networks and supply chains outside the region. In 1992, ASEAN and Japan started the ASEAN Economic Ministers–Ministry of International Trade and Industry of Japan (AEM–MITI) Ministers Meeting, which has been held every year since then. MITI of Japan organised the AEM–MITI Economic and Industrial Cooperation Committee to support ASEAN’s industrial policies in a timely manner (Maeda, 2005).¹³ The committee held regular vice-ministerial-level consultations that required intensive efforts with respect to technological development, supporting industries, trade, and environment; and to promote the dissemination of Japanese knowledge and skills to local firms and capacity building of human resources in the manufacturing industries. The Cambodia, Lao People’s Democratic Republic, Myanmar Working Group (CLM–WG) was also established under the AEM–MITI to facilitate a market economy for newly acceding ASEAN countries and to coordinate the division of production in the region in each industrial sector. These industrial policies, implemented by ASEAN and Japan, helped form production bases and thick supporting industries for Japanese overseas firms in the region (particularly in developing AMS).

In conjunction with deliberate support for manufacturing industrial development, Japan played a significant role in forming an infrastructure foundation in a number of AMS. One conspicuous example is the development of the East–West Economic Corridor in the Mekong region. There, Japan’s support ranged from conceptualising and conducting a (pre)feasibility study of the economic corridor to constructing physical infrastructure (via Japan International Cooperation Agency), including roads, bridges, seaports, airports, and electricity facilities. Another contribution is Japan’s involvement with industrial estates such as the

¹³ One of the authors (Nishimura) engaged in establishing this framework when he was head of the Bangkok office of the Japan Overseas Development Corporation (now the Association for Overseas Technical Cooperation and Sustainable Partnerships).

Eastern Seaboard Industrial Estate in Thailand, established in 1996, where many Japanese manufacturing firms brought automobile and machinery production infrastructure. This helped Thailand to realise export-oriented industrialisation.

ASEAN and Japan sought to form a new regional economic partnership in the Asia-Pacific region, without depending solely on the United States and European countries. In this regard, it is worthwhile noting that the 1st ASEAN Plus Three (China, Japan, and Korea) Meeting was held in 1997 on the initiative of Japan, and it has become a regular meeting every year since then. Although the Asian financial crisis inflicted serious economic damage on ASEAN, Japan not only provided financial support amounting \$80 billion to AMS (New Miyazawa Initiative) but also took leadership of the Chiang Mai Initiative for monetary cooperation in the ASEAN Plus Three framework. Regional economic cooperation was also extended to the Asia-Pacific Economic Cooperation and the Asia–Europe Meeting, which affected the existing ASEAN–Japan relations in the 2000s.

Lastly, the remarkable thing about this period is Japan’s diplomatic support for ASEAN and AMS that encountered economic difficulties. For instance, the Philippines faced economic problems such as current account imbalances in the late 1980s. The International Monetary Fund (IMF) intended to impose very tight conditionality on its macroeconomic policies to reduce inflationary pressures and current account imbalances. The Government of the Philippines asked Japan to help convince the IMF board to impose more reasonable conditionality. Attaching importance to ‘developmentalism’¹⁴ in ASEAN, Japan ardently lobbied the IMF for the approval of tempered conditionality which was presented to the Philippines.¹⁵ Moreover, Japanese ODA achieved a 100% rate of untied loans in 1996 as a result of the ODA policy change to ‘Japan in the world’ (Ministry of Foreign Affairs of Japan, 1997).

¹⁴ The concept of developmentalism is ‘based on a notion that some economic activities are more conducive to growth and generalized welfare than others’ (Reinert, 2010: 3).

¹⁵ This example of Japan’s support to the Philippines was suggested by Ponciano Intal, Jr., senior economist of ERIA.

2.3. Peak and Deterioration in ASEAN Centrality (2000s)

The beginning of the 21st century was a period when ASEAN drastically shifted its direction in forming the AEC. In 2003, ASEAN announced the Declaration of ASEAN Concord II (Bali Concord II) which enshrined the establishment of the ASEAN Community, including the AEC, by 2020. Amongst other things, the AEC aimed to 'create a stable, prosperous and highly competitive ASEAN Economic Region in which there is a free flow of goods, services and investments and a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities' by 2020 (ASEAN Secretariat, 1997). To help achieve this development goal, the ASEAN–Japan Plan of Action signified support for further economic integration, such as the Initiative for ASEAN Integration, Mekong region development, and industrial human resource development.¹⁶

The ASEAN–Japan Comprehensive Economic Partnership (AJCEP) Agreement, which includes CLMV countries newly acceded to ASEAN, went into force in August 2008, following economic partnership agreements (EPAs) with Singapore, Malaysia, Thailand, Brunei Darussalam, and Indonesia (table).¹⁷ The AJCEP was the first EPA that Japan concluded with multiple countries, and enhanced the economic relationship with all AMS. China and Korea had signed FTAs with ASEAN in November 2002 and December 2005, respectively, before Japan concluded the AJCEP. In other words, a variety of multi-layered and multifaceted economic partnerships and institutional arrangements, other than initiatives and frameworks led by Japan, gradually emerged focused on the ASEAN platform.

ASEAN was intended to provide institutional common platforms involving large external powers such as the United States and China as well as Japan. In particular, China has become a fast-growing power in East Asia in the 21st century. Economically, China reformed its old-fashioned

¹⁶ The Tokyo Declaration for the Dynamic and Enduring ASEAN–Japan Partnership in the New Millennium was also published at the ASEAN–Japan Special Summit in Tokyo to reconfirm fostering close and cooperative relations.

¹⁷ The EPA between Viet Nam and Japan went into force in October 2009.

economic and industrial system into a more market-oriented economy (i.e. socialist market economy) and eroded the position of ASEAN as the 'factory of the world'. To address the rise of China and maximise the growth opportunity, ASEAN was forced to establish larger regional economic partnership frameworks that encompass both Japan and China, for example, the ASEAN Plus Three Summit, the East Asia Summit, and the Regional Comprehensive Economic Partnership (RCEP). These frameworks were successfully established as planned by ASEAN to maintain the strength of ASEAN centrality. Japan also stressed the concept of values such as democracy, freedom, and liberalised trade through these frameworks and tried to take the balance of power in East Asia. However, the Chinese market became more attractive than ASEAN for Japanese firms which aimed at overseas expansion. Therefore, Japanese investors increased FDI in China during this period and shifted their interests from ASEAN to China. The severe shock that ASEAN experienced from the 2007/2008 global financial crisis after the 1997 Asian financial crisis aggravated such investors' disinterest (Ambashi, 2017). In contrast to the continued close political relations between ASEAN and Japan, Japanese firms' interests in ASEAN dropped off. The rise of China caused changes in the regional order both economically and politically in East Asia, which could be a threat to ASEAN centrality.

As the power balance of East Asia changed with the lower position of Japan in the region, Japanese policies for ASEAN were also dramatically modified. After the achievement of the 100 percent untied ODA loans in 1996, a series of tied schemes were established one after another and the ratio of tied ODA loans gradually increased during the 2000s. In other words, Japan was forced to change its image from 'Japan in the world' to an 'acknowledged country providing visible support'.

2.4. New Phase of ASEAN Centrality (2010s–)

The biggest event during this period was the establishment of the ASEAN Community with the three pillars, including the AEC, at the end of 2015 ahead of the original schedule. Previously, led by Prime Minister Shinzo Abe, Japan re-emphasised the relationship with ASEAN. Japan announced the Five New Principles for Japanese Diplomacy (Abe Doctrine) in 2013, the third principle of which is '...is pursuing free, open, interconnected

economies as part of Japan's diplomacy. We must secure the power of networking by bringing our national economies closer together through flows of trade and investment, people, and goods' (Abe, 2013), with a view to supporting the realisation of the AEC. In addition, Japan expressed its new plan to provide ODA loans focusing on infrastructure development, which reinforces ASEAN connectivity. In this regard, an additional contribution of \$100 million to the Japan–ASEAN Integration Fund (JAIF) was also made public as JAIF 2.0.¹⁸

In line with the Japanese government, Japanese firms have rediscovered the attractiveness of the ASEAN market since 2010. Some significant factors seem to encourage investors to refocus on ASEAN. These include efforts to build the AEC; the low wages of ASEAN compared with China; the economic partnership network with a core of ASEAN; the large-scale market with increasing middle classes; and the rise of Cambodia, the Lao PDR, Myanmar, and Viet Nam (CLMV) (Ambashi, 2017). Japanese firms expect further upgrading of the AEC – particularly in terms of investment and service liberalisation, elimination of non-tariff barriers and measures, and harmonisation of rules and regulations – to take advantage of a production base networked with global value chains. Hence, ASEAN needs to increase the attractiveness of its whole region as an investment destination by participating in and playing an essential part in global value chains to become a major economic power in the world.

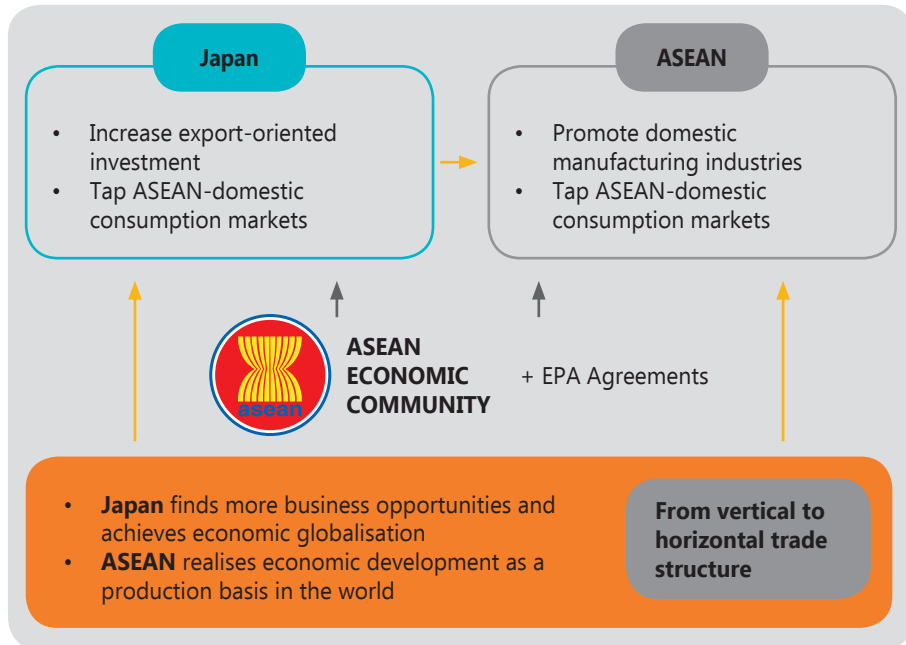
ASEAN has options to complement ASEAN centrality: the AEC Blueprint 2025 (ASEAN Secretariat, 2015), the RCEP, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). From the viewpoint of Japan, it is desirable that the RCEP be concluded immediately, maintaining the liberalisation level as high as possible, to secure the Asia-Pacific region against recent trade protectionism. Moreover, while further expansion of the CPTPP to AMS such as Indonesia, Thailand, and the Philippines may undermine ASEAN centrality (some countries would find it difficult to accept a high degree of discipline in the CPTPP), it may be able to provoke improvement of the AEC toward the CPTPP level. Japan hoped for such an effect on ASEAN, regarding the CPTPP, because it has a strategy of laying down trade and investment rules of the Asia-Pacific region based on the CPTPP.

3. What Relationship Should ASEAN and Japan Establish Towards 2040?

From the discussions so far, the ASEAN–Japan relationship has been evolving principally in industrial cooperation dynamics, to enhance ASEAN economic integration through support for the AEC, FTA networks, infrastructure, connectivity, institutional arrangements, technological development, local supporting industries, and capacity building of human resources. This kind of industrial support from Japan has led to a great contribution in consolidating ASEAN centrality.

The figure depicts ASEAN–Japan economic relations. While Japan has increased export-oriented investments in ASEAN as a manufacturing production base and has recently tapped domestic service markets with many wealthy middle-class consumers, ASEAN has benefited by promoting domestic industries, increasing exports of manufacturing products, and upgrading industrial structures. Along with the progress of economic development in ASEAN, the vertical trade structure in the 1960s–1980s has gradually altered into a horizontal one where manufacturing products and parts are frequently traded between ASEAN and Japan. This reciprocal economic relationship has been facilitated by the AEC and EPAs with dialogue partners including Japan. Consequently, Japan finds more business opportunities in ASEAN and achieves economic globalisation to survive global competition, while ASEAN realises robust economic development as a production base in the world.

Figure: ASEAN–Japan Economic Relationship



ASEAN = Association of Southeast Asian Nations, EPA = economic partnership agreement.

Source: Compiled by the authors.

The next step in advancing ASEAN–Japan relations needs to be in line with the continued, concerted efforts for industrial cooperation. ASEAN has a serious concern that some operations), may fall into the ‘middle-income trap’ where their income stagnates at the middle level before becoming advanced economies. In addition, in its AEC Blueprint 2025, ASEAN highlights the importance of promoting ‘Productivity-Driven Growth, Innovation, Research and Development, and Technology Commercialisation’ (ASEAN Secretariat, 2015: B4). This reflects that innovation is regarded as a significant policy target of ASEAN, instead of mere a science and technology policy, to improve productivity and strengthen competitiveness in global marketplaces through the commercialisation of technologies and upgrading industries equipped with advanced technologies. To address these significant challenges, the key must continue to be industrial cooperation that includes human resources development, industrial clusters, entrepreneurship, and technology transfer.

However, if we look at ASEAN in 2040, we recommend that existing industrial cooperation should be developed with a more futuristic flavour into 'socio-economic industrial cooperation' so that ASEAN can challenge not only further industrial development but also increasingly emerging socio-economic problems regarding quality of life, city amenities, environment, aging societies, etc. Since Japan has been tackling these complex and difficult problems for a long time as a 'developed country facing such issues', socio-economic industrial cooperation based on Japanese new technologies is likely to greatly help ASEAN address its challenges.

By leveraging its manufacturing advantage, the Japanese government, public research institutes, universities, and the private sector have been developing new technologies aiming to step into practical use of them. Promising new technologies include (1) the internet of things, (2) big data, (3) artificial intelligence, and (4) robotics, as indicated in another chapter.¹⁹ These new technologies are expected to clarify hidden socio-economic problems, create new demand with high value added, and provide promising unique solutions to challenges ASEAN faces. Representative hopeful industries are observed in bio-industries (e.g. drug development using affluent natural resources), Fintech (e.g. e-payments in e-commerce), a health care system for an aging society (e.g. nursing homes for elderly people), educational services (e.g. EdTech), automated driving systems (e.g. alignment driving of freight cargo), and robots for infrastructure development (e.g. disaster recovery). These industries are also expected to be promoted in combination with large, highly diverse ASEAN consumer markets.

The other recommendation towards ASEAN 2040 is that cooperation needs to be a more two-way flow, while the existing industrial relationship in the form of industrial cooperation is mostly channelled from Japan to ASEAN. This industrial relationship needs to be modified to include more flow from ASEAN to Japan, if these parties desire to obtain more benefits from the relationship. ASEAN's economic

¹⁹ For more details of these technologies, see 'Harnessing New Technologies for Social and Economic Progress towards ASEAN 2040' by Hidetoshi Nishimura, Masahito Ambashi, Fusanori Iwasaki, and Mitsuhiro Maeda.

development provides opportunities for ASEAN to contribute to Japan, which is suffering longstanding economic stagnation as well as an aging population and labour shortage. To this end, Japan may need to do more in terms of liberalising and opening its markets, harmonising regulations and rules with global ones, attracting skilled human capital, creating demand such as tourists' inbound consumption, and increasing investments from ASEAN in Japanese domestic markets.

Japan is revising its foreign human capital (immigration) policy partly to address the labour shortage problem. While Japan already invites professional workers in some limited fields, e.g. clinical nurses and care workers from Indonesia, the Philippines, and Viet Nam in accordance with the EPAs, the Japanese government has just launched discussions about how more immigrant workers can be introduced to the Japanese labour market. In association with the above-mentioned socio-industrial cooperation, we also strongly recommend that Japan provide ASEAN people who work in Japan with the necessary know-how and skills of new technologies and encourage them to apply such technologies locally to their home-country markets in cooperation with Japanese overseas companies. In this sense, it is therefore important to attract young ASEAN students studying in Japan and encourage them to work in Japan after graduation.

4. Concluding Remarks

This paper examines the role played by Japan in strengthening ASEAN centrality and East Asian collective leadership by reviewing the history of ASEAN–Japan relations since the 1960s. It emphasises that the industrial cooperation provided by Japan to ASEAN is an essential foundation for the relationship. As evidence of this, Japanese firms could enhance their production networks developed in ASEAN through positive cooperation, while ASEAN could successfully achieve industrialisation through nurturing local manufacturing industries and firms as a significant production base. Japan's industrial cooperation, which resulted in the AEC and EPA networks in the region, made a critical contribution to strengthening ASEAN centrality and its leadership in East Asia. However, industrial cooperation should be modified to socio-economic industrial cooperation to address emerging social challenges that ASEAN encounters. This new type of industrial cooperation between ASEAN

and Japan might be a catalyst to push forward ASEAN centrality and its collective leadership to a higher dimension.

The ASEAN–China relation has been deepened as China becomes a major economic power. In contrast, the ASEAN–Japan relationship has weakened compared with the past when Japan was the most important partner in East Asia. Yet, the ASEAN–Japan economic, industrial, social, and political relationship is still one of the substantial core relationships for ASEAN to manage a fine balance in economic and political aspects in the region amid dramatic structural changes in the global environment. In 2040, ASEAN and Japan are expected to have a strong and resilient relationship to help East Asia become central, economically and politically, in the world.

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