

Japan-ASEAN Relations  
in the New Era

Toward the Realization of a Sustainable Society through  
Cooperation and Co-creation

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KEIDANREN

## Table of Contents

1. Foreword .....	2
2. History of Relation-Building between Japan and the ASEAN States.....	3
3. Importance of Japan-ASEAN Relations in a Changing Global Environment .....	5
4. Japan-ASEAN Cooperation and Co-creation in the New Era – Toward Building a Sustainable Society through a Balance between Dynamic Growth and Resolution of Social Issues .....	6
(1) Building Hard and Soft Social Infrastructure for Greater Connectivity .....	7
(a) Promoting the Building of High-Quality Infrastructure .....	7
(b) Improving Institutional Infrastructure .....	8
(c) Fortifying Global Supply Chains.....	10
(2) Realization of Sustainable Growth.....	10
(a) Responding to Climate Change Issues .....	10
(b) Building a Society with Low Ecological Footprint.....	11
(c) Working on Disaster Prevention and Reduction .....	11
(d) Promoting Cooperation in Medical and Healthcare Services...	12
(3) Using Digital Technology to Open Up New Growth Areas and Realize Society 5.0.....	13
(4) Development of Human Resources.....	15
(5) Promotion of Personal Exchanges .....	15
5. Conclusion – Deepening the “Heart-to-Heart Relationship” .....	16
Appendix .....	18

## 1. Foreword

For over half a century since its inception in 1967, the Association of Southeast Asian Nations (ASEAN) has been a regional cooperation organization that aims for economic growth and social and cultural development in the region<sup>1</sup> while expanding its membership.<sup>2</sup> The 10 ASEAN member states each have their unique languages, racial mix, culture, climate, political systems, and other characteristics. This diversity is precisely what renders the whole region even more fascinating.<sup>3</sup> The Japanese business sector appreciates the ASEAN countries' mutual respect for diversity and solidarity as a community in their endeavor to achieve global prosperity and stability.

The ASEAN states are steadily achieving economic growth under their own policies, giving full play to their strengths in agriculture, forestry, fisheries, mining, and other primary industries; electronics, electrical machinery, automobiles, and other secondary industries; and logistics, finance, insurance, and other tertiary industries. In recent years, ASEAN has not only continued its efforts to build infrastructure and attract investments; it has also stepped up work to incorporate industrial digital transformation, the promotion of startups, and other policies in its growth strategies in its effort to nurture next-generation industries to pursue economic development in the new era.<sup>4</sup>

At the same time, ASEAN has also been working on the abolition of tariffs within the region<sup>5</sup> and institutional and physical economic integration based

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<sup>1</sup> The ASEAN Community was formed in December 2015, consisting of the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community (ASCC). Further integration has been promoted under the ASEAN Community Vision 2025.

<sup>2</sup> Ten members at present: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

<sup>3</sup> For example, there are 11 official and semi-official languages.

<sup>4</sup> Such as Indonesia's "Making Indonesia 4.0," Thailand's "Thailand 4.0," and Malaysia's "MyDIGITAL Initiative." The digital sectors have rapidly penetrated daily life in the ASEAN countries, as seen in the sharp increase in the number of mobile phone registration.

<sup>5</sup> Under the ASEAN Trade in Goods Agreement (ATIGA), the first group of ASEAN countries abolished tariffs in January 2010 and the second group in January 2018. This marked the establishment of the ASEAN Free Trade Area (AFTA).

on the Master Plan on ASEAN Connectivity (MPAC).<sup>6</sup> Furthermore, it is also moving forward in pursuit of further growth for ASEAN as a community by giving full play to ASEAN centrality<sup>7</sup> and taking such steps as conclusion of economic partnership agreements (EPA) with countries outside the region.<sup>8</sup>

While the current COVID pandemic has had a devastating impact on the economy and society, ASEAN maintains great potential to become the growth center of the world.<sup>9</sup> At the same time, with its economic development, the international community has also come to have greater expectations on ASEAN to play a more active role in resolving global issues, such as climate change.

Therefore, with an eye on the new post-corona era, it is now even more important for Japan to make full use of the tangible and intangible assets it has accumulated over the course of its economic activities to strengthen cooperation with ASEAN, tap its vitality, and aim for mutual development through the co-creation of new values.

## **2. History of Relation-Building between Japan and the ASEAN States**

Japan is geographically close to the ASEAN countries. The Japanese government and private sector have built partnerships and cooperative relations with these countries for economic development and prosperity by building social infrastructure, concluding free trade agreements, and other initiatives through bilateral, regional, ASEAN wide, and various other

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<sup>6</sup> Announced at the 15th ASEAN Summit in October 2009 and drafted in October 2010. It has three components: physical connectivity (transportation, telecommunication technology, energy, etc.), institutional connectivity (liberalization and promotion of trade, investment, and services, etc.), and people-to-people connectivity (education, culture, tourism, etc.). The joint declaration of the ASEAN Summit of November 2015, “ASEAN 2025: Forging Ahead Together,” stated that strengthening connectivity remained to be one of ASEAN’s action goals.

<sup>7</sup> The goal of ASEAN centrality is to secure ASEAN’s presence and interests in regional institutional frameworks participated in by non-ASEAN major powers.

<sup>8</sup> FTAs between ASEAN and Japan, China, South Korea, India, Australia, New Zealand, and others. (There are also bilateral FTAs between ASEAN countries and these non-ASEAN countries.)

<sup>9</sup> While GDP growth in the 10 ASEAN states in 2020 was -2.5%, growth is estimated to be 3.1% in 2021 and 5.0% in 2022. (No estimate for Myanmar in 2022.) (Source: ADB, Asian Development Outlook, April 2021)

frameworks at different levels.<sup>10</sup>

These activities over the years have contributed to social stability and development in the ASEAN countries and ASEAN as a group. Particularly since the mid-1980s, Japanese companies have vigorously rolled out their business operations and expanded trade and investment relations with the ASEAN states, which boast of such advantages as abundant labor force, diligent people, potential for market expansion, and steady progress in infrastructure construction.<sup>11</sup>

Today, ASEAN is of pivotal importance for Japan's manufacturing industries as the core of their overseas production bases. One factor behind this is the existence of an ASEAN-centered network of EPAs actively promoted by the regional group. Furthermore, the extensive network of global supply chains encompassing the whole region not only contributes to its sustained growth but is also the source of Japanese companies' international competitiveness. In addition, the non-manufacturing sectors are also actively expanding into ASEAN, supporting the manufacturing industries through logistics, financial, insurance, and other services, as well as meeting the increasing consumption needs and domestic demand there.

Japanese companies doing business in the ASEAN countries<sup>12</sup> have advanced with ASEAN on the path of economic growth while playing a significant role in creating jobs and developing human resources.<sup>13</sup> Today, Japan and ASEAN are inseparable partners bound by the strong bonds formed through these companies' business activities that have taken roots in the region.

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<sup>10</sup> Since the Fukuda Doctrine was proclaimed in 1977, for instance, the Japanese government has strived to strengthen bilateral relations with the ASEAN states, as well as worked for cooperation with ASEAN and the Mekong Region through summits, ministerial talks, and other meetings.

<sup>11</sup> Japan's trade with ASEAN (imports and exports) in 2020 was approximately 20.4 trillion yen, representing 15% of its total foreign trade (approximately 136.2 trillion yen). (Source: Ministry of Finance of Japan, Trade Statistics of Japan) Trade structure has changed from Japan's processing trade to an increase in product imports from ASEAN in recent years. Japan's direct foreign investment in ASEAN totaled 2,290.6 billion yen. (Source: Ministry of Finance, Balance of Payments Statistics [preliminary figures])

<sup>12</sup> A total of 12,545 operational bases in the 10 ASEAN countries. (As of October 1, 2017; Source: Ministry of Foreign Affairs of Japan, Annual Japanese Companies Survey)

<sup>13</sup> There are about 200,000 Japanese living in the 10 ASEAN countries. Japanese companies account for a total of over 2 million jobs in ASEAN. (Source: ASEAN-Japan Centre, ASEAN Information Map)

### 3. Importance of Japan-ASEAN Relations in a Changing Global Environment

The world is plagued today by numerous social issues on a global scale, such as the spread of the COVID pandemic and climate change. On the other hand, while advances in the use of digital technology have enhanced convenience in the people's life, certain unexpected social risks have also emerged. In addition, many countries have taken protectionist measures, thus seriously destabilizing the international economic order.<sup>14</sup>

As we face a turning point in history, we must overcome these issues and realize a sustainable society. Toward this end, multilateral cooperation and the generation and implementation of new ideas that are not simply an extension of existing ones are necessary.

With these issues in mind, Keidanren released “.The NEW Growth Strategy” in November 2020,<sup>15</sup> asserting that in order to build a sustainable society, it is important to make full use of digital technology to realize “Society 5.0<sup>16</sup> for SDGs,”<sup>17</sup> a society that strives to achieve both economic development and resolution of social issues. This proposal pointed out that the key to this endeavor is the co-creation of values with diverse stakeholders.

Japan and ASEAN have built an unshakable cooperative relationship for peace, stability, prosperity, and development in the Asian region, with numerous achievements in this respect. Building on this, both parties must continue to bring together their strengths to drive the world economy and resolve social issues as one of the key players in the Asian region.

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<sup>14</sup> On global governance, see “Enhancing Cooperation for the Reestablishment of a Free and Open International Economic Order” released in March 2021.

<https://www.keidanren.or.jp/en/policy/2021/026.html>

<sup>15</sup> See “.The NEW Growth Strategy” released in November 2020.

<https://www.keidanren.or.jp/en/policy/2020/108.html>

<sup>16</sup> Society 5.0 is the new society that comes after the hunting society (Society 1.0), the agrarian society (Society 2.0), the industrial society (Society 3.0), and the information society (Society 4.0). It refers to realizing a human-centered society (super smart society) that maintains a balance between economic development and resolution of social issues through systems for high-level fusion of the cyberspace (virtual space) and physical space (real space).

<sup>17</sup> “Society 5.0—Co-creating the Future” issued in November 2018.

[https://www.keidanren.or.jp/en/policy/2018/095\\_proposal.pdf](https://www.keidanren.or.jp/en/policy/2018/095_proposal.pdf)

Furthermore, ASEAN occupies a pivotal position as the cornerstone of the international community's stability and prosperity in the context of Japan's concept of a Free and Open Indo-Pacific (FOIP). ASEAN also advocates its own vision for the Indo-Pacific, "ASEAN Outlook on the Indo-Pacific" (AOIP).<sup>18</sup> The Japan-ASEAN Summit of November 2020 issued the "Joint Statement of the 23rd ASEAN-Japan Summit on Cooperation on ASEAN Outlook on the Indo-Pacific," which confirmed that the AOIP and FOIP share common basic principles and announced the strengthening of initiatives for AOIP cooperation.<sup>19</sup> Therefore, it has become even more important for the Japanese business sector to further reinforce its cooperation with ASEAN, which will remain an important partner under the free trade and investment regime,<sup>20</sup> to co-create new values toward the realization of a sustainable society and jointly open up a new era.

#### **4. Japan-ASEAN Cooperation and Co-creation in the New Era – Toward Building a Sustainable Society through a Balance between Dynamic Growth and Resolution of Social Issues**

Striking a balance between the achievement of dynamic growth and resolution of social issues is required for building a sustainable society.

In order to achieve ASEAN's dynamic growth, Japanese companies need to persist in infrastructure construction and active trade and investment in the diverse industrial sectors, as well as cooperate with ASEAN to engage in responsive business activities that fully address the diversity and needs of each country, such as human resources development and technology transfer. At the same time, Japan and ASEAN need to co-create and respond to social issues common to both parties, including climate change, disaster prevention and reduction, and medical and healthcare services.

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<sup>18</sup> The ASEAN Summit of June 2019 adopted "ASEAN Outlook on the Indo-Pacific" (AOIP) as the regional group's vision for the Indo-Pacific.

<sup>19</sup> The Japan-ASEAN Summit of November 2020 announced the promotion of cooperation in the AOIP's priority areas: maritime cooperation, connectivity, SDGs, and economy.

<sup>20</sup> It is necessary to promote the early implementation of the reform of the WTO, which forms the core of the multilateral free trade regime, and rulemaking in various areas, including regulations to ensure fair competition among member states. It is also important to promote the conclusion of economic partnership agreements, investment agreements, social security agreements, and other pacts to supplement the WTO.

Promotion of digital transformation (DX)<sup>21</sup> is also essential for opening up new growth areas. Japan and ASEAN should lead the world in realizing Society 5.0 through collaboration with startups, offering digital technology-based solutions, and other initiatives.

Below are the five major areas where Japan and ASEAN must strive to cooperate and co-create in the new era.

## **(1) Building Hard and Soft Social Infrastructure for Greater Connectivity**

### **(a) Promoting the Building of High-Quality Infrastructure**

Building social capital to enable the free movement of people, goods, capital, services, data, and more is indispensable for realizing economic growth.

Together with the people of the ASEAN countries, Japan has utilized ODA for projects to build infrastructure that serves as the foundation of economic activities, such as roads, bridges, ports, airports, and electric power facilities, within these countries and in the East-West Economic Corridor, the Southern Economic Corridor, the Maritime ASEAN Economic Corridor, and elsewhere, with the aim of improving the people's livelihood. As a result, steady progress is being made in infrastructure construction under the Master Plan on ASEAN Connectivity (MPAC).<sup>22</sup> Japan is expected to continue to be involved not only in infrastructure projects in each ASEAN state, but also in cross-regional development programs.

The Japanese government and private sector have also been actively building quality infrastructure.<sup>23</sup> Japan will continue to give full play to the strengths,

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<sup>21</sup> Digital transformation, i.e., fundamental and revolutionary transformation of society, industry, and life through advances in the utilization of digital technology and data, as well as endeavors by industry, organizations, and individuals to make radical changes toward revolutionary transformation. See policy proposal released in May 2020, "Digital Transformation—Opening Up the Future through Co-creation of Values" <https://www.keidanren.or.jp/en/policy/2020/038.html>

<sup>22</sup> Such as construction of the Neak Loeung Bridge and repair of National Highway No. 9 in Laos in the East-West and Southern Economic Corridors, and construction of major ports in the Maritime ASEAN Economic Corridor.

<sup>23</sup> The Japanese government announced in December 2020 its "Infrastructure Systems Export Strategy 2025," consisting of three main pillars: realization of economic growth



technology, experience, and knowledge of Japanese companies—including key infrastructure that boasts of excellent life-cycle cost, environment-friendly infrastructure, and adherence to construction and delivery schedules through meticulous project management—while addressing the needs of the ASEAN region appropriately in its active effort to build infrastructure in these countries to serve as the foundation of connectivity. It will also contribute to the enhancement and implementation of security operations to protect ASEAN infrastructure from outside threats.

At the same time, Japanese companies will work with the government to support efforts to realign and diversify logistics routes and build a digitized trade platform in the ASEAN region.<sup>24</sup>

## (b) Improving Institutional Infrastructure

### i) Promoting a free trade and investment regime

The establishment of a free trade and investment system also forms the basis of efficient business activities. ASEAN has made steady efforts to create an environment conducive for trade and investment both within and outside the region. It established the ASEAN Free Trade Area (AFTA) to liberalize trade in goods inside the region. It is hoped that the free trade and investment regime in ASEAN will deepen further in the future under the ASEAN Economic Community Blueprint 2025 (AEC 2025)<sup>25</sup> of the ASEAN

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through improved industrial competitiveness by adapting to carbon-neutral and digital changes; contribution to the resolution of social issues and achievement of SDGs in the host country; and addressing such diplomatic issues as the realization of FOIP through the promotion of the export of high-quality infrastructure. The importance of building high-quality infrastructure to realize physical connectivity was cited for the “pursuit of economic prosperity” under the FOIP initiative. In light of the above, Keidanren also released its policy recommendation in March 2021, “Towards Strategic Promotion of Infrastructure Export, 2020.” <https://www.keidanren.or.jp/policy/2021/028.html> (in Japanese)

<sup>24</sup> TradeWaltz, a platform for trade information sharing using blockchain technology jointly launched by seven Japanese companies from different sectors to facilitate trade procedures, has begun operating. TradeWaltz’s Vietnam pilot to demonstrate the digitization of commercial transaction flow was chosen by the Ministry of Economy, Trade and Industry (METI) of Japan for its “Overseas Supply Chain Diversification Support Project.”

<sup>25</sup> The AEC 2025 consists of the following main pillars: a highly integrated and cohesive economy; a competitive, innovative, and dynamic ASEAN; enhanced connectivity and sectoral cooperation; a resilient, inclusive, people-oriented, and people-centered ASEAN; and a global ASEAN.

Community Vision 2025.<sup>26</sup>

In terms of forging relations beyond the region, in addition to concluding the ASEAN+1 FTAs, ASEAN has served as the driving force in enhancing the regional competition environment and in international rulemaking by playing a central role recently in the Regional Comprehensive Economic Partnership Agreement (RCEP) process, from the start of negotiations to the signing of the agreement in November 2020.<sup>27</sup>

The Japanese business sector hopes that all RCEP member states will undertake the ratification and effectuation procedures for this agreement as soon as possible. After the RCEP takes effect, it intends to continue to work with the governments and relevant organizations of Japan and the ASEAN states to actively apply this agreement in efforts to create a free and open market and realize an international economic order.<sup>28</sup>

ii) Instituting legal systems for the realization of a transparent and predictable business environment

Creating a transparent and predictable business environment is important for ASEAN to attract more foreign private investments in the region. This will involve instituting various legal systems and systems related to public-private partnerships (PPP) for bringing in more private capital in infrastructure construction, as well as upgrading the administrative functions required to enforce these systems. While Japan has long cooperated with the ASEAN states in enhancing various legal systems, it will need to persist in such efforts. In addition, proper management of sensitive technologies is indispensable for expanding international corporate activities while maintaining security. Japan also needs to cooperate actively in such institutional efforts.

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<sup>26</sup> Adopted in November 2015. The ASEAN Community Vision 2025 spells out visions in three areas: ASEAN Political-Security Community (APSC), ASEAN Economic Community (AEC), and ASEAN Socio-Cultural Community (ASCC).

<sup>27</sup> India's early membership is sought from the standpoint of expanding trade and investment.

<sup>28</sup> Modernization of customs is also important for free trade. As part of this effort, the Nippon Automated Cargo and Port Consolidated System (NACCS) was introduced in Vietnam and Myanmar.

### (c) Fortifying Global Supply Chains

At present, many Japanese manufacturing industries are building their production facilities in the ASEAN region, which is a key hub of their global supply chains. There are also a growing number of companies moving into industrial parks that are equipped with logistics, utilities, and communication facilities, and other hard infrastructure necessary for production activities, as well as soft infrastructure in the form of various support services by management companies.

Natural disasters in the past have demonstrated the vulnerability of global supply chains. The current COVID pandemic the world is experiencing has given us an opportunity to rethink the structure of such global supply chains. Ensuring their resilience has become an even more critical issue. Japanese companies will make the most of the quality infrastructure and institutional infrastructure available in ASEAN to fortify the region as a key link in their global supply chains.

## (2) Realization of Sustainable Growth

### (a) Responding to Climate Change Issues

International cooperation is essential for responding to global issues such as climate change. At present, steady efforts are being made toward achieving the final goal of realizing a carbon-free society under the Paris Agreement, the international framework on climate change.<sup>29</sup> Japanese companies are taking proactive action to address climate change issues.<sup>30</sup> It is hoped that they will propagate energy, environmental, and digital technologies—such as in the areas of energy conservation, renewable energy, nuclear power,

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<sup>29</sup> The Paris Agreement, the international framework for climate change issues from 2020, took effect in 2016. Participants in the Climate Change Summit in April 2021 announced their greenhouse gas reduction targets. The Japanese government declared its goal to reduce greenhouse gas emission by 46% from the fiscal 2013 level by fiscal 2030 and further strive for a 50% reduction.

<sup>30</sup> Keidanren is taking action on climate change issues through “Challenge Zero” (<https://www.challenge-zero.jp/en/>), and other initiatives. “The Commitment to a Low Carbon Society” (<http://www.keidanren.or.jp/en/policy/vape/LowCarbonSociety2017.pdf>) will be updated to the “Keidanren Carbon Neutrality Action Plan,” which will be promoted vigorously.

hydrogen, energy storage, and CCUS<sup>31</sup>—and various advanced technologies that may contribute to decarbonization in the ASEAN countries in a manner compatible with local conditions.<sup>32</sup> It is also important to support such endeavors with sustainable financing.<sup>33</sup>

The Japanese government and private sector will hold active dialogue with the ASEAN countries and cooperate with them in working for the realization of a carbon-neutral world, including measures to be taken during the transition period.

#### (b) Building a Society with Low Ecological Footprint

Positive action to tackle environmental issues, including the prevention of soil and water pollution and conservation of forests, has become more important in order to maintain sustainable growth in the region. Marine plastic waste, in particular, is becoming an increasingly serious problem in ASEAN that needs to be resolved.<sup>34</sup> The Japanese government and companies possess excellent technology and knowhow in garbage collection, waste disposal, and recycling systems. They are also knowledgeable about fostering garbage sorting consciousness. They will cooperate with the governments of the ASEAN countries to tackle this issue.

#### (c) Working on Disaster Prevention and Reduction

Japan has experience with numerous natural disasters such as earthquakes, tsunami, typhoon and flooding from torrential rains. It has not only deployed

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<sup>31</sup> Carbon dioxide Capture, Utilization and Storage

<sup>32</sup> Participants in the 16th ASEAN+3 Ministers on Energy Meeting in September 2019 agreed on the Japanese government's proposal on Cleaner Energy Future Initiative for ASEAN (CEFIA) for government-private sector efforts to propagate low-carbon technology in ASEAN and promote relevant policies and policy-building. Details of financial support for decarbonization projects in ASEAN under the Asia Energy Transition Initiative (AETI) were announced at the ASEAN-Japan Business Week in May 2021.

<sup>33</sup> There has been an increasing number of ESG financing by institutional investors and financial institutions in projects for SDGs in ASEAN. For example, the Asian Development Bank (ADB) has decided to earmark at least 75% of its annual financing contracts for projects relating to climate change by 2030.

<sup>34</sup> At the G20 Osaka Summit held in 2019, the Japanese government announced its plan to support capacity building in waste management and infrastructure construction in the developing countries toward the realization of the "Osaka Blue Ocean Vision," which aims at achieving zero additional pollution by marine plastic waste by 2050.

in society various technologies developed through collaboration between industry, government, and academia, but has also broadly instilled a high disaster prevention consciousness among the population, fostered through steady educational efforts. With natural disasters becoming increasingly devastating in recent years due to climate change and other factors, it is necessary to introduce disaster prevention and reduction technology and mentality in society at an early date and build society on this premise.

This is important even from the standpoint of fortifying the manufacturing industries' supply chains. For example, based on its experience and lessons learned from past disasters, Japan has accumulated broad-ranging knowledge and experience both in the hard aspect—such as sophisticated flood control technology and earthquake-proofing and seismic isolation for buildings, including public infrastructure—and the soft aspect—such as disaster prevention-oriented urban planning, alert and evacuation advisory systems during disasters, business continuity planning in preparation for disasters, and logistics for assisting disaster victims—as well as financing, insurance, and other financial services to support speedy reconstruction. Japanese companies will take the lead in sharing these assets with the ASEAN countries facing similar risks of natural disasters<sup>35</sup> to bring about changes in the people's consciousness and behavior toward sustainable growth. They will work with the ASEAN states toward building a safe and secure society that is resilient to disasters.

#### (d) Promoting Cooperation in Medical and Healthcare Services

Japan is one of the first countries in the world to become a super-aging society. It is beneficial to share its experience and knowledge with certain ASEAN countries that may become aging societies in the future. In addition to promoting more aggressive training of medical and nursing care personnel, building IT-based healthcare and medical service infrastructure using life course data, AI, telemedicine, and so forth is an area expected to be in even greater demand from now on. Japan and ASEAN will need to cooperate in

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<sup>35</sup> It is said that compared to other regions of the world, the Asian region suffered the worst damages from flooding, storms, drought, and other water-related disasters between 1990 and 2019. (Source: The Asian Disaster Reduction Center [ADRC], Natural Disasters Data Book 2019)

such efforts. In addition, promoting the establishment of water treatment, waste disposal, and recycling systems to improve basic public health conditions is also necessary.

In light of the manifestation of supply chain risks in the medical sector with the spread of the COVID pandemic, it is necessary to accelerate efforts to improve supply chains of medicine, medical equipment, hygiene products, and related goods, cold chains for food and vaccines, and international distribution systems, under the cooperation between the governments and private sectors of Japan and ASEAN.

### **(3) Using Digital Technology to Open Up New Growth Areas and Realize Society 5.0**

The global spread of the COVID pandemic reminds all of us of the importance and potentials of digital technology. Therefore, there is great room for partnership and collaboration between Japan and the ASEAN states, which have both set a goal of economic development and resolution of social issues through the deployment of digital technology in society.

In particular, ASEAN is more advanced than Japan in the digitization of social economic activities, such as e-commerce and ride-hailing applications. Ambitious young people with exceptional business sense who are digital technology-savvy are also starting new businesses, including in fintech one after another. For sure, regions differ in social problems needing solution and services required. In order to tap the vitality both inside and outside ASEAN, it is important for Japanese companies to address these needs by taking the initiative to collaborate with the thriving ASEAN startups and work with them in the process of opening up and expanding global markets.

In this connection, in recent years, while Japanese companies have made efforts to provide and utilize products, technologies, and services in the ASEAN countries, there have also been cases in which ASEAN countries have introduced in society products, technologies, and services equipped with advanced technology ahead of Japan. Sharing the success stories through these collaboration and management and maintenance knowhow therefrom will enable Japan and the ASEAN states to roll out more products and

services in both their markets and in third countries.

Japanese companies will also actively participate in promoting the use of digital technology in such areas as smart cities that offer solutions to environmental and energy issues and other urban problems; contactless solutions for the “with Covid-19” and “post Covid-19” eras based on biometric authentication technology; and smart agriculture for high labor efficiency and productivity.

Furthermore, there is an urgent need to build key telecommunication networks using 5G that ensures highly reliable transmission of massive data, submarine cables, and so forth. In addition, with advances in digitization in society, it is increasingly important to ensure cybersecurity. It is now necessary to embed security features from the planning and design stages of products when building social infrastructure.

Legislation of laws on cybersecurity, data protection, and other relevant matters in the ASEAN countries is indispensable for secure and safe international commercial transactions. It is also important to work together in making international rules on data use (Data Free Flow with Trust, or DFFT),<sup>36</sup> taking into account compatibility with the protection of personal information.<sup>37</sup> We hope for positive initiatives from the ASEAN states. We also ask the Japanese government to cooperate with and provide positive support to the ASEAN countries in addressing new issues brought about by digitization, such as capacity building through joint cyber exercises and training of experts.<sup>38</sup>

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<sup>36</sup> Prime Minister Shinzo Abe advocated “Data Free Flow with Trust” (DFFT) at the Davos Forum in January 2019. An agreement was reached at the G20 Osaka Summit in the same year. Singapore concluded Digital Economy Partnership Agreements on the promotion of digital trade, cooperation in fintech and other digital areas, securing cross-border data flow, and so forth with Australia, New Zealand, and Chile in 2020.

<sup>37</sup> Prime Minister Yoshihide Suga announced during a policy speech at the Vietnam-Japan University in October 2020 Japan’s plan to promote stronger regional digital connectivity with the ASEAN countries and DFFT-based rulemaking.

<sup>38</sup> The Cabinet Secretariat, the Ministry of Internal Affairs and Communications, and METI convened an ASEAN-Japan Cybersecurity Policy Meeting. Japanese companies are also involved with system building and administering exercises at cybersecurity capacity building centers for the ASEAN members.

#### **(4) Development of Human Resources**

Japanese companies have long been deeply involved with the development of human resources, which form the foundation of the ASEAN countries' growth, as a priority concern. The regional headquarters, branch offices, production bases, marketing and service hubs, and other outfits of Japanese companies doing business in the ASEAN countries serve as one of the main players in Japan-ASEAN personnel exchanges and human resources training. Some companies even set up and operate training centers to improve the production techniques and other occupational skills of the local people. There are also ongoing personnel exchange initiatives to send local employees for training or temporary assignments at the main office in Japan, with the aim of grooming these employees as future managers. Such corporate activities also contribute to nurturing talents needed for ASEAN's autonomous economic growth. It is indeed the people that are at the heart of solutions to new social problems. Japanese companies will persevere in their efforts to nurture talents for the ASEAN countries' growth in the next generation.

There has also been a steady increase in the number of students from the ASEAN countries coming to study in Japan. Bonds developed as students often become the starting point for building sustained relationships in the future. It is necessary to further expand student exchange programs for the younger generation in Japan and ASEAN.

#### **(5) Promotion of Personal Exchanges**

Japan and the ASEAN countries must continue to engage in active exchanges at all levels, including cooperation between companies, governments and relevant agencies, local governments, and educational institutions.<sup>39</sup> Japan

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<sup>39</sup> The Japanese government is promoting relationship-building between young people through funding from the East Asia Youth Exchange Fund and other organizations. It is also promoting international contribution through human resources development under the Technical Intern Training Program. Based on the Japan-ASEAN Technical Cooperation Agreement, the Japan International Cooperation Agency (JICA) offers training courses in "capacity building in policy formation for enhancement of measures to ensure cybersecurity in the ASEAN region," "port strategy management," and other topics. The Japan External Trade Organization (JETRO) conducts training to foster and upgrade skills of local engineers. The international organization ASEAN-Japan Centre actively conducts programs to encourage exchanges between students, youth, and female entrepreneurs.



and ASEAN will also be celebrating the 50th anniversary of their relationship of friendship and cooperation in 2023. We should make this an opportunity to further strengthen Japan-ASEAN cooperation.<sup>40</sup>

In terms of tourism, which provides a great opportunity to develop interest in other countries, there has been a steady increase in the number of ASEAN visitors in recent years<sup>41</sup> and a lively two-way exchange of visits. Although this has been affected by the COVID pandemic, the presence of ASEAN tourists enjoying their stay in various parts of Japan has become a part of daily life. ASEAN countries are also major destinations for Japanese tourists. People from both sides have developed an interest in each other's cities, historical sites, rich nature, ethnic groups, religion, traditional and pop culture, food and cuisine, and so forth. It is important to persist in efforts to enhance active personal exchanges, including the exploration and utilization of new tourism resources.

## **5. Conclusion – Deepening the Heart-to-Heart Relationship**

The bonds between the people of Japan and the ASEAN countries fostered by our precursors over the years, that is, our heart-to-heart relationship, will remain an asset that forms the basis for partnership and cooperation under the “with Covid” and “post Covid” new normal. We, the present generation, and young people with a bright future before them must continue to engage in dialogue and exchanges at all levels in order to further deepen this relationship.

Keidanren has sent missions to the ASEAN countries and held joint conferences and other meetings to engage in policy dialogue with the governments and economic organizations of these countries.<sup>42</sup> Keidanren is

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<sup>40</sup> For example, it is hoped that the Japan-ASEAN Integration Fund (JAIF), the Japan-East Asia Network of Exchange for Students and Youths (JENESYS Programme), and the “WA Project” will be expanded.

<sup>41</sup> Against the backdrop of rapid economic growth, the expansion of the middle class, the LCCs' entry into the travel market, and the growing popularity of visits to Japan, there has been a rapid increase in tourists from the ASEAN countries visiting Japan. There were about 3.4 million visitors in 2018, which is five times the number 10 years ago.

<sup>42</sup> An annual Asian Business Summit (ABS) has been held by Keidanren and the economic organizations of Asian countries since 2010. Lively discussions took place on economic and industrial strategy in the “with corona” and “post-corona” eras, issues for cooperation in Asia, and other topics at the 11th ABS (held online) in November 2020.

currently providing assistance to talents for the next generation through cooperation in the establishment of universities, the creation and administration of scholarships, and other programs. Keidanren will continue to engage in such activities.<sup>43</sup>

We are confident that ASEAN will continue to play a central role in the economic development of Asia and the world in the new era. In order to facilitate cooperation and co-creation between Japan and ASEAN to generate new values, we would like to actively hold policy dialogues with the governments and relevant organizations of ASEAN and Japan toward the realization of this proposal<sup>44</sup> and move forward in our joint endeavor to achieve a sustainable society.

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<sup>43</sup> Keidanren cooperated in founding the Sirindhorn International Institute of Technology at the Thammasat University, with the aim of training advanced technicians. It also offers scholarships in Vietnam and Myanmar.

<sup>44</sup> Keidanren plans to create a Sub-committee on ASEAN Economic Relations under the Committee on Asia and Oceania and engage in policy dialogue with governments, economic organizations, and other groups of each country.

## **Appendix**

We will engage in dialogue with the ASEAN countries and promote cooperation and co-creation, focusing on the following areas:

### **1. Building hard and soft social infrastructure for greater connectivity**

#### **(1) Building hard infrastructure**

- ✓ Roll out quality infrastructure (building high-grade roads, bridges, railroads, ports, airports, electric power facilities etc.)
- ✓ Continue to develop and operate industrial parks<sup>45</sup> that serve as the core of regional industries
- ✓ Build infrastructure secured against cyber attacks
- ✓ Cooperate in building comfortable communities that tackle traffic congestion and other urban issues

#### **(2) Building soft infrastructure**

- ✓ Work for the early effectuation of RCEP, positive application of this agreement, and India's membership
- ✓ Capacity building for greater administrative efficiency and streamlining
- ✓ Improve business environment, including the streamlining of central and local government administrative procedures
- ✓ Facilitate trade procedures through digital trade platforms
- ✓ Use technology to improve logistics efficiency

### **2. Realization of sustainable growth**

#### **(1) Realizing green growth**

- ✓ Deploy Japanese companies' technology and knowhow in ASEAN

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<sup>45</sup> Japanese companies develop and operate industrial parks in the ASEAN countries in cooperation with the host country's government. They adapt to local conditions and contribute to regional development through job creation, technology transfer, and other endeavors in these countries.

countries

- ✓ Cooperate toward realization of a carbon-free society, including during the transition period

## **(2) Building a society with low ecological footprint**

- ✓ Continue corporate activities that will contribute to tackling the marine plastic waste issue, preventing soil and water pollution, conservation of forests, and so forth<sup>46</sup>

## **(3) Working on disaster prevention and reduction**

- ✓ Share knowledge and experience in dealing with disasters in both hard and soft aspects
- ✓ Support personnel training of disaster prevention
- ✓ Set up and promote financing, insurance, and other financial systems to support speedy post-disaster reconstruction

## **(4) Cooperation in medical and healthcare services**

- ✓ Enhance personnel development in medical and nursing care service
- ✓ Build IT-based healthcare and medical service infrastructure using life course data, AI, telemedicine, etc.

# **3. Using digital technology to open up new growth areas and realize Society 5.0**

## **(1) Cooperation with startups**

- ✓ Create opportunities for Japan-ASEAN startup collaboration<sup>47</sup>
- ✓ Support building an innovation ecosystem linking Japan and ASEAN

## **(2) Realizing a smart society**

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<sup>46</sup> Reforestation, environmental beautification, and other activities in the ASEAN countries.

<sup>47</sup> Keidanren holds matching events and other meetings in cooperation with JETRO and other groups toward establishing a global startup ecosystem.

- ✓ Cooperate for the early effective deployment of 5G and Beyond 5G to serve as the foundation of a smart society and build key telecommunication networks consisting of submarine cables, etc.
- ✓ Participate in the realization of smart cities through the deployment of ICT platforms
- ✓ Implement contactless solutions for the “with Covid” and “post Covid” eras using biometric authentication and other technologies
- ✓ Japan-ASEAN collaboration in international standardization
- ✓ Support cybersecurity personnel training<sup>48</sup>
- ✓ Support deployment of system infrastructure based on “security by design”

### **(3) Cooperation and participation in rulemaking**

- ✓ Cooperate in making international rules based on the principle of data free flow with trust
- ✓ Make rules in response to changes in society due to advances in digitization, such as in personal information protection

## **4. Development of human resources**

- ✓ Nurture human assets not limited to acquiring skills
- ✓ Expand cooperation and student exchange programs between Japanese and ASEAN universities

## **5. Promotion of personal exchanges**

### **(1) Promotion of tourism, etc.**

- ✓ Revitalize local communities through the attraction of tourists
- ✓ Promote traditional culture, cuisine, pop culture, etc.

### **(2) Keidanren’s initiatives – holding policy dialogues**

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<sup>48</sup> Invite administrative officials from ASEAN countries to Japan for cybersecurity training under the Japan-ASEAN Technical Cooperation Agreement.

- ✓ Create and conduct activities under a Sub-committee on ASEAN Economic Relations, in cooperation with Committee on Asia and Oceania
- ✓ Send missions to the ASEAN states to hold policy dialogues
- ✓ Exchange views with ASEAN states' embassies in Tokyo