

# The Next Chapter of ASEAN and Japan Economic Cooperation in the Post-Pandemic Era

## Event Report

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## EVENT DETAILS

### Organizing Organization:

1. Foreign Policy Community of Indonesia (FPCI)
2. Economic Research Institute for ASEAN and East Asia (ERIA)
3. Ministry of Economic, Trade, and Industry (METI) of Japan

**Name of the Event** : Dialogue for Innovative and Sustainable Growth (DISG)

**Title** : “The Next Chapter of ASEAN and Japan Economic Cooperation in the Post-Pandemic Era”

**Day and Date** : Monday, 10<sup>th</sup> January 2022

**Time** : 14.00 – 15.30 Jakarta Time / 16.00 – 17.30 Tokyo Time

**Duration** : 90 minutes

**Objectives** :

1. To hear the policy announcement of Minister Hagiuda on Japan’s new economic initiative with ASEAN.
2. To discuss the state relations of Japan and ASEAN in terms of trade, investment, and economy.
3. To discuss the opportunities and overlooked sectors of the relationship that can be further developed.

**Opening Remarks** :

1. Dr. Dino Patti Djalal –Founder and Chairman of Foreign Policy Community of Indonesia (FPCI)
2. Prof. Hidetoshi Nishimura –President of Economic Research Institute for ASEAN and East Asia (ERIA)
3. Arsjad Rasjid – Chairman of Indonesian Chamber of Commerce and Industry (KADIN)

**Keynote Speech** :

H.E. Kōichi Hagiuda – Minister of Economy, Trade, and Industry of Japan

**Speakers** :

1. Prof. Fukunari Kimura – Chief Economist of Economic Research Institute for ASEAN and East Asia (ERIA)
2. Dr. Nuki Agya Utama - Executive Director of the ASEAN Centre for Energy (ACE)

**Moderator** :

Dr. Dino Patti Djalal – Founder and Chairman of Foreign Policy Community of Indonesia (FPCI)

**Program :**

<b>Time (Jakarta Time)</b>	<b>Duration</b>	<b>Agenda</b>	<b>Notes</b>
13.30 – 14.00	30'	Technical Check and Briefing	
14.00 – 14.02	2'	MC opens the public forums and invites opening remarks	
14.02 – 14.05	3'	Opening Remarks by Dr. Dino Patti Djalal	
14.05 – 14.08	3'	Opening Remarks by Prof. Hidetoshi Nishimura	
14.08 – 14.14	6'	Opening Remarks by M. Arsjad Rasjid P.M – Chair of KADIN	
14.14 – 14.15	1'	MC introduces the moderator, and the moderator welcomes Minister Hagiuda to deliver his speech	Moderator Dr. Dino Patti Djalal
14.15 – 14.30	15'	Keynote Speech by H.E. Koichi Hagiuda – Minister of Economy, Trade, and Industry of Japan	Recorded Video
14.30 – 14.35	5'	Question and Answer session with the moderator	
14.35 – 14.37	2'	Moderator opens discussion session and welcomes the 2 speakers	Discuss with Eria about the format of the panel discussion
14.37 – 14.47	10'	Presentation by the first speaker	Prof. Fukunari Kimura – Chief Economist of Eria
14.47 – 14.57	10'	Presentation by the second speaker	Dr. Nuki Agya Utama - Executive Director of the ASEAN Centre for Energy (ACE)
14.57 – 15.12	15'	Discussion session led by the moderator	
15.12 – 15.27	15'	Public Questions and Answers	
15.27 – 15.30	3'	MC closes the public forum	

**Poster of the event:**

  
FOREIGN POLICY  
COMMUNITY  
OF INDONESIA

  
Economic Research Institute  
for ASEAN and East Asia

  
Ministry of Economy, Trade and Industry

  
Association of  
Ministries of Economy, Trade and Industry  
in the ASEAN Region

  
Dialogue for Innovative and Sustainable Growth

## The Next Chapter of ASEAN and Japan Economic Cooperation in the Post-Pandemic Era

Keynote Speech by

**H.E. Kōichi Hagiuda**  
Minister of Economy, Trade,  
and Industry of Japan



**Speakers**



**Prof. Fukunari Kimura**  
Chief Economist of Economic Research  
Institute for ASEAN and East Asia (ERIA)



**Dr. Nuki Agya Utama**  
Executive Director of the  
ASEAN Centre for Energy (ACE)



Remarks by  
**M. Arsjad Rasjid P.M.**  
Chair of Indonesian Chamber of  
Commerce and Industry (KADIN)



Remarks & Moderated by  
**Dr. Dino Patti Djalal**  
Founder and Chairman,  
Foreign Policy Community of  
Indonesia (FPCI)



Remarks by  
**Prof. Hidetoshi Nishimura**  
President of Economic Institute for  
ASEAN and East Asia (ERIA)

**Monday,**  
10 January 2022

**14:00 - 15:30 WIB | Jakarta Time**  
**16:00 - 17:30 JST | Tokyo Time**

 Free! Registration via Eventbrite - [bit.ly/NEXTAJCO](https://bit.ly/NEXTAJCO)

[www.fpcindonesia.org](http://www.fpcindonesia.org)

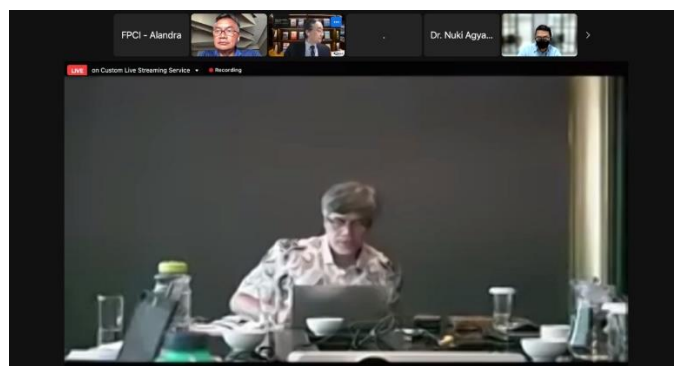
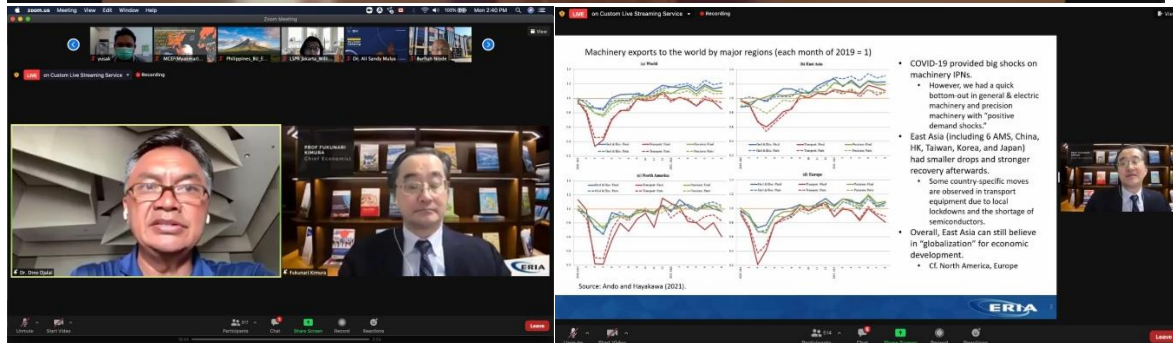




[@FPCINDO](https://twitter.com/FPCINDO)



## Documentation:



## Total Participants:

Total Registered participants via Evenbrite was 1184 People from 57 countries (Indonesia, Japan, the Philippines, Singapore and Malaysia were the top 5 countries)

D-Day Participation was 520 people at Zoom Conference Room and 481 at FPCI Official YouTube Channel “Sekretariat FPCI”

The public discussion is also highlighted at FPCI Official Website [www.fpcindonesia.org](http://www.fpcindonesia.org) and ERIA Official Website [www.eria.org](http://www.eria.org) :

<https://www.fpcindonesia.org/2022/01/10/dialogue-for-innovative-and-sustainable-growth-disg-the-next-chapter-of-asean-and-japan-economic-cooperation-in-the-post-pandemic-era/>

<https://www.eria.org/events/the-next-chapter-of-asean-and-japan-economic-cooperation-in-the-post-pandemic-era/>

## List of Participating Media Outlet:

- |                              |                           |
|------------------------------|---------------------------|
| 1. Nikkei Inc                | 12. Jakarta Globe         |
| 2. Khmer Times               | 13. Australian World News |
| 3. MV LAO Television Free TV | 14. LKBN Antara           |
| 4. JIJI Press                | 15. Investor Daily        |
| 5. FPA News                  | 16. Rakyat Merdeka        |
| 6. Kyodo News                | 17. Liputan6.com          |
| 7. Global Voices             | 18. CNN Indonesian        |
| 8. Phoenix TV                | 19. Harian Tempo          |
| 9. Kata Data                 | 20. Bisnis Indonesia      |
| 10. Asahi Shimbun            | 21. Medcom                |
| 11. Poros. ID                | 22. Jakarta Post          |

## Media Coverages:

1. <https://www.liputan6.com/bisnis/read/4856108/melihat-3-prinsip-soal-peningkatan-hubungan-ekonomi-jepang-asean>
2. <https://www.tribunnews.com/internasional/2022/01/10/jepang-inisiatifkan-investasimasa-depan-buat-asean>
3. <https://m.medcom.id/amp/8KyJ94EN-indonesia-larang-ekspor-batu-bara-ini-komentar-ekonom-jepang>
4. <https://dunia.tempo.co/read/1548522/potensi-kerja-sama-asean-dan-jepang-di-tengah-tantangan>
5. <https://www.tribunnews.com/internasional/2022/01/10/jepang-inisiatifkan-investasimasa-depan-buat-asean>

6. <https://ekonomi.bisnis.com/read/20220110/44/1487223/indonesia-jepang-sepakat-percepat-transisi-energi>
7. <https://ekonomi.bisnis.com/read/20220111/620/1487674/jepang-dukung-transisi-energi-di-asean>
8. <https://rm.id/baca-berita/internasional/107741/webinar-fpci-eria-meti-ameicc-disg-jepang-mau-buka-lowongan-50-ribu-pekerja>
9. <https://asiatoday.id/read/jepang-siapkan-investasi-usd10-miliar-dukung-transisi-energi-di-asean>
10. <https://www.thaipbsworld.com/asean-japan-ties-the-next-chapter/>
11. <https://english.kyodonews.net/news/2022/01/58c0de533a96-japan-to-help-indonesia-cut-emissions-with-ammonia.html?phrase=alcohol&words=>
12. <https://conghuong.vn/chuong-moi-trong-hop-tac-asean-nhat-ban-sang-kien-4-trong-tam-170602.html>





## TRANSCRIPT

### OPENING REMARKS

#### Dr. Dino Patti Djalal

- Thank you Jenny and hello to everybody, this is Dino Patti Djalal, I'm the founder of Foreign Policy Community of Indonesia, which is the largest foreign policy group in Indonesia and in Southeast Asia. I want to wish everybody happy new year, I hope you're having a happy holiday, I'm still actually in the midst of my holiday somewhere in eastern Indonesia, which is why I'm looking a lot darker than usual because I've been sailing for so many days and I've not been able to find a suit like everyone else, not even a tie because for some reason it's hard to find a suit and tie in this place, but I want to say hello to Minister for economy, trade and industry, Mr. Koichi Hagiuda, I want to say hello also to Chairman of Kadin, Arsjad Rasjid, to the head of ERIA, Mr. Kimura, and also I want to say hello to all our speakers, to our speakers Fukunari Kimura and Nuki Agya Utama, and again hello to Professor Hidetoshi Nishimura. It is great for all of you to be here, and today we're going to hear an important policy announcement by Minister Hagiuda and I look forward to hearing what those announcements will be.
- And I think we all agreed that this is going to be a very consequential year for the region and in the midst of really rapid geopolitical and geoeconomic changes that are happening throughout the Indo-Pacific and especially in Southeast Asia. It is quite interesting to know what will be the future of ASEAN-Japan relations and I believe from the speech that will be made by Minister Hagiuda. I think we will all be reassured that the future of ASEAN and the future of Japan will be bound together and I think it is also clear that ASEAN and Japan in the coming decades will be even closer and stronger as partners.
- You know, I belong to a generation that remembers very well about Japan; Godzilla, Sony, and Toyota right, those are the icons of Japan in my life, I think in the life of millions others in Indonesia and in Southeast Asia. And definitely those icons tell a lot of stories about how Japan has become part of Southeast Asia's growth and progress in recent decades and certainly no matter how you see the evolution of world affairs and regional affairs, Japan is definitely here to stay. Japan is one of the most consequential powers in the region with lots to offer and how Japan sees how it will contribute to the region through the policy initiatives that will be announced by Minister Hagiuda, I think will be of enormous interest to all of us.



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- So with that said, again, I want to say thank you to ERIA, to METI for being a partner in organizing our events today where we have over a thousand people from 50 countries, and I look forward to what I know will be a great discussion by all of us. Thank you very much.

### **Mr. Arsjad Rajid**

- Excellencies, His Excellency Koichi Hagiuda, Minister of Economy, Trade, and Industry of Japan; Dr. Dino Patti Djalal, Founder and Chairman of FPCI; and Professor Hidetoshi Nishimura, President of Economic Research Institute for ASEAN and East Asia. Ladies and gentlemen.

It is my great pleasure and honor to address these distinguished audiences today in today's virtual Dialogue on Innovative and Sustainable Growth in the Post-Pandemic Era.

- Diplomatic relations between Japan and Indonesia have been established for 64 years since 1968 and it has flourished into one of East Asia's most robust diplomatic relationships despite the global threat posed by COVID-19 pandemic.
- Our bilateral relationship has kept a good momentum of development with consolidated mutual trust which both countries are greatly benefiting from. This is reflected in the Indonesia-Japan Economic Partnership Agreement and the Regional Comprehensive Economic Partnership. The two countries are also working and finalizing the negotiation under the general review of the Japan Economic Partnership or IJEPA, to ensure the future of strategic economic cooperation that can be further strengthened.
- Ladies and gentlemen, we have been seeing a promising trend of trade values between Indonesia and Japan up until 2020 when the pandemic has significantly affected bilateral trade and investment cooperation. Indonesia-Japan two-way bilateral trade has reached only more than 24 billion in 2020, down almost 23% from 2019 and Japan's investment in Indonesia also decreased from 4.3 billion US dollars in 2019 to 2.58 billion dollars in 2020. However, during the pandemic, Indonesian goods including footwear and clothing, automotives spare parts, biomass, fish products, and cocoa are winning more confidence in the Japanese market. This contributes to the significant increase in Indonesia's trade surplus with Japan which reached 2.9 billion US dollars.
- On investment cooperation, Japan became the third largest foreign investor in Indonesia. Currently, Indonesia and Japan remain committed to pushing forward the development of priority infrastructure projects with the particular focus on the MRT, Pantimban port, and North Java railway project. KADIN hopes that we can attract more investors to invest in Indonesia in 2022, especially in the area of digital and creative economy, technopreneurship as well as development of human resources or human capital in the manufacturing sector through digital engineering 4.0.
- In the sustainability context, Indonesia and the Japanese government have committed to achieving net zero by 2060. KADIN believes this can open up more investment opportunities for Indonesia and Japan in renewable energy sectors such as solar energy, electric vehicles and other low carbon based development projects including eco-tourism as an effort to move towards a green economy and sustainable development.
- Ladies and gentlemen, KADIN is strongly confident that the new Indonesian law– what we call as Cipta Kerja or the job creation law which is created as an Omnibus Law in the previous year –will serve its purpose to improve the ease of doing business and therefore brighten the investment climate in Indonesia. KADIN will continue to support and enhance the resilience of Indonesia-

Japan economic partnership through collaboration with policy-maker and business partners as well as to become a B2B bridge that will strengthen the bilateral relationship between the two countries.

- Ladies and gentlemen, to conclude my speech today, I would like to invite everyone in this webinar to actively participate in today's dialogue. Hopefully from this discussion we can come up with some new business ideas to help accelerate the economic recovery and strengthen economic and investment partnership between Japan and Indonesia. With that, I would like to say thank you, stay healthy, and stay safe.

### Professor Hidetoshi Nishimura

- His Excellency Mr. Koichi Hagiuda, Minister of Economy, Trade and Industry of Japan; Dr. Dino Patti Djalal, Founder and Chairman of Foreign Policy Community of Indonesia (FPCI); Mr. Arsjad Rasjid, Chairman of Indonesia Chamber of Commerce and Industry (KADIN), His Excellency Nuki Agya Utama, Executive Director of ASEAN Center for Energy; and Professor Fukunari Kimura, our Chief Economist of ERIA.
- Distinguished guests, ladies and gentlemen. Good morning and good evening to all of you. Firstly, allow me to express my sincere gratitude to all of you for participating in the public forum on the "Next Chapter of ASEAN - Japan Economic Cooperation in the Post-Pandemic Era". As one of the organizers, I would like to thank FPCI and METI Japan for co-organizing this important event. For today's forum, we have invited esteemed speakers to discuss the future landscape of ASEAN - Japan cooperation and we are also very honoured and fortunate today that we can receive the precious keynote speech by Minister Hagiuda. Minister Hagiuda, visited Indonesia and ERIA on the Japan - Indonesia 60th anniversary of the diplomatic relationship in January 2018. I hope that today's keynote speech will be a significant milestone in the relationship between the two countries as well as ASEAN in terms of promoting development and sharing prosperity in the future.
- The COVID-19 pandemic has negatively impacted our society but has also forced us and indeed provided us with a great opportunity to rethink our ways in doing business and our lifestyles. We have come to realize that commuting to the workplace is not always necessary, and that online meetings connect people quickly and easily even if they live in different countries like this webinar from more than 50 countries audience. E-commerce has never been more common in our daily life, the COVID-19 pandemic ignited the momentum towards digital transformation. Hence, a recent survey by ERIA shows that only a limited number of firms choose digitalization measures against the disruption of supply chains by COVID-19. Therefore, we need effective policies to achieve further digitalization. We have all seen a significant change in the moment of green transition, the Glasgow climate pact. The result of COP26 last year, is above all explicitly committed to reducing the use of coal. ASEAN member states need to pursue a low carbon energy transition towards carbon neutrality taking into account each country's significant different national circumstances. At the 20th AEC Council meeting last year, ASEAN adopted the framework for circular economy for the ASEAN Economic Community. We are at the historical turning point. ASEAN, I believe, has the greatest capacity to lead such a global transition to realize it. However, bold and significant changes are needed. It is of paramount importance to assess ASEAN's current condition and make large-scale future-oriented investments to create a sustainable and innovative economic society.
- Minister Hagiuda, pursuing co-creation to grow together with Asian countries, visit ASEAN and hold conversation in-person with Indonesia and other ASEAN member states at the critical time, I believe it is crucial for the region's development.

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- Finally, I would like to thank FPCI and METI again for co-organizing this event and thanks to KADIN. I hope all participants actively discuss the key issues of importance and come up with some conclusion for governments, think tanks and businesses. Thank you for listening.

## KEYNOTE ADDRESS

### H.E. Koichi Hagiuda

- My greetings to you in Indonesia and the ASEAN region. I am Hagiuda Koichi, Minister of Economy, Trade and Industry of Japan. It is a great honor for me to deliver my first policy speech overseas from Jakarta. I thank the host, Ambassador Dino Patti-Djalal of FPCI and President Nishimura of ERIA, and others for the organization of this public discussion.
- Japan and ASEAN have been working together, as good friends and partners in Asia, toward the peace and prosperity of the region. It makes me especially happy that my first place to visit since my appointment is Southeast Asia including Indonesia.
- Though the current pandemic is still impacting hard on our economy and society, it became an opportunity for Japan and ASEAN to reaffirm our bonds founded on a large number of shared interests among us. From medical supplies to automobile parts, we fully recognized the need for Japan and ASEAN to work together to make the entire supply chain resilient. On the other hand, the close relationship was demonstrated between Japan and ASEAN in developing the “ASEAN-Japan Economic Resilience Action Plan” which was put together within the short span of 4 month since the surge of the infection.
- Our fight against the pandemic is not over. However, the topic I would like to cover today is about the post-pandemic future of the region, especially about the new cooperative relation between Japan and ASEAN in the economic area with the key words of “innovation,” “sustainability,” and “co-creation” looking into the future of Asia and Indo-Pacific.
- First, let me briefly review the development of Japan-ASEAN economic relationship. In older times, there were centuries of trade exchange as maritime nations. But our modern economic and industrial exchange can be traced back to the 1960s. This was led by Japanese auto manufacturers who built factories mainly in Thailand first, which was eventually followed by a large number of other Japanese companies who expanded their production base over ASEAN countries. Currently more than 14,000 Japanese companies are operating in the ASEAN region.
- Japan is number one in the cumulative FDI to ASEAN in the manufacturing sector in recent years. However, the amount alone will not portray its real value. True contribution of Japan can be found in building industrial foundation and capacity building support, enabling self-sustained growth of each ASEAN country through employees training and other manpower investment and nurturing local businesses including SMEs. The investment made by companies and grants of ODA in infrastructure development such as road, rail and industrial parks etc. worked as “the two wheels of a car” to advance economic development of ASEAN countries.

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- We all worked intensively not only in hard connectivity of infrastructure, but also soft connectivity, as in rule-making in trade and investment. Through bilateral FTAs/EPAs and AJCEP, as well as through market integration of ASEAN, Japan and ASEAN jointly lowered trade barriers, and advanced rule-making in economic activities of the region.
  - The economic relationship between Japan and ASEAN centered around this production network is now changing significantly. One of the key words is “innovation”. With the expanding middle-class and large number of young smartphone-native population in the ASEAN region, the cases of regional players turning into indigenous innovators are increasing. Outstanding performance of digital tech start-ups symbolizes a bright future of the region.
  - One more key word is “sustainability.” Addressing climate change, and alleviating poverty and securing jobs at the same time is one of the toughest challenges faced by Asia. Also, there are many other outstanding issues such as providing transport infrastructure to go along with urbanization, healthcare access for all, and raising agriculture productivity. Many Japanese businesses have clear recognition of them and strong will to contribute to solving them.
  - In addition to the relation centered around manufacturing, we can become co-creating partners of innovation with the expanding Asian consumption market and can aim for sustainable growth paying heed to diverse values. We can broaden fields of joint work from factories to cities and over to the region. New relationship defining Japan-ASEAN is already taking shape in the form of private businesses. For Japanese companies, ASEAN is now a partner to innovate and launch business together.
  - Time has come for the government to give a big push to open a new chapter for Japan-ASEAN public and private economic relations. There are three important principles; 1) First is “realism”. Look at the reality of each country in good faith and offer effective solutions to each agenda item; 2) Second is “innovation and sustainability”. Use private sectors’ innovation to the maximum extent, and create the foundation for sustainable economic society; 3) Third is “co-creation” of the future. To create the future of the region working with countries as equal and complementary partners, which can be promoted through the collaboration between Japan and local businesses.
  - Together with the “Asia Energy Transition Initiative” announced last year, these will come into shape together with “ASIA-Japan Investing for the Future Initiative” that I will talk about. To actively make new future-oriented investments so that we can create together with ASEAN an innovative and sustainable economic society. This is the direction that “ASIA-Japan Investing for the Future Initiative” is seeking.
  - One of the ideal images of the future of Japan and ASEAN is to improve attractiveness as a global supply chain hub and take the lead in resilient free trade with trust. Another ideal image of the future is Japan and ASEAN who continue to create innovation that enhances sustainability and contribute to solving social issues of the region. To make this future come true, Japan will strengthen investment in supply chain, connectivity, digital innovation and human resources.
  - First is investment in the supply chain. Enhancing ASEAN’s capability as an important hub in the global supply chain and increasing its attractiveness, is extremely important also from the standpoint of a resilient Japanese economy. Stable and predictable ASEAN attaching importance to free trade and multilateralism offers a high value in an era of uncertainty.
  - Under the pandemic, the Japanese government strongly supported the diversification of the supply chain of Japanese companies to avoid supply chain disruption. Private sectors are clearly showing their preferences for ASEAN region. We have already spent about 300 million US dollars to



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support capital investment of 92 firms. We plan to continue the support this year, and as early as this month, new applicants for support will be solicited.

- Furthermore, investment in digital supply chain management will be promoted. Some advanced cases showed that disruption risk can be avoided by using data beyond corporate boundaries. We will select 100 best cases of such with ASEAN and Asian countries. As a first step, Japan will provide about 9 million US dollar support. Also, NEXI, Nippon Export and Investment Insurance and JBIC, Japan Bank for International Cooperation will also provide financial support for enhancing supply chains.
- Investment will also be made to build a supply chain for making new products geared to the changing era. Japanese auto manufacturers are making full-scale efforts in exploring the local market with possible local production of EVs in sight. For example, in Indonesia and Thailand, various pilot projects such as EV car sharing have started. With these, new markets can be found to strengthen local EV production capacity. The Japanese government will support market development for next generation vehicles such as EVs and hydrogen vehicles, and also usage of biofuels. Japan will contribute, both public and private, together to the development of the supply chain of auto-industries of ASEAN countries.
- Second is investment in connectivity. Investment in hard infrastructure will continue, but here, I would like to emphasize the soft connectivity. As I mentioned earlier, ASEAN and Japan have been jointly promoting rule-making through, among others, bilateral and regional FTAs/EPAs. The eagerly-awaited entry into force of the RCEP Agreement recently took place on New Year's Day. ASEAN has always been in the driver's seat in the RCEP negotiations, and Japan supported this feature all along. It is not an overstatement to say that the RCEP is the symbol of ASEAN Centrality as well as ASEAN-Japan partnership. Japan will continue to work toward establishing a free and fair economic order that will ensure that the RCEP would be well-functioning as a regional platform, including actively contributing to the steady implementation of the Agreement after entry into force.
- We will contribute to the digitalization of trade procedures as well. Trade documents will be digitized, and a digital trade platform will be created where relevant parties can share information comprehensively in a secure way using block chain technologies. Japan and ASEAN private companies' endeavors to achieve these objectives will be supported by the government.
- Third is investment into new industries and digital innovation associated with building a sustainable society. One Japanese venture company is working with a Malaysian hospital to establish a platform to provide online healthcare services. Another large Japanese company is aiming to offer comprehensive healthcare service by partnering with hospitals headquartered in Malaysia to integrate and analyze medical data to offer consultation for early detection of illness and preventive medicine as well as optimum healthcare based on individual patient data. Also, one Japanese venture company developed protein fiber using local agricultural products as a new material which is made from carbon free material, and established a mass production plant in Thailand. Another large company has started consultations with Vietnam on cooperation in the transfer of COVID-19 vaccine production technology.
- We will support these efforts for new innovation co-creation and help them grow bigger. The Japanese government has provided about 8 million US dollars to 40 new projects in the last two years to support alliances of Japanese companies and ASEAN companies offering solutions to local

social problems. Moving forward, about nine million US dollars will be newly provided to promote partnership between Japan-ASEAN businesses.

- Japan's public-private fund Japan Investment Corporation or JIC, with around 2.1 million US dollars of investment capacity, will invest in a Japanese venture capital which has strength in venture investment in ASEAN, and this will push forward co-creations between ASEAN venture companies and Japanese companies.
- Fourth, investment in human resources of the future. As mentioned, the true contribution of Japanese companies made in ASEAN region had to do with consistent investment in human resources that, in turn, enabled the set-up of industrial foundation and capacity fit for the local needs.
- There are Japanese auto manufacturers working in human resource development to raise production efficiency of SMEs. There are Japanese freezer manufacturers working in human resource development of regulators to improve safety regulations. The Japanese government is supporting such efforts by dispatching experts and providing training in wide areas such as manufacturing know-hows, energy conservation, and cybersecurity.
- We would like to further extend such initiatives and offer opportunities for ambitious youth. The Ministry of Education, Culture, Sports, Science and Technology, or MEXT, where I previously took the post of the minister, has enhanced its initiative to have Japanese universities establish degree programs in collaboration with foreign universities. Over the next 5 years, we would like to extend our support to provide opportunities for ambitious fifty-thousand highly-skilled Asian professionals including graduates under the MEXT's initiative to seek jobs in Japanese companies in Asia as well as Japan. With the spirit of Co-creation, together with people of ASEAN, we will make all-out efforts in investing for the future and make Asia a wealthy region.
- I would like to touch upon "Asia Energy Transition Initiative, or "AETI." In Asia including ASEAN, in addition to addressing climate change issues, several difficult issues await to be solved at the same time, such as securing stable and affordable energy, and realizing sustainable economic growth. As an initiative to support Asia's practical energy transition, Japan announced an initiative called Asia Energy Transition Initiative, AETI last year. Many countries in Asia and the Middle East strongly supported this initiative. The pathway to achieving the Paris Agreement target is not one. AETI, with the cooperation of ERIA, is presenting the most efficient energy transition roadmap to individual member states of ASEAN, taking into account the circumstances of geographical conditions, economy and energy status of each country. Consultation with each Government had already begun. Further, AETI will proactively provide 10 billion USD finance support and capacity building for technology and projects based on the roadmap for carbon neutrality. This year is "implementation year" for AETI, and the "First year of Asia Energy Transition." Based on AETI, I would like to drive forward practical energy transitions with all of you.
- First, we will support the promotion of renewable energy and energy management. In policy dialogues with ASEAN countries, Japan will elaborate challenges and necessary support based on Japan's experiences, and promote public-private cooperation in the areas of distributed power sources utilizing renewables, power grid in light of decarbonization, and geothermal power generation.

- Next is co-firing ammonia in coal fueled power generation. The World's attention is drawn to how coal power accounting for about 40% of the power mix in ASEAN will transition to zero emission. Since last year, Japan has been conducting a demonstration of 20% co-firing. The goal is to achieve single fuel firing up to 100% by 2030. If coal fueled power can be zero-emission, it would make a huge contribution to the world's Climate change issue.
- Last is realizing CCS in ASEAN. Currently at Gundih in Indonesia, feasibility study is underway, a very first CCS project under the Joint Crediting Mechanism. CCS holds a key to decarbonization in Asia. We definitely hope to realize CCS under Japan-ASEAN cooperation.
- Based on AETI, we hope Japan and ASEAN can work closely to advance energy transition in Asia.
- I have covered 2 initiatives, "ASIA-Japan Investing for the Future Initiative" and "Asia Energy Transition Initiative." Through these, Japan will put all its efforts in investing in the future of the region. Asia is becoming the growth center of the world. This future vision wished in the past came true. It's very encouraging for Japan who is deeply linked to Asia. Investing in Asia's future including ASEAN is also an investment in Japan's future.
- Investment in the future of Asia should become investment in the future of the world. To that end, it is essential to build a free, open, rules based, fair and reliable economic order. I'm convinced that it aligns well with the principles and goals upheld in the ASEAN Outlook on the Indo-Pacific. As a country who supports ASEAN Centrality, Japan hopes that we can take on a leading role in realizing this with ASEAN countries.
- This year, the Presidency of G20 is Indonesia. Next year, the G7 Presidency will be in Japan. In commemoration of the 50<sup>th</sup> Anniversary of the ASEAN-Japan Friendship and Cooperation, it is planned that Prime Minister Kishida will invite ASEAN Leaders and hold a Commemorative Summit in Japan. Through these processes, let us produce maximum synergy in economic policy.
- I hope the 2 initiatives I spoke about today will be an important driver for such a purpose. Today will be a kick-off to start discussion and work with like-minded countries within and outside of the region. I look forward to it very much. Thank you for your attention. Terima kasih.

## PRESENTATION BY PANELISTS

Dr. Dino Patti Djalal

- Thank you very much Minister Hagiuda, that was a very rich speech with a lot of policy initiatives from Japan covering energy, supply chain, connectivity, human resources, and other important issues that I know will bind ASEAN and Japan ever closer together. I also want to highlight the two initiatives that were announced by you, which are the Asia-Japan Investing for the Future Initiative containing very concrete contributions and initiatives by Japan, and also the Asia Energy Transition Initiatives which also contains very specific programs; and I note especially on coal which I would like to explore further. Now we come to the discussion stage, I would like to invite Professor Fukunari Kimura, Chief Economist of the Economic Research Institute for ASEAN and East Asia (ERIA) to give his response and after that, Dr. Nuki Agya Utama, the Executive Director of the ASEAN Center for Energy. Professor Kimura, what is your response?

Professor Fukunari Kimura

- Excellencies, ladies and gentlemen, it is a great honor for me to be part of this big conference.
- We just heard a very concrete and also encouraging speech by His Excellency Minister Hagiuda. So, I would like to give some supplementary talk by giving three points. When we think about the future relationship between ASEAN and Japan, I think that we have to understand the background to some extent.
- First, globalization is yet to die. We had a lot of pessimistic views on the future of globalization when we got COVID-19, particularly in Europe and other places in the world. So many people thought that globalization unwinds and is actually going backward to some extent. But it did not happen in ASEAN and East Asia. ASEAN and East Asia quickly overcame the negative supply shock and negative demand shocks. Particularly, the sophisticated portion of global value chains, I call it international production networks, proved to be actually very robust and resilient.
- ASEAN and East Asia aggressively take advantage of a positive demand shock. Actually, we had a positive demand shock due to COVID-19, particularly work at home and stay at home type products, including personal computers, dishwashers, and some personal protective equipment too.
- ASEAN and East Asia took advantage of a positive demand shock very aggressively. That really helped to quickly recover our exports. ERIA conducted a survey that actually reveals that many Asian companies are reshuffling their supply chain upstream and downstream and gaining profits. So we observed a very dynamic aspect of Asian firms.
- Some sectors are still having a very hard time because of COVID-19. But some parts are really gaining coming from the positive demand shocks.
- Although many infection peaks are still coming, ASEAN and East Asia can continue to utilize globalization forces for economic development.
- COVID-19 provides a big shock, yes that is true. You can see a sharp drop in the bottom of April or May 2020. But after that, it came back very quickly. If you look very carefully, the drop was relatively shallow for general and electric machinery and precision machinery.
- Transport equipment had a big drop and still not quite stable, but you can see in other parts of our machinery industries, they are coming back very quickly. Particularly in East Asia, you can see that the drop was much shallower and also general and electric machinery, precision machinery did not really have a very sharp drop— just after the pandemic started. So then we can see a very strong growth after that.
- Transport equipment is still not quite stable because of local lockdowns and also the shortage of semiconductors, but other parts of the machinery industries and international production networks— they are coming back relatively quickly.
- So, overall, East Asia can still believe in globalization for economic development and it is not like in North America and Europe.
- Second point— ASEAN is actually strongly committed to international production networks. Some people are worrying about low intra-ASEAN trade ratios. Actually, Intra-ASEAN and also ASEAN-Northeast Asia trade links are particularly strong— which is much stronger than North America or Europe. Therefore ASEAN member states are starting to construct an intra-ASEAN production network— that includes Indonesia.



- The US-China geopolitical tension gives us a very hard time, but at the same time, ASEAN would rather strengthen the importance of ASEAN in Factory Asia. So keeping that rule-based trading regime is important. So we have to utilize ASEAN Economic Community (AEC) and also Regional Comprehensive Economic Partnership (RCEP) as living, evolving agreements.
- This is a sort of actual trade value versus predicted trade value. You can see ASEAN– ASEAN sales are 271% of actual exports, these are predicted values– 2.71 times as large as trade is observed among ASEAN countries. So you can see North America is 104%, EU is 117%, those are much smaller than ASEAN's figures. Also, ASEAN is exporting and importing with China, Japan, and Korea. Again, the figures are very big.
- If you see China's figures, China's actual trade values are big but the commitment of International Production Network (IPN) is relatively small compared with ASEAN. So after controlling economic size, ASEAN is really committing to international production networks. So we have to continue working on globalization and ASEAN can be really the heart of global value chains.
- Third point– innovation. In the past two decades, we observe that innovation has been shifting from innovation as an incremental factor to disruptive factor.
- The connection between digital technology and traditional industries are going to be more and more important now. I think that Japan can not really grow a big platform from simple matching. But actually Japan has a sort of accumulation of RnD stock and also incremental innovation. So I think in the next generation of digital businesses, a matching between incremental innovation and disruptive innovation is going to be very important. At that stage, Japan can be an important player working with ASEAN.
- Going back to Japan and ASEAN, one point that I would like to make is that we can still believe in globalization for economic development. So in order to do that, in order to utilize that, a rule-based trading regime and favorable business environment are essential software.
- Second point– challenges may become opportunities– COVID-19, geopolitical tension, digital technology, environment and sustainability– those are big challenges for supply chains and our economy. But we have to make those challenges into opportunities.
- Last point– Japan would like to continuously be a trustable, reliable, and creative partner of ASEAN. There are a number of issues for further collaborations.
- Minister Hagiuda mentioned many concrete examples, starting from manufacturing with digital innovation, creative services sectors, and also, he emphasized education and human resources development, medical and aging society, certainly Japan can collaborate with ASEAN a lot and then last, energy environment sustainability. Probably the other panelists will talk about that in detail. I would not elaborate on that much but Japan and ASEAN have many common interests in energy transition.
- I think those are things we have to talk about a lot.

Dr. Dino Patti Djalal

- Thank you Prof. Kimura. I now have the pleasure to invite Dr. Nuki Agya Utama to give his response in the form of a presentation also. I want you to prepare your questions in the chat box and I would be happy to read them to the panelists. Dr. Nuki, please, the floor is yours.

Dr. Nuki Agya Utama

- Thank you very much Your Excellency Dr. Dino Patti Djalal, Your Excellency Koichi Hagiuda—Minister of Economy, Trade, and Industry of Japan, for these great opportunities, Prof. Hidetoshi Nishimura, and also Mr. Arsjad Rasjid, Chairman of Indonesian Chamber of Commerce.
- I think it is a very good initiative delivered by the Minister on the ASEAN energy transition initiatives, which is a lot of good opportunities for the potential collaboration with Southeast Asia.
- Before we start on this potential collaboration, Southeast Asia basically has some key strategies under the ASEAN Plan of Action for Energy Cooperation (APAEC) to promote the energy transition. These APAEC are fruitful energy activities or blueprint energy activities in Southeast Asia, mainly focusing on the ASEAN power grid, which is to expand regional multilateral electricity trading, strengthen grid resilience as well as modernization, and of course promote clean and renewable energy integration.
- Second, the program area that we are focusing on is the Trans-ASEAN Gas Pipeline to pursue the development of a common gas market.
- The third—which is also important is the “Clean Coal Technology”, which is to optimize the role of CCT in facilitating the transition towards sustainable and lower emission development.
- The fourth program area under APAEC is the “Energy Efficiency and Conservation”, which is to reduce energy intensity by 32% in 2025 and also encourage EE&C efforts, especially in the transportation sector as well as the industrial sector.
- The next program area we focus on is “Renewable Energy”. Over here we try to increase the share of RE, the Total Primary Energy Supply 23% in 2025, including 35% increase RE and also VRE in the installed power capacity in the same year in 2025.
- We also have another program area, we call it “Regional Energy Policy and Planning”, which is to advance the final energy policy and planning to accelerate the region’s energy transition and also resilience.
- Last but not least, we do have program area number seven, we call it the “Civilian Nuclear Energy”, which is to build human resource capabilities on nuclear science and technology for power generation.
- Focusing on program area number four, which is the “Energy Efficiency and Conservation”, OBS number 1 and number 2 are to expand, harmonize, and promote energy efficiency, and focusing on the sectors in building, in transportation sector, as well as the industrial sector. We started on OBS number three, OBS number four, and OBS number five which is to strengthen energy efficiency in building, pursue energy efficiency in transport, and also advance energy efficiency in the industrial sectors. To achieve 32% in 2025, and we already achieved 31.8% in 2019 based on 2005 levels.
- Under the baseline scenario based on our study, we call it the ASEAN energy outlook six, it is projected that ASEAN will fall behind the 32% target by 2025. We need more intensive efforts by promoting the EE&C policies, EE&C measures, and also application in three sectors mainly buildings, industrial sectors, and transportation sectors.
- Looking under program area number five, to increase the share of Renewable Energy (RE) to 23% in Total Primary Energy Supply (TPMES) and 35% in installed power capacity by 2025, we have six Outcome Based Strategies (OBS) which are; advance RE policy and decarbonization pathway; also to promote financing schemes, mechanisms and supporting biofuel and bioenergy

development as well as enhancing our information and training center. The RE share in total primary energy in 2019 was 13.9%, an increase of 0.04% from 2018, and values on the installed capacity in 2019 is 28.7%. I think we have to work a little bit harder to increase the 35% installed capacity in 2025, and the 10 capacity additions are more on coal around 38.5 Gigawatt followed by natural gas power plants around 6.4 Gigawatt by 2025. On the other hand the region is expected to add RE around 16.7 Gigawatt in the same year which is 2025. More efforts are needed to increase this RE share both on the total installed power capacity as well as from a total primary energy supply. Hence both scenarios will develop under the ASEAN and zero to six, last year during the minister meetings.

- Move on the energy transition opportunities and challenges we do have a use of opportunities, use potential, and use structures of indigenous energy and primary energy supply. Based on our study called the ASEAN market and study, we identify 40 solar sites around 66 Gigawatt and also 20 wind sites potential which is 8 Gigawatt as a potential to connect with the existing grid lines to the ASEAN power grid. Hence, we are aiming to look at the potential for a 10-member state to be connected into one power grid action from Vietnam to Philippines and also from Vietnam to Indonesia, through the peninsula, Singapore as well as Sumatra and Java. To reach the APEC target, two further actions must be integrated, first is the upscaling current RE and EE/EI efforts and together with the efficiency technology department. Hence, technology is a very important keyword in the future, looking at the opportunities of energy transition in Southeast Asia if you're looking at RE potential as well as energy efficiency.
- Another thing on the opportunities is – in the energy transition – abundant resources to develop indigenous hydrogen production; gray hydrogen, blue or green. Also, combined costs of hydrogen and FCEV declining rapidly. And we have relevant infrastructure which is gas pipeline and LNG, liquefaction plants, coupling RE and hydrogen as future clean energy supply and energy storage as well. So, we are looking at the potential of hydrogen not only for supplying the energy but also as a storage. Of course it will create a sustainable growth in transportation. Looking at the other potential is the CCS, which costs around 18 to 46 percent of total hydrogen supply cost depending on the desired percentage of total carbon emission to be afforded. Indonesia, Philippine, Thailand and Vietnam have around 54 gigatons of geological storage, and then the opportunity to develop CCS hub and value edit of CCUS from enhanced oil recovery applications.
- Hydrogen projects started emerging in Southeast Asia. Brunei Darussalam is exporting Hydrogen to Japan– which has already started. Singapore wil trial Hydrogen for ships, and Malaysia's Petronas steps up in investing in Hydrogen as part of the carbon free energy goals.
- Despite the effect of COVID-19 pandemic, high share of unabated fossil fuel in the energy system and lack of RE investment remain the main challenges of energy transition in Southeast Asia. Then, the RE investment is still low in comparison to the investment from fossil fuel. And based on the Sixth ASEAN Energy Outlook, the energy supply in the region is still dominated by fossil fuel, which will continue up to 2040. The low cost of fossil in the main trade is the main driver of fossil domination to secure rapid economic growth in the region. The replacement and improvement of fossil fuel fuel technologies are required to minimize the emission and to also minimize the cost in the energy sector.

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- Additional financing is needed to shift the current plan of Coal Fired Power Plants to High Efficiency Low Emission (HELE) Technology and of course possibilities on the CCUS implementation. It shows that from the current mix per current pipeline, we need approximately – if you're looking at the current trend and current plan in the 10 member states– we require around US \$139.1 Billion. Well, if we shift all those into the supercritical, it requires more which is around US \$147.8 Billion. Approximately we need US \$8.7 Billion or increasing around 6.2 in comparison with the baseline scenarios. Hence, this additional financing in my opinion is relatively low in comparison or with the required amount of investment per ton in carbon dioxide emission reduction. In this case, the shifting from coal is subcritical with USC or Ultra Super Critical required around US \$17.4 per carbon dioxide, well if you're looking at the potential, if we change for example by using gasoline tax, required investment is around US \$18 to US \$47. If we move again on the methane firing, for example need around 20 USD per ton. and again if you move on the dedicated upside rate for the electric vehicles even higher which is around 350 to 640 USD per ton and if we also move all of them into PV with the subsidies even the weight is even wider which is around 140 to 2100 per ton. Hence, this era of energy transition means that coal will continue as a substantial role, as a baseload, dispatchable as well as resilient power source for a balanced energy mix to ensure energy security and also energy affordability. Moreover, to accommodate intermittent energy sources, coal can ramp power as needed to provide essential grid stabilizing services. HELE technology is one of the good options and very recent reasonable choices, especially if we can combine with CCUS which represent a significant progress on the transition pathway towards low carbon economy in the region.
  - If you're looking towards low carbon in the total primary energy supplies power duration – based on our scenario comparison on the baseline in the comparison with the ASEAN plan of action scenarios – we have the possibilities to reduce in some sectors for example oil and gas sectors which can reduce quite significantly around 222 million ton carbon dioxide equivalents. And in power sectors itself can be more than 255 million ton carbon dioxide equivalent. While in the transportation sector there is also quite a lot which is 153 million ton carbon dioxide equivalent. Basically, the emission reduction between baseline and APS scenarios (best available ASEAN scenario) only decrease approximately 527 million ton, million ton carbon dioxide equivalent by 2025.
  - Back on this AETI potential collaboration, I started in the beginning there are plenty of potential collaborations on these AETI activities with Southeast Asia or ASEAN. Firstly, the ASEAN Energy Transition Roadmap which is the original roadmap of energy transition has not existed right now and with the support from AETI we could also develop the roadmap that assist the member states to meet their energy transition target. Second, financing support on RE energy efficiency and also LNG, which is the lack of financing support, are the main challenges in the region. Third is development deployment support on hydrogen, CCUS, as well as energy storage. Fourth is capacity building on decarbonization technologies for ASEAN experts and policy makers. So, those are our four potential collaborations which we currently have in mind. For further collaboration with the IP or ASEAN energy transition initiative, that's previously announced by the Minister.



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- We do have current cooperation with Japan under APAEC Phase II 2021 - 2025 such as the oil stockpiling roadmap with JOGMEC. We also have the ACE-JCOAL Strategic Report on the New Role of Coal Fired Power Plants in the Era of Energy Transition. We also have collaborative work with ECCJ on energy efficiency and conservation.
  - On the ACE-ASEC-JAIF promotion of higher efficiency air conditioners in ASEAN through harmonization of standards and strengthening of market verification and enforcement capabilities. This one is quite interesting studies on conversation on the coaling system in the region. And the upcoming activities that we recently started is the cleaner energy future initiative for ASEAN or CEFIA. It aims to facilitate collaboration between public and private sectors for accelerating the development and deployment of cleaner energy and low carbon energies in ASEAN+3 countries. Also, I see that JAEA puts practical training on nuclear non-proliferation technology in the region – which is to enhance and improve knowledge capabilities and also public awareness of nuclear energy in the region.
  - Aside from Japan, Southeast Asia is also working together with ASEAN+3, which is Korea and China included. The policy company group or EPPG on the ASEAN+3 energy security form, we are discussing on the energy security forum, on oil gas, energy security on coal, energy security on nuclear, and energy safety management. On the oil market and natural gas forum, oil market and natural gas forum and business dialogue. While it's on the NRE and EE&C forum– we also have plenty of activities on collaborative work with the ASEAN+3. And then on ASEAN+3 Clean Energy Roundtable Dialogue such as ASEAN-China Capacity Building Programme and also joint studies. Thank you very much for this opportunity.

### MODERATED DISCUSSION

Dr. Dino Patti Djalal

- Thank you Dr. Nuki for your presentation, now I would be pleased to take some questions from the chats. Anyone who wants to ask questions please write your questions in the chat box.
- I have the first question from Satrio Santoso, from the Ateneo de Davao University, Philippines. To all panelists, what's your view towards the future ties between Japan and ASEAN countries, especially Indonesia, noting that there's an ongoing issue regarding coal export ban from Indonesia. Will this affect the relationship between Indonesia and Japan? Does anyone want to answer this?

Prof Fukunari Kimura

- I'm not really following the case in detail, but I understand that probably due to the high wild prices of coal. Some are really exporting coal from Indonesia a lot, and then there's a possible shortage of coal inside Indonesia that is why the possibility of ban coal exports is at least temporary. I think the Japanese government is asking Indonesia to reconsider and think of the situation a little bit more carefully, one thing is certainly a sort of a responsibility of exporters that would happen sometimes when wild prices are high. We experienced that in rice prices and others, possibly now or energy prices – I think if you would provide an export ban and therefore other countries would follow then

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we would receive even higher energy prices. Somehow we have to think of some balance, I understand that the energy prices are sometimes very politically sensitive in Indonesia. I'm sure we have some sort of balanced solution due to this kind of thing and that's my opinion so far.

Dr. Dino Patti Djalal

- Dr. Nuki, do you want to add anything to that?

Dr. Nuki Agya Utama

- A very good question we got was this with the export ban on coal. This is one of the issues on energy securities where the region itself is really part of the global supply chain. If we're looking at the current status, for example assuming that the current production remains the same while the consumption increases. Therefore, we are going to be the net importer of coal in the next 20 years, and we are going to be the net importer of gas in the next 7 to 10 years. If we cannot find a new coal or new source of primary energy, it is quite interesting for us to look at the bigger perspective, not only the current condition. Hence, this current condition is the first reminder for us so that we can look at the whole perspective of energy supply, energy security, and the energy supply perspective. For example, Indonesia itself relies on coal 60%, in terms of energy security that's not really secure enough and also in Southeast Asia the share of power mix as a primary energy mixture is not also balanced in that way. Somehow we need to discuss together on how we can make it balanced, and make sure that we are going to really secure enough in the next 20-30 years, regionally and also beyond Southeast Asia as ASEAN is part of the global supply chain as well, I think that's sort of my response.

Dr. Dino Patti Djalal

- Okay, Thank you. Professor Kimura, you know I'm reading the text of what minister Hagiuda said and he described the world economic order as needing to be free, open rules-based, fair and reliable right? Of course I've heard about free and open and rules-based, but I was wondering what is your take on what he has in mind when he talks about a fair and reliable economic order yeah, what's at the back of his mind?

Prof Fukunari Kimura

- Yeah, basically trade and economic activities should be free and reliable too, so in order to have that rule-based trading regime, this is extremely important. But at the same time we can see some policy risks sometimes, probably the export ban is one of them, so we observe that in the pandemic too actually I say for our personal protective equipment and the essential goods, we have to have some reliable economic infrastructure. Otherwise, we cannot, we would have a sort of a big shrinkage of our economic activities.

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- So we have many difficulties, say energy prices are going up and down, we had COVID-19, we had geopolitical tension, but we really have to defend the rule-based trading regime that was a really basic infrastructure of the prosperity of ASEAN and East Asia.
  - That's what he meant I guess, so particularly in the case of Japan we are having a very enhancing geopolitical tension right now, so one side of the people are calling for a sort of a managed trade rather than a sort of a free trade.
  - Actually I think I'm not sure the ASEAN people had that kind of pressure now or not, but in Northeast Asia actually that kind of movement is there too, so certainly we have to have some export control and other things, if this is really needed but we really have to keep the room for rule-based trading regime as wide as possible and in order to do that we really have to work with ASEAN people very closely.

Dr. Dino Patti Djalal

- Yes yeah, you know I ask you this because "fair" is a loaded term, what's fair for one country may not be fair to other countries and there's also a part in his speech that caught my eye, he said about coal, that Japan's goal is to achieve single fuel firing up to 100% by 2030 and then he said if coal fuel power can be zero emission, again if coal fuel power can be zero emission it would make a huge contribution to climate change. So I'm just wondering if either you or Pak Nuki can just elaborate more on, you know the possibility that coal power can be zero emission because you know we don't hear much about that concept.

Prof Fukunari

- Yeah that's Dr. Nuki's specialty I guess, but yeah certainly technically possible but it's very expensive which is a problem. We need some technical advancement to reduce the cost somehow so that's a sort of balance so far, that's my understanding.

Dr. Dino Patti Djalal

- Dr. Nuki you want to add to that?

Dr. Nuki Agya Utama

- Oh yeah, perhaps we have to consider really the highest mission together with the CCS or CCUS, that's perhaps something that can be achieved on making that the emission from coal are really close to zero, I don't know whether it's really zero because the production of PV itself emits carbon dioxide, but those are the potentials on emission reduction if we are looking at the core perspective. If the price is indeed affordable enough compared to other technologies, it means that it is quite a promising thing to do, since with the USC without the CCUS the cost per carbon dioxide is somehow quite low in comparison between for example methane flaring and or even the PV with the subsidies, it's relatively low. So we can look at those potential but again my opinion in regards to this and cut with energy affordability on say but if you look at the energy security it may be a bit

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of a different story. We 300% rely on coal, that's sort of quite not secure enough in terms of the supply of the energy, so in my opinion we have to make a balance on those fossil fuels even the non-fossil fuels or RE (renewable energy) this will be also equally distributed to make sure that the supply is there and also stability and again the cause will be one of the key messages on the region to really go ahead on the achievement of the economic curve in the next 20 years or 30 years.

Dr. Dino Patti Djalal

- Okay we have a question from the Jakarta Post from Vincent and this is addressed to Mr. Fukunari, he asked, Indonesia also plans to expand export bans to other minerals like bauxite, tin, copper and other minerals in 2022, how would this affect Japan's economy? And according to the World Bank, Japan is the second largest mineral export market for Indonesia.

Prof Fukunari Kimura

- Yeah that could be a very serious issue, certainly so, particularly whether or not we can have Indonesia as a very good trading partner, so I think that we have to have sort of a free trade, think of as much of a market mechanism as possible. I think that would be very important.

Dr. Dino Patti Djalal

- Okay, this is also a question actually from a big name, Iman Pambagyo, who was the chief negotiator for RCEP, he asks, how can ASEAN and Japan promote a broader base of economic and trade cooperation in Greater East Asia, we can talk about deepening regional value change between ASEAN and Japan in many aspects but its not the end of it, we need participation of other countries and region in the value change and in the time of liberalization, deglobalization, distress of a multilateral trading system, and the rise of new mercantilism, adoption of trade coercion and so on, is it possible for ASEAN and Japan to work together to rebuild confidence in rules-based free trade and investment.
- Very interesting question from the chief negotiator of our RCEP, Iman Pambagyo.

Prof Fukunari Kimura

- Thank you Pak Iman, nice to see you again, I think now we are having a very big pressure from a geopolitical tension, a sort of enhancement of policy risks and the pressure for money to trade so we really have to defend the rule-based trading regime as far as possible so certainly one thing is that there is that we have to continue working on a WTO reform, its very difficult to do but certainly we have to cooperate with that and also now we have RCEP and also some countries are having CPTPP in addition to AEC, so I think we have to utilize those mega FTAs as a really living and evolving agreements to defend on the rule-based trading regime, and also the expansion of the membership and others that is also very, very important too. So I think now we are really having a sort of a small and smaller territory for the rule-based trading regime and we really have to depend on that, that's my feeling these days.



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Dr. Dino Patti Djalal

- Yeah, Dr. Nuki let me ask you this question, Minister Hagiuda has explained about the Japanese policy initiative to help the energy transition in Asia, do you think after COP26 recently in Scotland, Southeast Asian countries are embracing a much more progressive and bold climate policy, especially on renewables, do you see that political wind gaining ground in Southeast Asia?

Dr. Nuki Agya Utama

- Yes, thank you. In fact last year in 2020-2021, approximately the all-in-stock of a capacity that Southeast Asia installed are 80% of it coming from renewable energy and only it goes to Vietnam around 19 gigawatts if I'm not mistaken. So, basically before COP 26, this region already tried to proceed and expand increasing the share of re-including RE into the grid mainly, also on the power, also on the primary energy supply are the activities are increasing reserve from RE are also there, Thailand, Malaysia and Indonesia itself are trying to increase the share of the biofuel into the fuel on the top of the sectors quite significantly. So those are very interesting policy directions that need to be really captured by the member states in Southeast Asia, because people have a big market and we have a lot of resources in that sense.

Dr. Dino Patti Djalal

- Yeah, but Indonesia has been the exception to that trend don't you think? Because Indonesia's renewable energy is still far below the 23% target for 2025 and investments in renewable energy and government policies have really not been keeping up with the worldwide trends, would you agree with that?

Dr. Nuki Agya Utama

- Yeah, if you're looking at country specific which is Indonesia, yes you have some challenges on the regulation and also some other structural issues. I think Indonesia needs to fall in the matters of cross sectors, where we need to have a holistic review. For example, if we're looking at EVs (electric vehicles) we have to think about the value of energy and biofuels also from the perspective of Pertamina – we cannot only go ahead in one direction. Then also the EDSM/MEMR (Ministry of Energy and Mineral Resources) need to have a good regulation to accommodate those potentials and target in 2025 at least.

Dr. Dino Patti Djalal

- Yeah, Professor Kimura, Minister Hagiuda mentioned about AETI (Asia Energy Transition Initiative) will proactively provide 10 billion dollars of finance support and capacity building for technology and project, based on the roadmap for carbon neutrality, am I correct in assuming that this is part of the post-Glasgow commitment of developed countries trying to provide 100 billion dollars of climate financing, so I'm imagining this is part of it, am I right? And then also is that 10 billion dollars meant for Southeast Asia or for globally?
- I don't know if you know the answer to that.

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Prof Fukunari Kimura

- Yeah that's what I don't know exactly, but certainly that is a part of our plan to achieve carbon neutrality by 2050. So that's a commitment and the details are really actually, right now are really looking at, this is just a part of the big program, that's what I understand.

Dr. Dino Patti Djalal

- Sure, but am I right in assuming that Japan considers itself a leading country on climate diplomacy and climate economics?

Prof Fukunari Kimura

- Now it's going to be a really really big topic, we cannot really avoid that.

Dr Dino Patti Djalal

- Yes.

Prof Fukunari Kimura

- But Japan itself is having a really really difficult situation to some extent. We are really using fossil fuel a lot too, so even if we stop using coal, we are still using gas and others a lot too. so, there's a sort of big pressure and then really the whole energy policy is now remade actually. That's the process right now in Japan.

Dr Dino Patti Djalal

- But you also imagine that Japan car companies, Toyota, Mitsubishi and all the others will be leading companies for EV? Because in Indonesia the government is going to be big on EV production

Prof Fukunari Kimura

- Yes, Nissan and others are already doing to some extent but now Toyota announced sort of a big shift by themselves too, so it's going to be changing very rapidly, the shifting to some sort of EV.

Dr. Dino Patti Djalal

- Okay, we have I think I've been told that this is going to be the last question, there's a question from Wina Ivan to again Professor Kimura, What should be the Japanese government's response to the increasingly aggressive approach from China and Korea to disrupt supply chain for various sectors in ASEAN especially Indonesia?

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Prof Fukunari Kimura

- I think the whole supply chains are still there but for some really sensitive sectors and others we are having a sort of partial decoupling right now, and also we have to avoid the policy risks partially from the Chinese side and possibly, the US side too actually. So we have to prepare for possible policy risks too, particularly, the relationship with ASEAN is going to be more important in that kind of environment. I would like to have a sort of really stable, reliable relationship in supply chain management.

Dr. Dino Patti Djalal

- Okay, you know finally this question is from me for both of you, I mentioned to you earlier that what I remember about Japan is that, you know Godzilla, Sony and Toyota right, and that was the time when Japan really was like the biggest picture in investment and manufacturing industries in Indonesia and in the region. But now the landscape is quite different. Chinese investments, trade, and capital are really coming into the region big time. If you look at Japan's economic engagement in the region in the next 10, 20 years or so, what would separate Japanese economic engagement compared to US, Chinese, Singaporean or Korean economic engagement, so what would make Japan unique relative to those other countries?

Prof Fukunari Kimura

- We have a big discussion on why Japan's economic growth has been so slow for a long time. But (apparently) in the past 20 years or so we did not have a good engagement in the digital technology and traditional industries, including the manufacturing sectors, so certainly we have to build up that kind of innovation system quickly, otherwise it will be a big problem.
- But we have a really big R&D stock. particularly based on gradual innovation, incremental innovation. We really have to utilize that effectively because that would be a good thing for neighbouring countries including ASEAN too, because in ASEAN the population is young and the region has a very good entrepreneurship. We really have to think of a sort of matching mechanism between our R&D stock and young entrepreneurs in ASEAN and in other parts of the world.
- So I think from the viewpoint of our private companies, we have many things that we really have to do as a government, and as I said again and again, I think a rule-based trading regime should be defended somehow. That's the government's job. So we have to have a good foreign relationship
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particularly with ASEAN, so that's probably what we can do and then at least we would like to be a reliable and credible partner for ASEAN.

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Dr. Dino Patti Djalal

- Yeah well thank you. I agree with you that I think the term 'quality investment' really applies to Japanese, because that's really part of the Japanese investment DNA. When I was in government I dealt quite a bit with Japanese as well, and I think the perception is always that Japanese are tough negotiators. When you deal with Japanese companies for example or the government, the negotiations are really tough but once it is final, then the implementation is always assured, the commitment is always guaranteed and safe. So I think that's what we really appreciate about the Japanese investments in Indonesia and also in the region.
- So and then Pak Nuki any closing words from you before I give it to the moderator yes?

Dr. Nuki Agya Utama

- Yeah, thank you, I think this is potential collaboration and existing collaboration is already one of the biggest in the region if you're looking at the activities, as also stated in the previous presentation, Japanese also have provided a lot of assistance to us on the energy efficiency as well as the nuclear energy and looking at the potential in the future there will be some room for more collaboration, for example like hydrogen, CCS, energy storage and nuclear power perhaps in the future. Thank you.

Dr. Dino Patti Djalal

- Thank you very much, I'm sorry I'm coughing a lot but I promise you I don't have COVID. I took PCR today and yesterday.
- I want to thank everybody for this wonderful discussion and I think I would urge everybody to read into the klines of Minister Hagiuda's speech, I thought it was a very interesting speech, you know he didn't mention a lot of rhetoric, you know a lot of flowery messaging, a lot of it is really concrete stuff, with the concrete proposals on the table and what they intend to do not 50 years from now, but in the coming years right. So I thought that was a very interesting speech and let's hope that it will be implemented soon and implemented effectively and now I have the pleasure to give the microphone back to the MC.

--- End of the Discussion ---