

*Keynote Speech***The Restructuring of Japan's East Asian Strategy**

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**The Recent Situation around East Asia**

In the 1990s, during my seven-and-a-half year stint as Deputy Secretary-General at the OECD (the Organisation for Economic Co-operation and Development) in Paris, I felt uneasy about Japan's future. Amid the process of globalization, in Europe regional integration advanced as could be seen in the EU (the European Union), and the US in turn, which had been promoting multilateral free trade within the GATT-WTO framework, got the jitters about EU expansion, and formed NAFTA (the North American Free Trade Agreement) with Canada and Mexico. In Asia, however, with the exception of ASEAN (the Association of Southeast Asian Nations), there has been no movement at all towards regional integration. Particularly between the Northeast Asian nations of Japan, China and the ROK, there has not been even a hint of regional cooperation. I thought the time was definitely coming when Japan would have no choice but to pursue regional integration within Asia.

After having returned to Japan, in my commemorative address upon my retirement from Waseda University (Institute of Asia-Pacific Studies) in March 2000, I stated we should forge a "Northeast Asian Economic Subregion." At the time it was spoken of unfavorably, being criticized as an impossible dream, and didn't get a very sympathetic reception. Subsequently, Japan also concluded an FTA (Free Trade Agreement) / EPA (Economic Partnership Agreement), with Singapore, and the tide turned. I started to wonder, however, whether Japan was a country which would place its main focus on Asia and be able to pursue regional integration.

By way of example, with the Asian currency crisis of July 1997 as a turning-point, there was a time when Japan was considered to make Asia its core focus and proceed in regional integration under the structure of ASEAN Plus Three (Japan, China and the ROK), which resulted from the initiative taken by ASEAN with the currency problem. Initially, ASEAN had taken the initiative, but China was the next to do so. Exceeding the coming together resulting from the currency problem, China, which took the initiative further to include trade, had great foresight. When China was making efforts to conclude an FTA/EPA with ASEAN with a target of 2010, Japan's reaction was "It's Chinese lip-service, so leave it." However, when China began to pursue an FTA/EPA earnestly with ASEAN, Japan couldn't leave it anymore. Then, Japan also set out to conclude an FTA/EPA with ASEAN with a target of 2012, two years later than China. Japan is a country slow to move. The ROK may go ahead with an FTA/EPA with ASEAN in 2009 or earlier.

The advancing concept of an East Asian community is in the process of negotiation, with ASEAN Plus Three at the core, for an ASEAN Plus Six, as advocated by

Japan (adding Australia, New Zealand and India to Japan, China and the ROK), or ASEAN Plus Ones (proceeded with individually and reciprocally). With ASEAN having become the focus, the three 'pillars' of Japan, China and the ROK concluding their own respective FTAs or EPAs with ASEAN, or alternatively of six 'pillars' doing so, is the extremely complicated ongoing state of affairs. However, Japan, China and the ROK, in terms of their economic scale, amount to more than nine times ASEAN's GNI (Gross National Income). Why is there no action between Japan, China and the ROK? It is a problem which Japan, China and the ROK should be considering together.

The first Asian Summit took place in Malaysia in December 2005, and the ASEAN Plus Six countries participated. This was due to the expansion of members, from Japan changing the course which had been pursued under ASEAN Plus Three. Why did Japan expand the number of members?

The position in which Japan has been placed in Asia is an extremely difficult situation diplomatically. For Japan, the most important thing is US-Japan relations, and with their alliance based on US-Japan defense, it cannot add an East Asian community concept likely to impede such relations with the US. And at the same time, Japan shouldn't hinder the forward movement of the East Asian community concept from Chinese initiatives in Asia. To that end, wanting to curtail China's political and economic impact on Asia by adding Australia, New Zealand as well as the colossus of India to ASEAN Plus Three, is Japan's true intention. This will be a great problem for Japan, with long-lasting implications.

**Japan's East Asian Diplomacy**

Post World War II, Japan's serious mulling of its Asian diplomacy, was probably after the Asian currency crisis. Going back to 1977, Prime Minister Fukuda went on a tour of Asia, and I think it was his speech in Manila on "Heart-to-heart cooperation" which was the first 'salvo' which set the real direction of Japan's Asian diplomacy. At that time I was at the Japanese Embassy in the Philippines, and Fukuda's speech was also called the Fukuda Doctrine. The word "doctrine" has the meaning of a policy of a great power, and it didn't have a good ring to Asian nations, and the then Secretary of Foreign Affairs of the Philippines, Romulo, made the sarcastic comment of "since when has Japan been a great power?" This is a revealing tale of the difficulty of Japan's Asia diplomacy.

The second 'salvo' was in January 2002, with then Prime Minister Koizumi's "Let Asia and Japan advance together" speech in Singapore, and I think he created a wonderful Japanese Asian strategy. However, that isn't

to say that it was heavy on content - he wasn't thinking of an 'East Asian community' with the "community" in lower-case, but was thinking of it as nothing other than a community-level talking-shop. In December 2003, the Japan-ASEAN Commemorative Summit was held in Japan, and made a declaration to work to create an East Asian community with Japan and ASEAN at its core. If China and the ROK had been called as observers at that time, then at the subsequent negotiations on the East Asian community concept, Japan, China and the ROK would probably have been able to work in unison.

I would like Japanese diplomacy to have more confidence and magnanimity. What bothers me in the negotiations for an East Asian community is that Japan always argues for common values, and that this is in places in conflict with Asian ideas. What is considered odd from Europe is that Japan, an Asian country, has a common set of values with the US, yet not with China. An extremely nebulous political ideology is included within "common values." It refers to what the OECD terms common values; number one is pluralist democracy, number two is market economics and number three is respect for human rights. However I wonder whether it's a good thing to override the culture, religion, economy and political systems of every corner of the world and impose common values in one fell swoop. Asia is rich in its diversity. The OECD, of which Japan used to be its sole Asian member, has changed too. While I was there, Mexico's entry brought the number of members to 25, the ROK's to 26, and now there are 30 members, and its set of values has also changed.

Japan, by forcing the penetration of common values through the addition of Australia, New Zealand and India to ASEAN Plus Three, has been trying to restrain China's impact as much as is possible, but working towards an Asian Economic community in this fashion will most likely not work well. In fact on 15 January 2007, at the second East Asian Summit held on Cebu, it brought divisions not only in relations between Japan, China and the ROK, but within ASEAN, which had until then somehow maintained its unity, and sight of the path to an Asian Economic community was lost. It is considered that the responsibility for that should be shouldered by Japan and China jointly, with Japan's responsibility being the greater.

In the future how will Japan get along in the thick of its relations with the US, China and Asia? It is being confronted with difficult diplomatic choices. In November 2006, President Bush, who was participating in the APEC Summit held in Vietnam, considered the expansion to an ASEAN Plus Six or larger, and displayed dissatisfaction towards Japan's proposal. Russia did so also, when President Putin took part in the first East Asian Summit in Malaysia in December 2005 and gave a speech. A Russian observer attended the second East Asian Summit. India takes part, but Pakistan would probably have a natural interest too. Japan's past talk of "community" likely had as its basis that Japan does not want to create a community, and that in Asia, a super-national community like the EU cannot come to be. However at some point the word community will burst forth, and I think confusion will be the state of affairs.

### **The Role of an East Asian Economic Community**

The future of an East Asian community is extremely unclear. A "beauty contest" between Japan, China and the ROK is taking place. Under such circumstances, it is questionable whether a truly effective economic community is possible, in economic terms. The question of how many members an East Asian community will have, will be all the more the topic of fruitless political debate, though Japan is placing great importance on this. If the members don't decide, no progress can be made and that means that very likely no progress will be made.

So where can we make a solid start? For my part, I think we should stop the political running round in circles, and first of all make a start on the things that can be done towards an economic community. For that reason also, I think the current reality of Japan, China and the ROK having not concluded an FTA or EPA to be extremely strange. The responsibility for this should be borne between the three countries, notwithstanding that Japan's responsibility is the greater. If the US concludes an FTA with the ROK, Japan will probably hurriedly enter into an FTA with the ROK. If the ROK ties up an FTA with China now, Japan will probably hurriedly conclude an FTA with China. This is no good - why isn't Japan looking ahead? They have strategies of getting along well with the US and expanding the number of members, but down the road, when history issues and political problems resurface, progress will once again cease.

Currently, in the space of a week, no less than 731 scheduled return flights leave 17 Japanese airports for 20 Chinese airports. Also Japan-China trade, from approximately \$60 billion in 1998, has increased three-fold. Around 20,000 Japanese enterprises have set up shop in China, and China has received a lot of employment from Japanese companies. Not concluding an FTA or EPA under such conditions is peculiar.

### **Japan's Role**

Within ASEAN there is an ASEAN political role towards the East Asian community concept. There is something wonderful in the wisdom of the leaders of the small nations of ASEAN, set up in 1967 in Bangkok. However, while holding ASEAN's role in esteem, if Japan, China and the ROK do not establish political or economic structures for cooperation, an effective East Asian community won't be set up. With that being the case, let us consider what Japan will produce an initiative from, and the role Japan should play.

It was fantastic that Japan, within its relations with ASEAN, has taken the initiative on energy issues coming from an idea from the Ministry of Economy, Trade and Industry. This was worked out at the Second East Asian Summit in Cebu. The only problem was that the "East Asian FTA concept" was basically an ASEAN Plus Six FTA, and moreover there was also the "East Asian OECD" put out by the Minister-before-last of Economy, Trade and Industry. So what is it then? I, who had been at the OECD, was astounded. Under the ASEAN Secretariat they will create the "East Asian Economic Research Center", and strengthen the ASEAN Secretariat. Japan will contribute 10 billion yen towards this over ten years. This is a

commitment to wonderful projects aimed at ASEAN, such as energy-conservation training, technical cooperation and the training of specialists.

However, what will Japan do for the Northeast Asian Economic Subregion, which is close to Japan? Nothing at all. Japan only has eyes for ASEAN.

In a kind of battle for supremacy, or power struggle, between Japan and China over the community, it is hoped that they rival one another in a good way, but with all the bickering, ASEAN doesn't know which direction is best to take for the creation of an East Asian community. As originally, it would be good if ASEAN were in the driving seat, and Japan, China and the ROK were sitting quietly in the back, but when the backseat passengers bicker, ASEAN ends up veering this way and that. For ASEAN, are Japan and China truly partners which it can rely on, or is the dependable partner the US? Within ASEAN itself there are countries considering these questions. Northeast Asia, in particular Japan and China, should recognize this current state of affairs.

Why won't Japan set eyes on the substantial work achieved from the long-standing efforts of ERINA, amongst others? An East Asian expert, I also act as Chairman of NEASE-Net, and I think that Japan should lay stronger foundations in Northeast Asia. In my home of Iwate Prefecture, and the Tohoku (Northeast) Region taken as one unit, how should we undertake cooperation with Northeast Asia? As an example, Miyagi and Iwate prefectures, in collaboration, have established an office in Dalian. It invites students from Iwate Prefectural University, Dalian Jiaotong University and others. It does the same in the ROK. If things are considered soberly, I think it has gradually become clear what things should be considered before the major concept of an East Asian community. On 16 and 17 September 2006 there was the first NEASE-Net Forum and General Meeting at Iwate Prefectural University. The Tohoku Region, being within Asia, a part of East Asia, and specifically of Northeast Asia - has come up with ideas, with one such example being the pursuit, not by a single prefecture, but of a collaborative project on automobile components. Gradually this way of thinking is becoming established. I would like to see active and confident movement towards a Northeast Asian Economic Subregion.

### **The Northeast Asia Environmental Cooperation Organization**

It is commonly held that China will become the worst nation on earth in terms of environmental problems. The OECD's IEA (International Energy Agency), too, says that in the future Asia is set to become the biggest energy-consuming region. The Ministry of Economy, Trade and Industry has focused on energy and, under Prime Minister Abe, has produced the "Asia Gateway Vision." What

should Japan really do regarding its "Beautiful Country" vision and environmental problems, energy conservation, etc.? I think, rather than political matters of what to do on the membership of East Asia, that more important are the matters of what to do, in substance, about environmental problems and energy in Japan, China, the ROK, Mongolia, Siberia and, to be included at some future date, the DPRK.

The US is presently the greatest emitter of CO<sub>2</sub>, and China comes in second. According to IEA forecasts, in 2030, the total CO<sub>2</sub> emissions of the three countries of North America (the US, Mexico and Canada) will be 8.1 billion tons, and on its own China's will be 7.17 billion tons. The EU's will be in the region of 4.1 billion tons, and the one nation of China will outstrip the 25-nation EU. China has become the world's largest emitter of SO<sub>2</sub>, overtaking the US. Limits to growth will come from the environment. Consequently, what Japan ought to do would be technical cooperation in energy conservation. After creating a Northeast Asia environmental cooperation organization and curbing CO<sub>2</sub> and SO<sub>2</sub> through technical cooperation aimed towards China, I would like China to shoulder its obligations to curb CO<sub>2</sub> and SO<sub>2</sub>. Through this kind of technical cooperation, the feeling of trust between Japan, China and the ROK would become stronger. A good community cannot come about where there are no relationships of mutual trust.

Let's stop the fruitless political debating, and set in on the economic front. We should gradually go ahead from the things that can be done. As an example there is the currency problem. ASEAN sought out regional cooperation after the currency problem. If this expands to trade, and on to energy, the environment etc., then gradually something community-like will probably emerge.

### **Towards a more Open Asian Community**

It would be best for Asia if it had a distinctively Asian community. It would be good not to have a body along the rational lines of the EU. Asian countries cannot enter NAFTA. Likewise the US cannot enter the EU. My message to the US is that I would like them to look on whatever Asians are doing for themselves with typical American big-heartedness.

In the future an open community is hoped for. The EU started from 6 nations, then grew to 10, 15 and 25, and has now become 27. ASEAN started from 5 nations, grew to 6 and is now 10. NAFTA, in turn, started with three countries, and will most likely expand into Latin America. Asia too, having ASEAN Plus Three as its basis, should aim for a community which will gradually develop into an open body. This would be open regionalism within globalization.

[ Translated by ERINA ]