

# EASTASIAFORUM

ECONOMICS, POLITICS AND PUBLIC POLICY IN EAST ASIA AND THE PACIFIC

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## ASEAN and Japan

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**ASIAN REVIEW: Wanning Sun and Haiqing Yu on the influence of Chinese-language media platforms in Australia**

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Quarterly

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## From the editors' desk

In 2023, as ASEAN and Japan celebrate the 50th anniversary of an official relationship that has fostered trust, regional prosperity and security over the years since its shaky beginnings, the challenge to redefine its goals and purpose is now pressing.

Great power rivalry between the United States and China is forcing choices, about which the region is distinctly uncomfortable. Regional power relativities including that between ASEAN and Japan have changed over the years. Social and technological change as well as political disruption have injected new dynamics into the relationship. The COVID-19 pandemic also exposed the vulnerability of economic growth in a world of hyper-connectivity and mobility.

The assets—importantly the trust—that have been accumulated over the past half century of large-scale economic and political cooperation between ASEAN and Japan provide a solid foundation on which to shape a relationship fit for the next fifty years. Now, with Japan's demographic and ASEAN's developmental challenges, it's a critical partnership that shares new and mutually beneficial complementarities. This is a time for the relationship to shift from one of 'patron–client' or 'donor–recipient' to one of 'equal' partnership and one that is able to 'co-create' a regional economy and society that is prosperous, safe, free and fair.

This issue of *East Asia Forum Quarterly* addresses these challenges for the ASEAN–Japan relationship and offers ideas, visions and initiatives that might guide its future. How can Japan and ASEAN navigate great power rivalry in the region and ameliorate its negative economic impacts from trade decoupling, technological fragmentation and the interruption of critical supply chains? How can the partnership be brought to bear on sustainability problems (climate change and waste management), fashion new soft diplomacy (food, pop culture and tourism), assist with digital and green transformation and drive investment in intra-ASEAN infrastructure?

In our Asian Review section, we focus on the ambitions of the Indonesian and Indian G20 presidencies in comparative perspective, whether Chinese-language media is truly a security threat in Australia and the drift away from the separation of economics and politics in Japanese diplomacy.

**Nobuhiro Aizawa and Maria Monica Wihardja**

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COVER PHOTO: Japanese Emperor Naruhito and Indonesian President Joko Widodo attend a ceremony in Bogor, Indonesia (June 2023). PICTURE CREDIT: The Yomiuri Shimbun / Reuters.



# Towards an equal partnership

MIE OBA

**T**HE ASEAN–Japan forum on synthetic rubber in 1973 marked the beginning of cooperation between ASEAN and Japan. In 2023 they are celebrating the 50th anniversary of their partnership. Both ASEAN and Japan have changed dramatically over the past 50 years—as has their relationship.

Japan became the world's second-largest economy at the end of the 1960s, establishing a formidable economic presence in Southeast Asia.

Japanese private enterprises exported industrialised goods and established business operations across Southeast Asia, while the founding members of ASEAN—Indonesia, Malaysia, the Philippines, Singapore and Thailand—were yet to industrialise. Japan leveraged its economic power for political influence, providing considerable official development assistance to Southeast Asian countries.

But Japan's early economic presence

in Southeast Asia caused domestic backlash from ASEAN countries. In 1974, prime minister Kakuei Tanaka faced serious anti-Japanese riots when he visited Jakarta. Against this backdrop, in 1977 prime minister Takeo Fukuda delivered his Fukuda Doctrine speech in Manila, setting out three principles in Japan's diplomacy towards Southeast Asia.

Though criticism of Japan continued, ASEAN evaluated the Fukuda doctrine positively, and it

PICTURE: MAST IRHAM / POOL VIA REUTERS



Japan's Emperor Naruhito and an expert from the Japan International Cooperation Agency visit Jakarta's Pluit water pumping facility, which has received Japanese government funding for a critical renovation (June 2023).

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marked a turning point in ASEAN–Japan relations. But the ‘equal’ partnership emphasised in Fukuda’s speech did not represent the reality of Japan–ASEAN relations, which over the years has more closely resembled a ‘patron–client’ model.

The situation has changed dramatically since the turn of the century, with Japan–ASEAN relations moving towards greater equality. Japan’s projection as a major power has shrunk following the bursting of its bubble economy and the rise of China in East Asia. Japan has also been afflicted by a growing number of natural disasters, some linked to climate change. As its population ages and the labour force declines, Japan is also struggling to increase its productive capacity.

As Japan’s status has diminished, ASEAN’s status has grown. ASEAN had expanded its membership to 10 countries by the end of the 1990s, promoting intra-regional cooperation and elevating Southeast Asian interests globally. The economic development of ASEAN countries has also elevated the group’s status. World Bank data shows that ASEAN member countries’ combined GDP reached about US\$3.6 trillion in 2022—85 per cent of that of Japan. Despite economic variations across ASEAN countries, the region is on a growth trajectory.

But both ASEAN and Japan face new external challenges. After the end of the Cold War, East Asia—including Japan and ASEAN countries—enjoyed a relatively stable regional environment under the liberal international order sustained by US hegemony. This stability is now threatened by a changing power balance amid escalating US–China strategic competition. As China has strengthened its cooperative relationship with Russia, and

after Russia’s invasion of Ukraine in February 2022, the view that the gap between liberalism and authoritarianism has been gaining ground has strengthened. The realities are more complex and Japan and ASEAN countries cannot choose one side or the other. But the pressures from the United States and China to take their side are threatening the environment in which both ASEAN and Japan and their relationship have prospered.

For Japan, the alliance with the United States is the core of its defence and foreign policy strategies. The 2022 National Security Strategy prioritises stronger cooperation with the United States towards long-term peace and security in the region. As US–China competition intensifies, this has implications for Japan–China security relations, which are already fraught with territorial disputes over the Senkaku/Diayuo Islands and natural resources in the East China Sea. Yet the Chinese economy remains crucial for Japanese businesses. China is Japan’s largest trading partner and was the third-largest destination for Japanese direct investment in 2022.

The rise of China presents both risks and many opportunities for ASEAN. On one hand, China’s assertive behaviour in the South China Sea has threatened the free and open, rules-based maritime order in the region, raising anxieties in ASEAN countries. Escalating US–China strategic competition challenges ASEAN’s ‘centrality’ while the emergence of minilateral strategic coalitions such as the Quad and AUKUS appear to diminish the importance of ASEAN’s contributions to regional stability.

At the same time, the ASEAN and Chinese economies are becoming inseparably intertwined. China has

been ASEAN's largest trading partner since 2009 and ASEAN became China's largest trading partner in 2020. The share of ASEAN's total trade with China grew from 12 per cent in 2010 to 19.4 per cent in 2020 and foreign direct investment from China into ASEAN is also steadily increasing.

For ASEAN countries, on the other hand, the United States remains important as a trading partner as well as the largest source of investment in ASEAN. Some ASEAN countries cooperate closely with the United States in security and defence with the United States strongly committed to maintaining free and open maritime order in the region. The Philippines and Singapore lease bases to the US military and—with Brunei, Indonesia, Malaysia, Thailand and Vietnam—participate in annual Southeast Asia Cooperation and Training exercises led by the US navy.

As US–China competition intensifies, both powers are strengthening the economic security dimensions of policy, increasingly regulating economic activities with political objectives as a priority. This has created a sharp point of tension for Japan and ASEAN, whose development has rested on a foundation of the free and open economic order, one component of the liberal international order.

As the Japanese policy elite acknowledges, the existing liberal international order under US hegemony is on the wane—they have begun to adopt a new approach, assuming a role for Japan as promoter of a rules-based regional order. The proposal of the 'Free and Open Indo-Pacific' is one case in point. But they also accept that Japan does not have sufficient power to foster and sustain such a regional order alone. Similarly, ASEAN's elites are concerned that

ASEAN has reduced its influence on the regional order organised around its centrality.

Japan and ASEAN also face common social and environmental challenges, including declining birth rates and, in some cases, ageing populations, widening socioeconomic disparities, environmental degradation and access to food and energy. Though the interests and objectives of Japan and ASEAN on specific issues do not always coincide, they need to enhance cooperation because both need partners to foster a stable regional order and deal with these social and environmental challenges. They need to ensure their diplomatic autonomy and maintain their voice to protect against the whims of great power rivalries. Deepening cooperation is essential to achieve these aims.

**T**HERE are three pillars on which Japan and ASEAN can build cooperation.

The first is a commitment to build a free, open and rules-based and fair regional order by enhancing defence and security cooperation, particularly maritime cooperation under the ASEAN Outlook on Indo-Pacific and Japan's Free and Open Indo-Pacific. Some ASEAN countries such as the Philippines and Vietnam are improving the capacity of their coast guards through Japanese aid. Japan has held 2+2 meetings with Indonesia and the Philippines and concluded defence equipment transfer agreements with several ASEAN members, including the Philippines, Malaysia, Vietnam, Thailand and Indonesia. In addition, Japan has decided to introduce Official Security Assistance, a new grant aid mechanism under which the military and other beneficiaries will be the recipients.

The second pillar for ASEAN–

Japan cooperation is to build a society which fulfils economic development, sustainability and equity. Japan has shown its commitment to strengthening cooperation with ASEAN countries affected by the COVID-19 pandemic, providing US\$2.5 billion in loans for financial assistance and establishing the ASEAN Centre for Public Health Emergencies and Emerging Diseases through the Japan–ASEAN Integration Fund. Japan and ASEAN can also enhance supply chain resilience by strengthening free trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and Regional Comprehensive Economic Partnership.

The third pillar is to foster mutual understanding and trust between ASEAN and Japan as 'heart-to-heart partners'—a key theme since the Fukuda speech. Though the Abe administration strengthened cultural exchange between ASEAN and Japan, there is still a need to build multilayered channels for mutual understanding, information-sharing and intellectual exchanges.

Though domestic and regional circumstances have evolved over the past 50 years, Japan and ASEAN continue to share many common challenges. As the regional order becomes more uncertain, the time has come for ASEAN and Japan to work on building a new, *equal* partnership, based on defence and security cooperation, economic development with sustainability and equity and mutual understanding. **EAFO**

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Japanese Prime Minister Fumio Kishida and Vietnam's Prime Minister Pham Minh Chinh meet during the Hiroshima G7 summit (May 2023).

# Japan as a diplomatic asset to ASEAN

JOHN D CIORCIARI

**A**SEAN members are navigating an increasingly challenging regional environment. Headwinds to global trade and finance threaten Southeast Asia's post-pandemic economic recovery, as do the rising costs of climate change. Waxing great power rivalry is leading to segmented supply chains and infrastructure, hampering intra- and extra-regional trade. Strains between ASEAN member states sow discord within the association, sapping its clout and potentially undermining regional

security. China's surging influence raises concerns, as do US responses, which increase strategic tension and give short shrift to economics and regional prosperity.

To address these risks, ASEAN members seek to strengthen connectivity and resilience, preserve autonomy and avoid entrapment in a new Cold War. Japan can help by advocating for Southeast Asian interests in global forums.

Southeast Asian governments have long viewed Japan as a key

trading partner and sponsor of regional economic development and integration. Japan has also emerged as a major diplomatic partner, advocating for ASEAN centrality and respect for Southeast Asian sovereignty in broader regional forums. Over time, Japan has overcome the legacy of the Second World War, and surveys suggest that it is now the most trusted external power in Southeast Asia. Japan has earned trust in ASEAN capitals by acting as a courteous power—one that listens carefully to

regional perspectives, conveys respect and leads quietly in areas of common interest.

Importantly, Japan's approach to Southeast Asia is not simply a product of benevolence. Japan also needs ASEAN's diplomatic support to sustain regional initiatives that constrain other major powers—particularly China—and promote Japan's own security and economic wellbeing. This alignment of interests makes Japan arguably ASEAN's most reliable major-power partner.

Japan is a crucial asset to ASEAN in global forums such as the G7 and G20, where it can give voice to Southeast Asian concerns and mobilise resources to address regional priorities. It offers ASEAN members a bridge to the G7, where Southeast Asia is otherwise unrepresented. The G7 is a natural group to spearhead funding for climate initiatives, infrastructure and development. As this year's G7 chair, Japan has had a special opportunity to shape the agenda and address Southeast Asian concerns.

**J**APAN'S ability to lead in concert with Southeast Asian partners was apparent in November 2022 at the G20 summit in Bali, when the Japanese and US governments led donors to forge a Just Energy Transition Partnership with Indonesia. Indonesia is only the second country to enter into such a partnership, which mobilises resources to help coal-reliant states shift to greener forms of energy production. The Japanese and US governments, their G7 partners, the European Union, Norway and Denmark raised an initial US\$20 billion from public and private sources to support Indonesia's carbon reduction plan.

Japan could help ASEAN attract a wider array of G7 investment

in Southeast Asia. The G7's new Partnership for Global Infrastructure and Investment—built partly on Japan's Partnership for Quality Infrastructure—offers prospects of much-needed financing for Southeast Asia. G7 members have considerable sway in international financial institutions and could catalyse renewed infrastructure investment by the World Bank and Asian Development Bank (ADB). Japan is the obvious leader for such initiatives, in part due to its influence at the ADB, which by tradition has a Japanese president and where Japan and the United States are the largest shareholders.

But G7 investment is not without risks to Southeast Asia. The Partnership for Global Infrastructure and Investment is largely an effort to compete with China's Belt and Road Initiative (BRI), and China is apt to resist G7 efforts to counterbalance the BRI. Competition and decoupling between China and the G7 could lead to rival infrastructure and supply chains, which is already occurring in the technology sphere. This could undermine ASEAN efforts at connectivity and network centrality. Japan cannot resolve the tension between China and the G7 but it can advocate within the G7 for a pragmatic approach that focuses on connecting Southeast Asian economies to one another to boost their autonomy, leverage and resilience.

Japan can also help ensure Southeast Asian voices at the table. The G7 has begun including key partners informally to expand the reach of its discussions—Indonesian President Joko Widodo and Vietnamese Prime Minister Pham Minh Chinh were among several leaders to join G7 leaders in Hiroshima in May 2023. Japan could advocate

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Japan has also emerged as a major diplomatic partner, advocating for ASEAN centrality and respect for Southeast Asian sovereignty in broader regional forums.

for a scheme in which ASEAN members are regularly represented as informal G7 dialogue partners. The value of their inclusion lies not only in their participation in plenary meetings and the symbolic value of their appearances, but also in the opportunity for bilateral side meetings with G7 leaders.

Japan is also a diplomatic asset to ASEAN within the G20, where ASEAN is regularly invited to participate as a regional organisation but has only one member state (Indonesia) represented. The G20 shapes international action by setting priorities and issuing guidelines, frameworks and recommendations in areas ranging from economic development to financial regulation and pandemic preparedness. Japan can help lead dialogue on issues of prime concern to ASEAN members, such as regional connectivity, supply chain resilience and climate change.

But close collaboration between Japan and ASEAN within the G20 carries important limits and risks. Japan, Indonesia and ASEAN cannot override the great power gridlock

that has reduced the G20's scope for strong collective action. Disputes over Russian participation and competition between Beijing and Washington stymied the G20 in 2022, when Indonesia exhibited legerdemain as host country simply to keep discussions proceeding.

Japan also faces challenges in navigating G20 discord over Ukraine. Japanese Foreign Minister Yoshimasa Hayashi skipped a February 2023 foreign ministers meeting in India to object to Russian participation, sending his deputy instead. If Japan downgrades its G20 participation to protest Russian aggression, it may appear as a less effective partner to ASEAN within that forum.

Most importantly, turning to Japan as a diplomatic partner in the G20 could elicit blowback from Beijing. Where Japanese and Chinese perspectives differ sharply, ASEAN members do not wish to be seen as taking sides. Japan can be most helpful by advocating for ASEAN-branded initiatives within the G20 and pressing for action on global challenges like climate adaptation and pandemic preparedness.

ASEAN members can use their close ties to Japan to achieve greater voice and attention within the G7 and G20. In those and other global forums, Japan can be a key advocate for Southeast Asian connectivity and resilience. But Japan's diplomatic utility to ASEAN hinges on Tokyo's discretion and ability to navigate great power rivalry rather than abetting it.



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# Is industrial policy the answer to securing critical minerals and the green transition?

MARI PANGESTU

**D**EVELOPED and developing countries have been escalating the use of industrial policy in the past few years through subsidies, trade restrictions and other instruments to secure the supply of the transition-critical minerals and rare earths essential for developing low-carbon technologies and the move to green energy. These minerals include cobalt, copper, graphite, lithium, manganese, molybdenum, nickel and vanadium. To assess the effectiveness of these policies and consider better strategies, it is important to understand the uncertainties they have created and their impact on the much-needed green transition.

Achieving net zero carbon emissions will require an estimated seven-fold increase in demand for critical minerals between 2021 and 2040 and this demand will not be met with future supply expansion. Currently, the United States and the EU import 80 per cent and 98 per cent of their critical mineral needs respectively, while Japan imports 90 per cent. Given these dependencies, there are heightened concerns around the access to supply of critical minerals, especially considering the concentration of supplies in China. While the extraction of critical

minerals is dominated by Chile and Peru for copper, Indonesia and the Philippines for nickel, the Democratic Republic of Congo for cobalt and Australia for lithium, China is the leading processor.

To reduce dependency on these concentrated supplies of critical minerals, developed countries have introduced industrial policies such as reshoring the sourcing of critical minerals and the production of low-carbon technologies. These policies are being implemented through subsidies, requirements for domestic or 'ally' content and the promotion of mineral resource development with 'like-minded countries'. In the United States, the *Inflation Reduction Act* provides subsidies of US\$7500 for electric vehicle (EV) purchases as long as the components, such as batteries, are produced in the United States or in allied countries that have a free trade agreement (FTA) with the United States. This has led to Japan signing a limited FTA with the United States on minerals so it can provide components that qualify for the subsidy. The EU, Indonesia and the Philippines have also approached the United States for similar limited trade agreements.

The EU has proposed legislation—the *Critical Raw Materials Act*—which



requires members to reduce their dependence on China for critical minerals from 80 per cent to 65 per cent, with a target to increase supply from within the EU to 10 per cent. Since 2020, Japan has also introduced a range of industrial policies to incentivise the relocation of Japanese-owned facilities from China to ASEAN and other countries to strengthen its manufacturing base and supply chain resilience. In May 2022, Japan also introduced the *Economic Security Promotion Act* which aims to secure supply chains for critical minerals and support the development of critical and emerging technologies.

But industrial policy targeted at onshoring or building supply chains with allies is unlikely to reshape the industrial geography of critical minerals any time soon. The

investments required to uproot supply chains face uncertainty from increased demand, shifting industrial policy and geopolitics, and long lead times, as well as limits of relying only on supply 'allies'. Even if onshore extraction could be increased in developed countries, pushback on environmental concerns could hamper progress. Meanwhile, current industrial policy has the potential to disrupt or raise the cost of access to critical minerals and transition technologies, especially among developing countries.

The better policy response is not onshoring or creating strategic alliances. Expanding and diversifying investment in resource-rich developing countries would increase and diversify supply—both in extraction and processing—reducing reliance on a few countries and firms.

China should be accommodated in the interim given its significant role in reducing the cost of decarbonisation in other countries. It produces 70 per cent of the world's solar panels, accounts for more than 50 per cent of wind turbine supplies and has the largest production capacity for lithium-ion batteries for electric vehicles. Chinese participation enables the world to reap the benefits of globalised supply chains for low-carbon products, pushing costs down faster and allowing greater technological diffusion compared to segregated national efforts.

But diversifying investments to resource-rich developing countries also has its challenges, as industrial policy intended to increase the value-add of mineral resources can distort investment decisions. Since

PICTURE: HARIANDI HAFID / SOPA IMAGES / SIPA USA



Workers extract nickel at PT Vale's Sorowako mine, one of Indonesia's largest reserves of nickel.

fiscal constraints mean subsidies are not an option, policies have come in the form of restricting raw materials exports, linking mining concessions with phased-in downstreaming and local content requirements. Indonesia, for instance, passed a law in 2009 restricting exports of unprocessed minerals and requiring mining concessions to build smelters by a certain deadline.

In the case of nickel, Indonesia has the largest reserves in the world and accounts for 22 per cent of exports. In 2014 Indonesia banned the export of nickel ore. The policy has been deemed a success, with exports of ferronickel and stainless steel increasing from US\$2.2 billion in 2014 to US\$29 billion in 2022. This also led to increased investment from China and nickel mining companies such as Vale, spurring economic growth in east Indonesia. The policy is now being extended to a purported list of 21 commodities, including copper and bauxite. With ample supplies of nickel, copper and graphite, Indonesia has ambitions to become a supply hub for

EVs and batteries. This is one of the reasons Indonesia is investigating how it can access the US market and EV subsidies, as investments in EV battery production require scale and export markets.

But the costs and benefits of export restrictions as a means for increasing value-add can be problematic. Value-add is not just the increase in exports of the final product, or even jobs growth—which is low given the capital-intensive nature of the industry—but the difference between the cost of production and cost of materials, including the cost of building infrastructure and meeting energy needs.

The success in expanding nickel production might not be repeated with other commodities where Indonesia is not a major producer or where substitutes are readily available. And other minerals may not attract investments in the way that nickel did. To ensure further downstreaming leads to value-added industrial development, complementary policies such as infrastructure building, access

to clean energy and human capital development are necessary. Achieving scale comes from policies related to domestic market demand for carbon transition pathways and exports, and scale will drive the development of supporting industries rather than local content requirements.

Finally, as the search for lithium to make EV batteries shows it is not enough to be rich in one resource. Low-carbon technology and processing requires secure and accessible supplies of other critical minerals. Keeping trade open and predictable is as vital to resource-rich countries as it is to resource-poor economies. It is also essential for the diversification of refining and processing capacity to reduce dependence on China. **EAFO**

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Employees work at a Beijing plant operated by the Japanese semiconductor and microchip manufacturing company Renesas (May 2020).

HIDEKI TOMOSHIGE

**A**T THE G7 Hiroshima Summit in May 2023, leaders declared in a statement on economic resilience and economic security that they would strengthen supply chains for critical goods, including semiconductors, through global partnerships.

This commitment reaffirms Japan's efforts—starting in 2021—to revitalise its domestic semiconductor industry, reduce its dependence on other countries for critical goods and build a resilient supply chain.

Two key elements of Japan's semiconductor strategy for 2023 include strengthening domestic manufacturing capability and fostering research and development (R&D) for next-generation semiconductor technology through international collaboration. This ambitious approach aims to transform Japan's semiconductor industry and

demonstrates the government's determination to revive its semiconductor ecosystem.

The Japanese government aims to increase domestic semiconductor manufacturing capacity by providing subsidies to companies engaged in the production of advanced semiconductors. Given that semiconductors are used in everything from cellphones to defence systems, expanding Japan's domestic capability will be crucial for reducing the risk of dependence on unreliable sources of supply as well as the risk of becoming overly reliant on a few countries.

In 2021 and 2022 the government set aside more than 1 trillion yen (close to US\$7 billion) for semiconductor manufacturing plants. Without this, Japanese and foreign firms would likely choose more attractive locations to manufacture semiconductors. In

May 2023, top executives of seven foreign semiconductor companies met with Prime Minister Fumio Kishida to exchange views on expanding investment in Japan. This step is expected to further secure the semiconductor manufacturing base.

Semiconductors were also designated 'specified critical materials' to strengthen the ability of Japanese industry to manufacture legacy semiconductors and produce the required manufacturing equipment and materials. This resulted in a total budget of 368.6 billion yen (US\$2.8 billion). These support measures aim to maintain Japan's presence in the global semiconductor ecosystem and induce additional private sector investment.

Beyond financial support, the Japan Investment Corporation (JIC)—a government-affiliated fund overseen by the Ministry of Economy, Trade



and Industry—has taken a significant step by acquiring the chip-materials producing firm JSR through a takeover bid of approximately 900 billion yen (US\$6.4 billion). JSR holds a roughly 30 per cent share of the global market for photoresists that are required to manufacture semiconductors. The acquisition will enable JSR and JIC to restructure Japan's semiconductor materials industry through large-scale mergers and acquisitions to increase the competitiveness of Japan's semiconductor materials companies.

**W**HILE industrial policy alone will not be enough to reinvigorate Japan's domestic semiconductor industry, the government can work to ensure its industrial policies contribute to the success of the industry. This work will require close engagement with semiconductor companies and other stakeholders, an examination of the successes and failures of industrial policy efforts and the modification of policies as needed.

The Japanese government's semiconductor strategy also emphasises strengthening Japan's next-generation semiconductor technology base through international collaboration. Other technology-driven nations—including European countries, the United States, South Korea and India—are launching policies to build resilient supply chains for semiconductors. This is an opportune time for Japan to pursue collaboration with other countries.

In December 2022, Japan established the Leading-edge Semiconductor Technology Center (LSTC), which is supported by public research institutions in Japan and serves as an R&D hub for scientists worldwide. At the LSTC, researchers will explore new technologies for

next-generation semiconductors based on the needs of domestic and foreign industries. It is expected that the National Semiconductor Technology Center and the Interuniversity Microelectronics Centre (IMEC) will collaborate with the LSTC on advanced semiconductor technologies.

Separately, Japan's National Institute of Advanced Industrial Science and Technology is working with domestic and overseas semiconductor companies on a project to launch a pilot line of 2-nanometre chips. It is also working with the Taiwan Semiconductor Manufacturing Company (TSMC) to develop an advanced 3D semiconductor packaging technology. These collaborative projects showcase the Japanese government's ambition to catch up to global leaders that are currently 10 years ahead of Japan in chip manufacturing technology.

The Japanese government has also established Rapidus, a mass-production centre for next-generation semiconductors, in collaboration with IBM and IMEC. Rapidus received 330 billion yen (US\$2.3 billion) in financial support from the Japanese government over 2022 and 2023. It aims to start producing 2-nanometre semiconductors in 2027.

But because Rapidus has not built and operated a fabrication facility to date, it will likely take time to realise its potential. It also remains to be seen whether Rapidus's business model, which is based on R&D sustained by sales revenue, will work.

A cautionary tale is that, from the 1970s to the 2000s, multiple joint research projects similar to the LSTC were undertaken by the Japanese government. These government initiatives initially benefited Japan's semiconductor industry. But in the long term, Japanese semiconductor

companies became less diverse due to the standardisation of their technology and the leveling up of technology among their companies.

This lack of diversity among Japanese semiconductor manufacturers made it difficult for companies to adapt to changes in a competitive environment. To apply the lessons learned from past government initiatives, the LSTC will need to be led by a diverse set of Japanese semiconductor companies, operate flexibly and not be too bound by specific research goals.

The Japanese government's new semiconductor policy aims to play a significant role in reviving Japan's semiconductor ecosystem. To implement the strategy successfully, the government must continue to pursue further investment and long-term policies aimed at building a resilient global supply chain. At the same time, the government will also need to work closely with stakeholders and remain flexible in adjusting its policies.

In addition to financial support, the Japanese government is taking a multifaceted approach to strengthen the competitiveness of its semiconductor industry. International cooperation, the establishment of R&D centres and human resource development are all on the table. These efforts are expected to help the Japanese semiconductor industry build a stronger position and contribute to economic resilience at home and abroad. [EAFQ](#)

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# Improving conditions for Vietnamese workers in Japan is a win for all

PICTURE: LINDA SIEG / REUTERS



Technical trainees from Vietnam work at a knitwear factory in Mitsuke (2019).

ATSUSHI TOMIYAMA

**I**N 2019 BBC journalist Stephanie Hegarty reported that foreign workers employed under Japan's Technical Intern Training Program were being exploited and that a 2017 report by the Japanese government had found 70 per cent of the businesses involved in the scheme had broken labour regulations on illegal and unpaid overtime. A 2021 report reiterated these findings and

in April 2023 a Japanese government panel suggested the program should be abolished and replaced with a new system. The panel will submit its final report to the government later this year and a new system is expected to be launched in 2024.

According to statistics from Japan's Ministry of Justice, the number of foreign residents in Japan reached a record high 3.07 million by the end

of 2022, surpassing 3 million for the first time. With a variety of residency statuses, most of these residents contribute to the Japanese labour market.

Among this foreign labour force, 325,000 'technical intern trainees' and 131,000 'specified skilled workers'—a status of residence created in April 2019—play a significant role in supporting the Japanese economy. Both statuses are based on the premise of working while learning a skill, but it has been argued that these workers are used as cheap migrant labour with little support provided for training. They work in industries where labour is in short supply such as food and beverage manufacturing, sewing, construction, cleaning and agriculture. In other words, Japanese society depends on 450,000 foreign workers to do the work that Japanese workers do not want to do.

Vietnam is the largest source of this migrant labour, accounting for 54 per cent of technical intern trainees and 59 per cent of specified skilled workers. The number of Vietnamese migrant workers has increased rapidly, replacing Chinese migrant workers, whose numbers have fallen since the early 2010s due to rising local salaries in China and anti-Japanese sentiment caused by territorial disputes or an experience of exploitation under the technical trainee program. Over the past decade, the number of Vietnamese residents—not only migrant workers—increased nearly tenfold to 490,000.

Vietnam was expected to continue

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Specific measures must be taken to ensure the continued flow of migrant labour essential to supporting Japan's economy.

to be the largest source of migrant workers in Japan. But the tide has turned with the rapid depreciation of the Japanese yen, which reached a 32-year low of 150 yen to the US dollar in October 2022. The depreciation of the yen against the Vietnamese dong has also accelerated, and the salaries that Vietnamese migrant workers receive have decreased by at least 10–20 per cent. Nguyen Thuy Linh, President of Himawari Service, a human resource service company in Hanoi, said: 'Since the yen's depreciation, it has become difficult to recruit migrant workers to Japan.'

But for some Vietnamese workers, whose average monthly wages are currently around US\$200–300, Japan—where wages have not increased for 30 years—is still an attractive option. Based on average wages announced by Vietnam's General Statistics Office and the average wages for technical intern trainees and specified skilled workers announced by Japan's Ministry of Health, Labor and Welfare, the wage gap between Japanese and Vietnamese salaries can be expected to decrease further.

In 2021 the average monthly wage for specified skilled workers in Japan was 9.7 times higher than in Vietnam,

while for technical intern trainees it was 8.2 times higher. But by 2025, the average monthly wage for specified skilled workers and technical intern trainees will fall to 5.9 times and 5.1 times, respectively. And in 2031, the average monthly wage for specified skilled workers and technical intern trainees will fall to 3.4 times and 3 times respectively, nearly one-third of the current level.

IT IS likely that 2031 will mark a turning point, when Vietnamese workers will no longer see Japan as an attractive source of income. The costs associated with migration will no longer be worthwhile as salaries in Japan will only be about three times the local salary. With the average cost for travel expenses costing approximately 1 million yen (US\$7000), based on a loan period of five years and excluding interest, it would cost 17,000 yen (about US\$121) per month to repay this debt. Living in Japan is also costly—about four times higher than in Vietnam, as of 2023. Migrant workers must also pay dormitory fees, taxes, social insurance and other deductions. Their average monthly salary is around 180,000 yen (about US\$1250) but 40 to 50 per cent is taken up by these costs.

Specific measures must be taken to ensure the continued flow of migrant labour essential to supporting Japan's economy. The first is to eliminate brokers. Vietnamese migrant workers to Japan borrow about 1 million yen from brokers to pay for travel expenses. That figure is higher than the amount paid by migrant workers from other countries like Indonesia or the Philippines.

Japan would do well to follow South Korea's lead where an employment permit system was implemented in 2006. This eliminates brokers and is

directly administered by South Korea's Ministry of Employment and Labor. South Korea has not only eliminated brokers but also allows migrant workers to change jobs in the same industry under certain conditions.

The second improvement is to recognise technical intern trainees and specified skilled workers officially as 'migrant workers'. This may provide improved outcomes and treatment for migrants whose status as 'trainees' may lead employers to abuse their own superior status and force them to work for lower wages.

The third measure relates to skills capacity among migrant workers after they return home. For technical intern trainees and specified skilled workers, the focus is on having them work in Japan, not on how they will use the knowledge and skills they have acquired after returning to their home countries. Except for a few willing companies, there is almost no assistance provided for job placement or further development when a worker returns to their home country.

There are more than 2000 Japanese companies and many small and medium enterprises in Vietnam. If workers who learned skills and knowledge in Japan can be hired in local factories, and if the Japanese and Vietnamese governments jointly create a national qualification that is accepted in Vietnam, the lives of workers after returning home would be significantly improved. Even if wages are a little lower than in other countries, the number of Vietnamese people who want to study technology in Japan will increase if the conditions are more enticing. **EAFO**

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A worker stands in a tunnel of the Jakarta Mass Rapid Transit project funded by the Japan International Cooperation Agency (September 2022).

SOUKNILANH KEOLA

**J**APAN was ASEAN's largest provider of financial and technical resources until the 2000s. Japan's overseas development aid (ODA) through loans and grants to ASEAN member states goes back to 1969, two years after ASEAN was formed.

Japan's annual net ODA, most of which is directed towards Asian countries, continues to grow despite some major setbacks. It grew from US\$105 million in 1960 to US\$14.5 billion in 1995, before declining when Japan's asset bubble burst in 1992. Japan's net ODA hit a low at US\$7.7 billion in 2007, but rose to US\$15.7

billion in 2021, with five ASEAN countries among the top 10 recipients. Much ODA went to the construction of roads, bridges, airports, powerplants and industrial estates, all essential to economic development.

Infrastructure aid was helpful to the original ASEAN members during their early independence. It benefited not only local people and firms but also attracted investment from Japan and other industrialised nations, which jump-started economic development. The same cycle repeated for the four new ASEAN members who joined in the 1990s. In mainland Southeast Asia, Japanese ODA enabled the

construction of bridges and estates along Thailand's Eastern Seaboard and the Mekong River, extending growth to the whole Mekong region.

But Japan's contribution to infrastructure development among ASEAN states has also faced setbacks amid two long-term changes in Japan's relative economic position. ASEAN's infrastructure ambitions were easier to support when Japan's economy was stronger and the cost of infrastructure investments in ASEAN countries fell below Japan's aid allocation ceilings.

Over time, the gap between Japan's and ASEAN's infrastructure ambitions has shrunk. ASEAN countries want

high-speed railways—Indonesia, Malaysia, Thailand and Vietnam have all expressed their intention to import Japanese bullet trains. Japan's responses were positive but the costs exceeded ODA budgets.

Another change in Japan's relative economic position has been the emergence of regional competitors with the technical capacity, financial resources and the political will to participate in infrastructure development in ASEAN. Depending on the type of infrastructure, China, South Korea and intra-ASEAN players such as Thailand have become active infrastructure providers in ASEAN. These new providers offer competitive pricing and are often more flexible in adjusting loan terms, cost provisions based on the constraints and accommodating the needs of recipient countries.

For example, Thailand has proposed reducing the speed and number of stops along the planned high-speed railway between Bangkok and Chiangmai as well as the overall contributions of the Japanese developer to reduce costs. Such requests do not appear to have been considered seriously. The new and more flexible regional providers have made it more difficult for Japan to settle deals while maintaining its high standards.

The ultimate goal is for ASEAN to become technically and financially capable enough to meet its own infrastructure aims. This is unlikely in the foreseeable future. Some ASEAN members are too small to foster local infrastructure industries. Local supply infrastructure scenarios are unrealistic even in the more economically advanced ASEAN member states, judging by the fact that catch-up by local firms is rarely seen even in less sophisticated industries. ASEAN's

infrastructure development will continue to rely on external assistance.

Despite difficulties in striking deals, Japan's involvement may increase in importance given the complex and multifaceted challenges that ASEAN nations are facing.


**A**MBITION drives progress but overenthusiastic ambition may put ASEAN in difficult situations later. Japan is well-placed to help ASEAN nations evaluate their goals. It is usually the first partner that ASEAN countries turn to for feasibility studies of major infrastructure development projects. But Japan needs to be cautious about conforming to modern feasibility studies standards that overemphasise expensive 'state-of-the-art' criteria, which even developed countries struggle to afford. Focusing on realistic alternatives is more likely to lead to practical and appropriate outcomes.

Infrastructure development is difficult to execute because basic facilities have the character of both public and private goods. Public and private partnerships (PPP), where private companies fund government projects upfront and then earn revenue from their public use, may be the best way forward. This means larger contributions from public ODA and private players in the more developed ASEAN countries. The 'build and leave' alternative will not work in most ASEAN countries because of limited financial and technical capabilities. For PPP to work in modern infrastructure projects, such as high-speed railways, private partner commitments from developed countries are likely to be especially important.

Profitability and accountability to shareholders is the main reason that Japanese providers have been

reluctant to proceed with bullet train projects in many ASEAN countries. But multinational manufacturing enterprises, including Japanese firms, have thrived in ASEAN for decades bearing the same accountability. The provision of infrastructure relies on higher-income consumers, while manufacturing companies benefit from lower wages. The shrinking income gap between Japan and ASEAN may make it easier for Japan to carry out FDI-oriented PPP for infrastructure development and expand Japanese infrastructure exports.

Japan's FDI in some ASEAN countries has been overtaken by China or South Korea. But Japan is still number one when it comes to the network of aid and quasi-aid agencies across ASEAN. The Japan International Cooperation Agency and the Japan External Trade Organization still outperform similar organisations from China and South Korea in terms of the scale and range of operation and the impacts on local societies and economies.

Japanese manufacturing companies have shown how cross-border cooperation is an effective way to achieve overall efficiency in ASEAN. An infrastructure project that is not feasible in one ASEAN country may become viable when connected with infrastructure in other ASEAN countries. With its aid and quasi-aid networks, Japan is well-placed to coordinate intra- and extra-regional assistance with Europe, the United States, China and other countries to promote ASEAN's continued infrastructure development. 

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# Indonesian and Indian G20 presidencies in perspective

SACHIN CHATURVEDI

**I**N SEPTEMBER 2023 the New Delhi G20 Summit will mark the beginning of the end of the Indian G20 presidency as well as Indonesia's role in the troika—a mechanism that provides continuity across G20 presidencies. This presents an opportunity to evaluate the effectiveness of the leadership shown by these two emerging

market economies for wider global governance.

The past two years have been beset by mass geopolitical and economic disruption including the conflict in Ukraine, economic and debt crises across several countries and the legacy of the devastating COVID-19 pandemic. Amid this turbulence, Indonesia assumed the G20 presidency

in December 2021, followed by India in December 2022. The timing of these presidencies was critical as they have paved the way for the presidencies of other developing countries that will follow them, including Brazil and South Africa.

Both Indonesian President Joko Widodo and Indian Prime Minister Narendra Modi are strong leaders with

PICTURE: THE YOMIURI SHIMBUN



Indonesia's President Joko Widodo and India's Prime Minister Narendra Modi declare the conclusion of the G20 summit in Bali (November 2022).



mass followings. They have forged strong connections with other global leaders, at times going beyond the standing of their diplomatic missions.

Both G20 presidencies had clear marks of their respective leaders. The Indonesian G20 presidency reflected the pacifist demeanour of Widodo, who absorbed the tensions of the conflict in Ukraine and provided leadership during G20 negotiations. On a similar note, Modi articulates that today's era is not an era of war but of dialogue and diplomacy. At the Bali Summit in November 2022, he placed an emphasis on resorting to diplomacy and collective resolve to address the ongoing tensions in Ukraine and throughout the Indian presidency kept Russia and Ukraine engaged at various

levels.

During what has been called the most difficult G20 ever, Indonesia held its ground on Russia, refusing to withdraw Russian President Vladimir Putin's invitation to participate but condemning Russia at the summit. Under Widodo's leadership, Indonesia attempted to limit the G7 leaders' criticism of Russia and focused on binding global leaders together to pacify opposition and produce a joint declaration. Indonesia held on to its view that G20 is primarily an economic forum and cannot be held hostage by any one particular issue. Widodo's stance was supplemented by Modi's efforts with the United States Deputy National Security

Adviser Jon Finan declaring at an event in Washington DC that Modi 'was instrumental in forging a consensus' around a joint declaration.

At the Bali Summit in November 2022, without mentioning Russia, Widodo was vocal in calling for an end to the war, arguing that it hampered the prospects for global economic recovery. He underscored the importance of promoting world peace, reminding global leaders of their responsibility not only towards their people but also towards the international community. Widodo emphasised the need for a united world to prevent another Cold War, the importance of upholding international law and the principles of the United Nations Charter.

PICTURE: AMIT DAVE / REUTERS



Workers prepare signage for the G20 Finance Ministers and Central Bank Governors meeting in Gandhinagar (July 2023).

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Indonesia also advocated for the promotion of world peace during its bilateral meetings with other leaders in the G20 delegation. With his focus on the idea of 'one earth, one family and one future,' Modi has presented a similar message in his hosting of the G20 in 2023. Both G20 presidents have made efforts to reduce the shadow of external developments on the leaders' summits.

With Widodo and Modi, strong domestic connections have emerged as a prominent feature of their G20 presidencies. Both leaders have focused on campaigns of engagement with students, civil society, businesses and engagement groups across each country. With waves of COVID-19 continuing to be a disruptive force, such public engagements were more limited for Indonesia, but India has taken the G20 to almost all Indian provinces.

Modi's G20 messages have reached millions of people with hundreds of publications issued across India. Cultural and culinary programs and tourism projects have all been part of the G20 spectacle. Modi issued clear instructions not to hold any G20 events—with the exception of the summit—in New Delhi. As a result, all of the approximately 280 events before the summit will take place in 56 cities around the country. While international diplomatic endeavours in the past were more elitist and information about them more exclusive, those living in regional areas now know something of the term G20.

**W**ITH this kind of connection and engagement, domestic priorities have been able to enter the global stage. Given the domestic debate on audits and accountability, Indonesia hosted the first meeting of official auditors at the engagement group level. The engagement group, known as Supreme Audit Institutions 20 (SAI20) was introduced in 2022 as a result of efforts made by the G20 Indonesian presidency. The group engages actively and effectively with the entire spectrum of stakeholders, from audited entities and governments to media and the civil society. The objective of the engagement group is to uphold the important role played by the Supreme Audit Institutions globally to ensure transparency, efficiency and accountability of public administration and increase cooperation on these matters among the G20 nations. With a focus on connecting with youth, India introduced an engagement group on start-ups. The Startup20 engagement group established by the Indian presidency aims to foster global discussion on new-age entrepreneurship and extend vital

resources and support to start-ups from G20 member countries.

The Indonesian G20 presidency was marked by initiatives in energy transition and finance. Indonesia emphasised the need for a transition to clean energy at the global level and developed a framework for accelerating an equitable, affordable and inclusive energy transition based on the priorities of the G20 Energy Transition Working Group. The Bali Energy Transition Roadmap outlines mechanisms for G20 countries to transition towards low and zero emission energy sources by 2030. Its three main priorities are to provide access to energy, develop smart and clean energy technology and provide access to financing for clean energy.

The Italian G20 presidency in 2021 established the G20 Sustainable Finance Working Group (SFWG) to harness sustainable finance to meet the 2030 Agenda and the goals of the Paris Agreement. The Indonesian G20 presidency's Sustainable Finance Working Group's online dashboard illustrates such achievements and tracks the ongoing work done by national governments and international organisations in their

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Good global governance is indispensable for achieving sustainable and equitable development, and here the G20 will continue to play a critical role.

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Fostering a more inclusive G20 has been a key priority for both presidencies. With the spirit of 'leave no one behind' embedded in Indonesia's G20 leadership, the presidency's vision was to ensure that benefits extended beyond ... G20 members.

pursuit of the Sustainable Finance Roadmap. It tracks and reports the progress on the SFWG'S 2021 priority areas and the G20 Sustainable Finance Roadmap. Further, the dashboard also acts as a repository of all documents that emerge from the discussions of the Sustainable Finance Working Group meetings.

India has spearheaded the G20 Chief Scientific Advisers' Roundtable, emphasising the importance of scientific expertise in addressing global challenges. Indian leadership has also pushed the agenda of the G20 further by using Mission Lifestyle for Environment (Mission LiFE) to nudge behavioural change at the individual level.

With the devastation caused by the COVID-19 pandemic front of mind, the Indonesian G20

presidency established a new Financial Intermediary Fund for pandemic prevention, preparedness and response. It is intended to identify critical gaps in preparedness and response, generate coordinated and coherent approaches, increase financial resources and help build capacity at the national, regional and global levels.

Indonesia also encouraged the G20 to produce concrete benefits for the world, not only for G20 members, by pioneering 361 cooperation projects with a value of around US\$238 billion. Examples include the construction of an agricultural training centre in Fiji and disaster management training at the Caribbean Community (CARICOM), whose benefits can be felt directly by the global community. Continuing this work, India pioneered the Disaster Risk Reduction Working Group, addressing the urgency of managing disaster risks, building resilient economies and tackling the increasing frequency and intensity of extreme weather events.

**I**N ADDITION to scaling up the financial resources dedicated to promoting clean energy transition and combating pandemics, under the Indonesian G20 presidency the Global Partnership for Financial Inclusion delivered the G20 Yogyakarta Financial Inclusion Framework. This framework emphasises the need for digital financial inclusion, increased access by micro-, small- and medium-sized enterprises to digital and financial products and services, a regulatory toolkit for access to digital financial services and data harmonisation to support digital financial inclusion.

Given the context in which the Indonesian G20 presidency was held, multilateralism needed to be a top priority. Accordingly, Indonesia

advocated for a strengthening of the multilateral system and for a cultivation of effective global partnerships. In addition to the conflict in Ukraine, the Indonesian G20 presidency also had to address challenges in key areas like energy and food security, for which multilateral cooperation was crucial. It advocated for the importance of effective multilateral cooperation in pacifying conflict and upholding the aspirations and concerns of developing countries in areas including climate change and sustainable development.

Indonesia stressed the need for reform of the Multilateral Development Banks (MDBs) to support the development process and regain momentum in achieving the Sustainable Development Goals. It advocated for the need to take action to loosen capital adequacy policies and to incorporate mechanisms to address crises and the long-term needs of the developing world. India went one step further and created an independent expert group led by Lawrence Summers from Harvard University and NK Singh from the Fifteenth Finance Commission of India to suggest a roadmap for strengthening MDBs.

The report issued by the expert group stresses the need for a triple

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Like Indonesia, the Indian presidency embarked upon an inclusive, decisive and action-oriented approach.



mandate of boosting shared prosperity and contributing to global public goods, tripling sustainable lending levels by 2030 and creating a third funding mechanism. Vowing to fully implement the recommendations of the Capital Adequacy Frameworks Report, the expert group reported that the resources of MDBs could be improved by better accounting for callable capital, implementing preferred creditor treatment, removing statutory lending limits and protecting their credit ratings.

New legal and institutional mechanisms have been envisaged to crowd-in a coalition of sovereign donors and non-sovereign investors. Since a general increase in the capital of MDBs is needed to support a tripling of lending levels, balance sheet optimisation has been identified as a necessary condition.

Issues including profit shifting, international tax regulation, illicit financial flows and the digital economy necessitate immediate tax reforms. The Indonesian G20 presidency emphasised the need to increase tax revenues and address illicit financial flows, calling for tax reforms, bilateral policy development, digital taxation and gender-inclusive taxation.

As part of the International Taxation Agenda of the G20 Finance Track, India organised the High-Level Tax Symposium on Combatting Tax Evasion, Corruption and Money Laundering. The symposium stressed the need for an effective multilateral response and greater coordination on fighting tax crimes. Significant progress was made in creating a two-pillar international tax package and a plan for additional support and technical assistance for developing countries.

To combat corruption and to ensure transparency, the Indonesian

G20 presidency launched the SAI20 to promote cooperation among G20 members. SAI20 chose two themes for India's G20 presidency—the blue economy, which refers to the sustainable use of ocean resources, and responsible artificial intelligence. SAI20 has underscored the importance of inclusive capacity building and international collaboration to support audits of the blue economy. In the realm of artificial intelligence, ethical and privacy concerns, the major focus was risk management frameworks, suitable integration of artificial intelligence in audit processes and investment in capacity development.

**F**OSTERING a more inclusive G20 has been a key priority for both presidencies. With the spirit of 'leave no one behind' embedded in Indonesia's G20 leadership, the presidency's vision was to ensure that benefits extended beyond the group of G20 members. In pursuit of this vision Indonesia invited nine countries and intergovernmental organisations to participate in G20 events. This included Spain, the African Union, the New Partnership for Africa's Development, ASEAN, the Netherlands, Singapore, the United Arab Emirates, CARICOM and the Pacific Island Forum.

Like Indonesia, the Indian presidency embarked upon an inclusive, decisive and action-oriented approach. In his inaugural address on 1 December 2022, Modi suggested the need for an inclusive presidency that included countries from the Global South and proposed that the G20 include the African Union as its 21st member of G20. At the New Delhi summit, India will host the largest-ever G20 contingent of 43 delegations. Besides the member countries of the G20 and representatives of

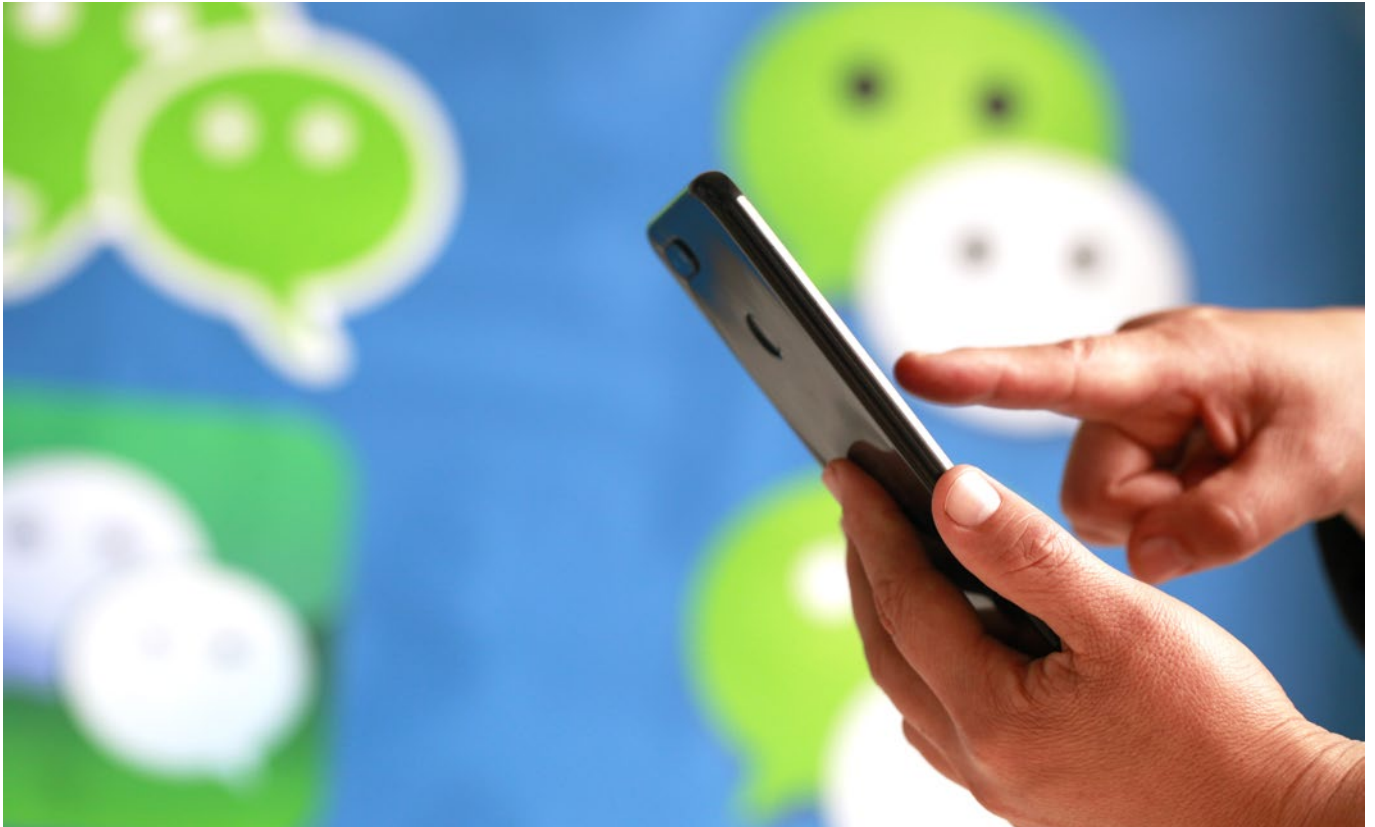
international organisations, India has invited nine guest countries—Bangladesh, Egypt, Mauritius, the Netherlands, Nigeria, Oman, Singapore, Spain and the United Arab Emirates. India's G20 presidency has also extended invitations to Mauritius and Nigeria as special invitee guest countries and to the African Union and New Partnership for Africa's Development as invited international organisations. This establishes the importance and priority that the India's G20 presidency places on the African countries.

India convened the Voice of the Global South Summit in January 2023, the largest digital conference ever of leaders and ministers from the developing world under the theme 'Unity of Voice, Unity of Purpose', with the participation of 125 countries from the Global South. India has also involved youth, especially students, in the G20 process as the brand ambassadors of India's G20 theme—One Earth, One Family and One Future.

Good global governance is indispensable for achieving sustainable and equitable development, and here the G20 will continue to play a critical role. The G20 must steer effective international cooperation for realisation of the Sustainable Development Goals. It is yet to be seen what will be contained in the communique issued at the end of the New Delhi Summit. But some of the specific outcomes, particularly relevant for the upcoming presidencies of Brazil and South Africa, may facilitate the G20's work in striving towards shared prosperity and growth.

**EAFO**

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WeChat (logos pictured), and its Chinese version Weixin, is one of the main news channels used by people of Chinese origin living in Australia.

# Is Chinese-language media truly a security threat?

WANNING SUN AND HAIQING YU

**I**N RECENT years, the narratives surrounding China's influence have mostly framed Australia's Chinese-language media as problematic. Central to the narrative is anxiety about the Chinese government's possible use of diasporic Chinese communities and its media to push its agenda and influence.

Some claim that Chinese-language media outlets in Australia are primarily instruments of the Chinese

Communist Party (CCP) and have asked if such heavily censored media platforms should be allowed to operate in Australia or outside China at all. This is an argument made in a 2020 report produced by the Australian Strategic Policy Institute (ASPI).

In the United States, similar concerns about Chinese-language media have been voiced.

WeChat, owned by China's Tencent, is often blamed for disseminating

propaganda content from Chinese state media on the media feeds of Chinese diasporic communities.

Anxiety about China is neither new nor unique. Research suggests that the anxiety ranges from fear of military invasion to concerns about China's political, ideological and cultural influence and its threat to Western democracy.

There has been little in-depth research to support these claims.

Considering this, we undertook a five-year study with the aim of producing evidence-based knowledge about the Chinese-language media landscape in Australia—its structure, business models and industry operations.

The findings—published as *Digital transnationalism: Chinese-language media in Australia in 2023*—show how Chinese state media made early inroads into Chinese-language media in Australia through radio and newspaper outlets such as the *Tsingtao Daily*, *New Express Daily* and 3CW Radio. These media outlets have now largely ceased to operate for two main reasons: they could not compete with emerging digital media outlets and their collaboration with Chinese state media through content sharing did not retain or grow audiences.

Over the past decade, Chinese-language digital media outlets in Australia—from websites in the 1990s to WeChat Subscription Accounts (WSAs) since 2013—have grown into a vibrant and complex sector, to the point that they threaten the sustainability and survival of legacy media outlets. While the traditional media consumed by Australia's Chinese communities slowly phased out, digital media outlets were able to grow exponentially by riding the wave of platformisation of cultural production via social media.

Perceptions of the Chinese-language media landscape in Australia can be, to some extent, ill-informed. Key to these misperceptions is a simplistic understanding of how influence through media works. The ASPI's 2020 report emphasised the myriad 'connections' and 'links' between Chinese-language media and the Chinese government. This included media proprietors who have attended functions, meetings and events hosted by the Chinese

government, embassy or United Front. But little has been done to understand how Chinese-language media content is produced, distributed and consumed in Australia.

**O**UR five-year study shows that the Chinese social media platform WeChat—and its Chinese version Weixin—is one of the main news channels used by people of Chinese origin living in Australia, with most news content provided through its subscription accounts and registration only available to Weixin accounts. WeChat has been changing how Chinese communities create, circulate and access news and information since 2013. Major digital Chinese-language content providers in Australia have chosen WeChat to deliver their content for its ease of setup and operation as well as its wide adoption by their intended consumers.

This is highlighted by data from the two surveys we conducted on the media consumption habits of Chinese Australians in 2018–19. Over 60 per cent of respondents in the survey reported that they 'always' used Chinese social media to access news and information, with fewer than 18 per cent always using non-Chinese social media. Data showed that WeChat was the most used social media platform among respondents, with 92 per cent—573 of 623 respondents—accessing it hourly or at least several times daily. A 2021 survey conducted by the Lowy Institute on media use among Chinese Australians confirms that this trend remains largely unchanged.

WSAs use a combination of revenue-generating mechanisms to attract as many readers and clicks as possible. A WeChat user who subscribes to a WSA receives notifications automatically and can

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Perceptions of the Chinese-language media landscape in Australia can be, to some extent, ill-informed. Key to these misperceptions is a simplistic understanding of how influence through media works.

repost WSA articles to their Moments feed or share them among their WeChat contacts and groups. The user-friendly nature of WeChat and the capacity for infinite reproduction of content through reposting ensures that online media outlets can maximise their reach, profit and impact.

This has given rise to a paradoxical situation in the Chinese-language media sector in Australia. These media outlets are Australian content providers that serve local markets, but are subject to Chinese platform and content regulations as China-registered accounts. Because of this, it is important to question whether and to what extent this sector is an instrument of the Chinese government's influence.

Our research reveals a more complex picture, which calls the statements made about the Chinese-



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language media sector's influence into question. For example, in his 2021 talk at Australian think tank China Matters, Australian Broadcasting Cooperation correspondent Bill Birtles expressed concern over the ideological rivalry between Australian English-language media and the Chinese-language space in Australia. He described the latter as 'a digital ecosystem' created by a 'foreign government' 'to control the narrative of some Australians in Australia.'

While there are individuals and businesses on WeChat that promote Chinese government interests, there is little evidence to support assertions that Australia-focused WSAs are systematically controlled by the

Chinese government.

Chinese-language social media platforms in Australia are business operations and not funded by any government. In recent years, some have tried to produce original and independent content, but this aspiration to practice professional journalism is mostly overshadowed by the need to produce clickbait headlines.

Since maximising traffic, growing subscribers or followers, and securing advertising revenue are core to their business model, WSAs, for example, will do whatever it takes to provide what their intended users want. In most cases, the intended users are first-generation Mandarin-speaking

migrants who are more interested in information relevant to their new lives in Australia than news reports about China.

Most of these WSAs have taken a pragmatic approach to their registration and operations. Our interviews with those in the industry over the period 2018–22 suggest that WSA's choose to focus on topics that are relevant to Chinese living in Australia. They refrain from publishing content critical of China not because they hold a strong pro-China stance, but because of their survival imperatives. Giving the consumers what they want, instead of risking offending them, takes priority over critical journalism.

PICTURE: REUTERS / CARL RECINE



People using their smartphones enjoy a sunset view of the Sydney Opera House and Harbour Bridge ahead of the FIFA Women's World Cup (July, 2023).

As an editor of a popular news website lamented in one interview on the pitfalls of publishing China-related political news: ‘We’re attacked by both sides. Patriotic readers write to complain if we publish anything that sounds like a criticism of China. And readers on the other side of the spectrum write to complain that we don’t criticise China. You can’t win.’

These editors note that it is not just content that is critical of China that could land them in trouble. They are also wary of publishing politically sensitive issues involving Australia–China relations, for fear of being labelled an instrument of the CCP.

An interview with an editor of another popular, Australian-based WSA revealed that their biggest challenge was to ‘maintain a politically neutral stance in the volatile battlefield

of public opinion in Australia,’ particularly on controversial and politically sensitive topics such as the debate on China’s influence in Australia. ‘We choose to remain silent on such topics, because it is too risky to say anything without falling victim to some kind of conspiracy theory. We have to focus on survival first.’

In sum, the unwillingness of WSAs to choose sides on politically sensitive topics is not necessarily a response to the Chinese government’s censorship on WeChat, but more likely a survival tactic as a media content production business that must meet the needs of its main consumer base.

**P**RODUCING content that is attractive to potential readers while also ensuring compliance with Tencent’s content regulations requires the adoption of a pragmatic business model. The overriding mandate of these digital content providers is to survive in a competitive market: by getting their content through the censorship mechanisms while giving their intended readers what they want and refrain from publishing content that may put them off or offend them.

All articles and posts produced by WSAs are filtered by automated processes—pre-publication algorithmic censorship and post-publication human censorship, completed via user reports and human content moderators. Any article that is deemed ‘sensitive’ or illegal by these processes will either be rejected during the pre-publication review process or deleted after publication.

WSAs are part of a censorship regime that combines high-tech machine-learning technologies with low-tech user reports, both pre- and post-publication. Of all the popular features within WeChat, WSAs face the tightest content restrictions

because of their quick and easy reach to mass audiences.

All WSAs must comply with Tencent’s service and user agreements, as well as meeting Chinese legal requirements. This includes prohibitions against spreading information that is false, pornographic or causes ethnic division; that goes against China’s policies on national security, political unity, religion, public assembly, copyright or Chinese core socialist values; and that distorts the Party and national history.

Another complicating factor is that only media entities with state-authorized news permits established in China—and whose editors-in-chief and core management are Chinese citizens—are allowed to engage in original news reporting. Private companies, foreign entities and Chinese–foreign joint ventures are excluded from applying for a news permit.

WSAs run by Chinese living overseas and for diasporic markets are subject to a much more flexible content regulation regime. They can push original news that focuses on local content relevant to the countries where they are hosted and repost original or translated news from mainstream media outlets in any language, as long as it can pass through the Great Firewall.

This reality means that as content providers, WSAs focus mostly on Australia-related news, news about Chinese communities in Australia and social and lifestyle news from their local markets in Australia. Clickbait titles, sensationalist descriptions, exaggerated storylines and visual appeal are all part of the package to attract more clicks.

The overemphasis on media control and censorship by Tencent and Chinese authorities often

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While concerns about China’s military power, cultural and ideological influence and economic and technological rivalry need to be considered, China’s influence via social media should be addressed with evidence-based research

It is both simplistic and misinformed to interpret an absence of content that is critical of China on Chinese-language social media platforms as evidence of China's influence or interference ...

overlooks the bigger role that WSAs play in the lives of Chinese Australians and undermines the active agency of Chinese Australian content entrepreneurs. While WSAs are subject to the censorship and regulatory regime of the Chinese authorities, their compliance is more a business decision than a result of political coercion.

Self-censorship is driven by a desire to survive as a business, not a desire to toe the CCP line or subject oneself to the control of the Chinese government. It is important to remember that the status and influence of WSAs are confined by a pre-existing technological infrastructure and regulatory framework, rather than through active and direct intervention by any specific authority, media outlet or platform.

Chinese-language digital outlets are also careful not to repost articles directly from Chinese official news sources, fearing they might be scrutinised as agents of Chinese influence in Australia. Nor do they

repost Chinese versions of English news from Australian mainstream media due to concerns of copyright infringement.

The key business strategy has been to publish locally oriented news and information from multiple media outlets, rather than producing original news about China or Australia. In a sample of 87 news and current affairs posts, 74 were translations of English-language news from Australian media outlets, which were then compiled with reports in Chinese from other Chinese-language media outlets in Australia.

English-language news published on WSAs is often not directly translated but also editorialised. That is, the source texts in English are selected as points of reference to create content in Chinese that is based on the judgement of the editor (known as *xiaobian* in Chinese), who then adds their own comments.

**F**OR WSA editors, editorialisation is not about accuracy but rather cultural relevance of the story that they create for readers. There are very few, if any, articles that are directly translated from English or reposted from an English news outlet.

Content materials from different sources are compiled into one article and then peppered with opinion commentaries from the *xiaobian* to make it more appealing to readers. Most list their news sources at the bottom of their articles. In other words, editorialisation plus compilation is the main stock in WSA reportage.

While the *xiaobian* editorial strategy aims to attract readers with attention-grabbing headlines rather than to promote certain political agendas, closer examination by media regulators may be warranted to ensure

ethical and legal compliance.

As anxiety about China grows, so too does concern over the content published by Chinese-language media outlets. While concerns about China's military power, cultural and ideological influence and economic and technological rivalry need to be considered, China's influence via social media should be addressed with evidence-based research of a sizeable data across diverse cohorts of Chinese communities in Australia. It is both simplistic and misinformed to interpret an absence of content that is critical of China on Chinese-language social media platforms as evidence of China's influence or interference, or as evidence that the Chinese diaspora is acting on behalf of China's public diplomacy agenda.

Even though many new Chinese migrants are patriotic and do not want to see China unfairly criticised, the majority of first-generation Chinese Australians are neither active conduits nor passive receivers of Chinese government propaganda, as some commentators in Australia want the public to believe. On the contrary, first-generation Chinese migrants use a wide range of social media platforms to express and negotiate an identity of in-betweenness and to cope with the daily challenges of being caught between two countries that have grown increasingly hostile towards each other. **EAFQ**

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# Kishida's diplomacy pushes back on *seikei bunri*

STEPHEN NAGY

**J**APAN and China have a mutually beneficial economic relationship characterised by competition and cooperation. Their bilateral trade relationship increased from US\$371 billion in 2021 to US\$390 billion in 2022 despite the COVID-19 pandemic, deepening geopolitical tensions and mutual disapproval ratings reaching record levels.

Deep economic cooperation in the areas of manufacturing, technology

and finance has coexisted awkwardly with decades-long political and territorial disputes between the two countries. This has led Japan to develop economic relations with China through a policy that separates politics and economics or *seikei bunri*.

Amid intensifying US–China strategic competition, China's track record of economic coercion and its long-term objectives to secure its own 'core interests', Japan has become more

concerned about its economic reliance on China.

A result is that the *seikei bunri* principles for engaging with China economically are giving way to Japanese Prime Minister Fumio Kishida's new 'economic realist' diplomacy. Japan's economic relations with China are less easily separated from the political differences between the two countries. Policy approaches to address concerns

PICTURE: KYODO / REUTERS



A Chinese surveillance ship sails near Japan Coast Guard vessels and a Japanese fishing boat near one of the disputed Senkaku/Diaoyu islands (July 2013).

about the impact of politics on Japan's economic security include selective diversification of supply chains away from China, reshoring, friend-shoring and national technological development.

The drift away from *seikei bunri* has raised concerns in Tokyo about Japan's vulnerability to economic coercion and the weaponisation of supply chains, particularly in prominent industries such as rare earth metals, electronics and automobiles.

Political leaders in Japan have already committed significant strategic and financial resources to enhancing economic security through selectively diversifying supply chains and reducing reliance on China. Initiatives include the adoption of supplementary budgets for economic security, such as securing domestic production bases for advanced semiconductors. Supplementary budgets have focused on promoting domestic investment to support supply chains and encourage their diversification.

**D**ESPITE the political and security complexities, the mutually dependent economic relationship remains largely intact, is deepening

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The drift away from *seikei bunri* has raised concerns in Tokyo about Japan's vulnerability to economic coercion and the weaponisation of supply chains ...

and highly complementary. There is no replacing China as Japan's major market for goods and services. Japanese companies have invested heavily in China, particularly in the automobile, electronics and machinery sectors. China is also a major source of low-cost goods and components for Japanese companies. This role has kept prices low and enhanced the competitiveness of Japanese products in global markets.

To decouple the Japan–China economic relationship would require untangling the complex and multifaceted mutual dependency that defines it, a relationship that comes with benefits and also with risks.

Geopolitical pressures, the increased cost of doing business in China, economic development in Southeast and South Asia, COVID-19 and policy-induced disruptions to supply chains have contributed to Japan recalibrating its economic relationship with China to enhance its economic security. Examples include supplementary budgets that aim to diversify some supply chains away from China and participate in trade agreements that include China such as the Regional Comprehensive Economic Partnership as well as those that so far exclude China such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Japan–EU Economic Partnership Agreement. But Japan also acknowledges the importance of maintaining economic ties with its largest trading partner and working together to promote regional economic growth and stability.

After the end of the Cold War, *seikei bunri* policy was challenged by political and territorial disputes that have spilled over into the economic relationship. This resulted in investment restrictions, consumer

boycotts, declines in tourism and tensions in industries such as steel, electronics and rare earth metals.

After taking office in October 2021, Kishida positioned economic security as a major focus of his administration based on assessment of the challenges associated with China's rise in line with the previous Abe and Suga administrations. In the wake of Russia's invasion of Ukraine—with its impact on downstream energy and food security—Kishida warned that 'East Asia could be the next Ukraine.'

Previously, Chinese economic coercion pressured Japanese corporations and policymakers to change tack on issues Beijing deemed important. Beijing restricted exports of rare earth metals, essential for many high-tech industries and imposed unofficial trade sanctions on Japanese companies. This pressure resulted in the release of a Chinese fisherman in 2010 and Japan's nationalisation of the Senkaku/Diaoyu Islands in 2012. Aside from territorial disputes, simmering political and historical tensions have intensified owing to China's growing military assertiveness. Examples include military exercises around Taiwan in August 2022 and building and militarising islands in the South China Sea.

Some measures have been taken to decrease Japan's vulnerability to coercion by China and diversify its supply chains. First, Tokyo is promoting reshoring, urging Japanese businesses to migrate their production back to Japan from China or to explore new production bases in Southeast Asia, India and other countries. The government has introduced policies to support companies that are considering reshoring, including subsidies, tax breaks and regulatory reforms.

Second, Tokyo has highlighted

the importance of diversifying supply chains, particularly for key components and materials such as rare earth metals. Japan has been investing in alternative sources of rare earth metals, such as recycling and developing new mines in other countries. Japan is also exploring the use of new materials that can replace rare earth metals in some applications. It has worked with countries such as Canada to secure access to critical minerals.

Third, Tokyo has encouraged collaboration to enhance economic ties and agendas under the umbrella of the 'Free and Open Indo-Pacific'. The G7 Foreign Ministers' statement on 18 April 2023—which stressed that 'resilient supply chains should be built in a transparent, diversified, secure, sustainable, trustworthy and reliable manner'—exemplifies this.

Finally, Japan has emphasised the importance of strengthening domestic industries. This includes the development of new industries and technologies expected to decrease Japanese vulnerability to China and deepen its economic security. Tokyo has allocated funds for investment in the development of next-generation semiconductors, which are essential for many high-tech industries.

Japan's broader strategy is to enhance its economic security and reduce its vulnerability to geopolitical risks and uncertainties regarding rare earth metals, semiconductor materials, electronic components and batteries.

A critical component for Japanese businesses is semiconductor materials. Despite its role as a major producer of semiconductors, Japan continues to rely on imports of key materials from other countries, including China. These materials include parts such as silicon wafers, capacitors, resistors and printed circuit boards, as well as raw

materials like lithium and cobalt.

To mitigate this vulnerability, Tokyo has directly courted the Taiwan Semiconductor Manufacturing Company, among others, to relocate to Japan. It has also been investing in the development of next-generation semiconductors and encouraging its companies to move up the value chain to reduce their dependence on imports.

In the area of rare earth metal extraction and export, China continues to enjoy a monopoly that makes Japan and other states vulnerable to rare earth supply chain weaponisation. This exposes signature Japanese industries including electronics, automobiles and renewable energy to possible coercion.

But developing alternative sources of rare earth metals is a complex and challenging task and Japan faces several obstacles, including limited domestic resources, high extraction costs, environmental concerns and a lack of downstream capability.

As with energy and other mineral resources, Japan lacks domestic sources of rare earth metals and is reliant on imports to meet its needs. Developing new mines is difficult and expensive and there are few viable alternatives to China as a supplier. Recent initiatives with Canada remain feasible but financially unviable.

Cost efficiency remains an important factor for deleveraging from the comparative advantage that China continues to enjoy in extracting rare earth metals from ores inexpensively. The process requires specialised equipment and expertise and the price–equipment equation is a hurdle to developing alternative sources that compete with Chinese suppliers on price.

Aside from cost efficiency, environmental concerns linger over the impact of rare earth mining and

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Japan's broader strategy is to enhance its economic security and reduce its vulnerability to geopolitical risks and uncertainties regarding rare earth metals, semiconductor materials, electronic components and batteries.

processing, including the pollution of air and water and generation of waste. Developing new mines and processing facilities that meet environmental standards can be complicated and expensive. Resource-rich countries are often reticent to take on the environmental burden of resource exploitation.

Developing alternative sources of rare earth metals requires not only the extraction and processing of ores, but also the development of downstream industries that can use the metals in products. While Japan has a strong high-tech industry, developing new industries that use rare earth metals takes time and requires significant investment which may not meet the demands of the current market.

Enhancing economic security and creating resilience against



economic coercion and other forms of economic instability will be difficult. It will require the Kishida and future administrations to develop new mines and processing facilities for rare earth metals while meeting a range of environmental standards to ensure activities are conducted safely and sustainably.

Key areas of focus will include air and water quality control, waste management, biodiversity, and social and cultural standards. Japan's experience in reviving its environment after years of fast and dirty growth in the postwar period suggests that it may be possible through unilateral and multilateral cooperation.

For air and water quality standards, rare earth mining and processing can generate significant amounts of dust, carbon emissions and wastewater. Policymakers in Japan will need to establish standards for air and water quality to ensure that pollution is minimised.

The same is true for waste management standards. Studies have shown that rare earth mining and processing can generate large amounts of waste and tailings that contain radioactive materials and other pollutants. Japan will need to establish standards for waste management and ensure that waste is stored and disposed of safely.

Rare earth mining risks negatively impacting biodiversity through the destruction of habitats and the introduction of invasive species. Biodiversity conservation standards will need to be established to ensure minimal impact to natural ecosystems.

Social and cultural standards must also be set up to avoid the potential negative ramifications of rare earth mining and processing. These include the displacement of local communities and the destruction of cultural heritage sites. Japan will need to carry out impact assessments and ensure that activities are conducted in a manner that respects the rights and interests of local communities.

Developing new mines and processing facilities for rare earth metals will require careful planning, consultation and collaboration with stakeholders, including local communities, environmental groups and government agencies. The Kishida administration is starting this process, working with Australia and African states, such as Namibia, in joint ventures.

Japan's efforts to reduce its dependence on China reflect a desire to enhance economic security and reduce vulnerability to geopolitical risks and uncertainties. With the shift to economic realism away from the principles of *seikei bunri*, the Kishida administration—and possibly future administrations—aims to balance economic opportunities with Japanese national interests in an increasingly complex and uncertain global environment. [EAFQ](#)

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PICTURE: STRINGER / REUTERS



China's Bayan Obo mine in Mongolia, the world's largest rare earth mine, has been operating since 1957.

Japanese Digital Minister Taro Kono takes a selfie with his avatar robot, created by a research team from Osaka University (Tokyo, 2022).



## Deepening digital talent and security

YASUMASA YAMAMOTO

**D**IGITAL transformation is crucial to overcoming a number of big global challenges. Yet Japan has unique disadvantages that put it behind global digital leaders such as the United States, Singapore and China and hamper its economic partnerships in the region.

Japan's government entities and regulators are too deeply embedded in the digital industry's fixed structure—which lacks digital literacy, client responsibility and close connections with traditional technology outsourcing vendors—making it difficult to drive digitisation in the private and public sectors. This fixed mindset, which is especially strong in Tokyo, demands efforts to

promote digitisation and eventually digital transformation in rural areas where regulation and mindset problems are less rigid. But cities outside Tokyo lack digital experts to tackle local challenges through digital transformation.

Japan has other structural problems that hinder digital transformation. Digital talent, especially software engineers who can handle artificial intelligence is scarce. This is due to the relatively low emphasis on software education at top universities in Japan.

Another issue is that most software engineers work for systems engineering companies and their salaries are very low. This is partly because companies in Japan treat

digital investment as a cost, not as investment for further revenue. Most companies lack knowledge of the management of digital technologies and try to order low-cost systems to achieve short-sighted goals. Talented software engineers who aim for high compensation have positions at big-tech firms, such as Google, and do not join Japanese corporations.

To overcome these barriers, engineers and management need to conceptualise digital investment as a tool to increase profit. A deeper partnership between ASEAN and Japanese corporations would help to accelerate the movement of digital talent.

Japan's Digital Agency has been



working on the Digital First Frontier Team concept, which aims to promote digital transformation. But it was only established in 2021 and Japan still needs to attract more data scientists from ASEAN countries by offering competitive hiring packages. Japan needs more talent from ASEAN countries with the knowledge and skills to achieve digital transformation, including engineers and developers, analysts and cybersecurity experts.

At the same time, Japan needs to share more insight with ASEAN businesses for operations and quality manufacturing. Japan still retains technological advantages in some manufacturing industries. Given ongoing tensions between the United States and China, enhanced collaboration between ASEAN countries and Japan would be of benefit to securing supply chains and increasing security.

The Taiwan Semiconductor Manufacturing Corporation's recent decision to build a semiconductor factory in Kumamoto is a good example. It takes advantage of Japan's location and strength in manufacturing and will decrease Japan's dependence on other countries for chip supply and create local opportunities for skills development.

Japan needs to develop a robust mechanism that promotes the development, utilisation and circulation of human resources between ASEAN and Japan. There are programs related to multi-layered exchange and development of students, young people, researchers and entrepreneurs in various fields such as academic cooperation by Kyoto University ASEAN centre. But barriers to practical cooperation, such as onerous regulations and laws, need to be changed.

**C**OMPLEMENTARITY between Japan and ASEAN is important. It will be mutually beneficial to promote exchanges and circulation of human resources between Japan, which has a declining and ageing population, and ASEAN, which has an abundance of young workers and wants to utilise ASEAN's power. To welcome them, Japan needs to set up a competitive environment comparable to that of Singapore, which has not only efficient physical and but also social infrastructure.

Through this expected cross-border movement, there are a number of concrete ways in which Japan and ASEAN could address their own respective national problems and solidify cooperation.

One issue is the slow response of traditional industries such as manufactures to digitisation. In ASEAN countries, many people enjoy the benefits of new services as a result of the rapid progress of startups and the implementation of digital technology. In Vietnam, for instance, attracting and expanding supporting industries as a source of employment for the young population is an important issue. Skill development in those industries and the transfer of human capital from primary industries are also urgent issues. Vietnam's biggest private conglomerate, Vingroup, achieved this skill development and transfer of human capital by acquiring the operations of General Motors Vietnam and by hiring experts from outside.

The outdated perception of foreign workers as mere cheap labour in Japan also needs to be discarded. Implementing more privileged visa schemes, better living conditions and tax incentives—similar to the High Potential Individual visa scheme in the United Kingdom—could be effective.

ASEAN's digital workers do not know much about lucrative visa schemes, partly because of a lack of competition and public relations. A comprehensive one-stop service or investment fund to support ASEAN startups is likely to attract more talent.

The sharing of talent and skills development in cybersecurity is also critical for the digital security in both Japan and ASEAN members.

With the US–China relationship becoming more tense following the introduction of semiconductor export controls, it was revealed in July that a hacker group had illegally accessed the emails of 25 government agencies, including the US State Department. Hackers also accessed emails from the US Ambassador to China and government officials in charge of regulating semiconductor trade. Hundreds of thousands of government-related emails were leaked. US authorities have not disclosed the identity of the hacker group. Cyberattacks will increase and become more advanced with the use of generative AI and cybersecurity cooperation will only become more important.

By fostering more opportunities for data scientists to work in Japan and facilitating the exchange of young professionals between Japan and ASEAN countries, a multi-layered connection will be established. This is critical to increasing Japan's digital competitiveness and digital security and expanding opportunities for players in the digital economy in ASEAN. **EAFO**

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# Re-inventing Japan's Southeast Asian relationship

KITTI PRASIRTSUK

**T**HERE has been a remarkable transformation of Japan's relationship with ASEAN over the past fifty years. In the 1970s, anti-Japanese product campaigns and protests were common across the region. Today, Japan is the most trusted and familiar power among Southeast Asian opinion leaders and the public in ASEAN countries, according to 'The State

of Southeast Asia' annual survey conducted from 2019 to 2023 by the ISEAS-Yusof Ishak Institute. Whatever difficulties and troubles there are in the relationship today, appear trivial alongside those 50 years ago. There is now a deep foundation of business and people-to-people, social and cultural ties built on largescale economic interdependence that anchors Japan's

dealings with its Southeast Asian partners.

Japan has apparently won the hearts and minds of Southeast Asians through cultural exchange, official development assistance, foreign direct investment and soft power. This was reflected keenly in the aftermath of the 2011 Tohoku earthquake and tsunami. ASEAN nations eagerly

PICTURE: ALAMY



Thai cosplay enthusiasts attend the Japan Expo in Bangkok (2019).

organised donation campaigns to support Japan. The overwhelming response of citizens—even in the slum districts of Bangkok, Manila, and Jakarta—reflected the goodwill generated by Japanese NGOs which have contributed to Southeast Asian communities for several decades.

According to the Japan National Tourism Organization, in 2023 Southeast Asian tourists accounted for a quarter of the 1.3 million tourists that have flocked back into Japan since the easing of the COVID-19 pandemic. Some cultural and social frictions undoubtedly persist, especially in newer ASEAN members states where Japan has fewer first-mover advantages but there is a sound base of Japanese soft diplomacy on which to expand and re-fashion Japan's ASEAN diplomacy.

**T**HE occasion of the 50th anniversary of the Japan–ASEAN relationship provides an opportunity to build on their existing relationship through 'co-creation'. This involves working together more closely to synergise and blend social and cultural elements and interests. In the area of soft diplomacy, cultural industries like food, pop culture and tourism are areas of obvious potential.

The interaction between food cultures is already an active area of cultural innovation. Japanese beef bowls are localised with Thai spices and seasoning, while several Thai chicken rice stores have been opened in Japan, for example. In 2022 there were more than 5000 Japanese restaurants in Thailand, many of them locally owned. This is a phenomenon affecting many Southeast Asian countries. As Southeast Asian cuisine becomes increasingly popular globally, there is an opportunity for the co-creation and export of Japanese fusion

cuisine to other countries around the world.

Japanese pop culture, such as manga and karaoke, has spread across Southeast Asia rapidly. In fact, ASEAN nationals often win Japanese Manga awards, with many of them advancing to work for the Japanese manga and animation industries—an early example of co-creation.

With increasing competition from countries like South Korea, Japan needs to focus on marketing the attractiveness of its pop culture. Japanese movies, TV series and vocal groups tend to be homogenous, featuring only Japanese performers and mainly catering to domestic audiences. Japanese pop culture could seek diversity by incorporating Southeast Asian elements, through co-produced movies and television productions or boy bands and girl groups comprising performers of different nationalities.

These groups have attracted huge worldwide popularity. Joint productions led by Japan's robust pop culture and content industry have the potential to facilitate the development of Southeast Asian subsidiary industries and cultures to the world stage.

Tourism also offers high potential for co-creation between Japan and Southeast Asian countries. Japan has been successful in developing its tourist destinations in various regions, with tourism now no longer confined to only major cities. Japanese local governments and communities are instrumental to tourism development, which tends to be comprehensive in offerings, including food, local products, souvenirs and story-telling. Using the 'one village, one product' project from Japan's Oita Prefecture as a model, Thailand has developed its own version, 'one tambon, one

product', in the past two decades. The project assists each rural district to develop its local product or food through the provision of funding, knowhow and marketing channels.

Japan's experience would benefit ASEAN countries that are keen to advance their tourism industries, particularly in eco-tourism and tourism to non-major city destinations. Japanese tourists are a significant component of the tourist market in ASEAN and ASEAN tourists occupy an increasingly large share of the market in Japan. There are incentives on both sides to co-create tourist attractions to match each other's tastes in the development of regional tourism.

An initiative on the 50th anniversary to step up soft diplomacy and move beyond cooperation and towards co-creation with ASEAN could help cement people-to-people ties.

In the 50th year of ASEAN–Japan friendship and cooperation, Japan can step up its soft diplomacy to move beyond cooperation and towards co-creation with ASEAN. Southeast Asian countries have grown considerably and can function not only as a market for Japan but also as a partner in various socio-economic aspects. Food, pop culture and tourism represent promising areas for co-creation. Partnering and co-creating will allow Japan and ASEAN to continue their healthy relationship, which will contribute to prosperity and stability in the region. [EAFQ](#)

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# Japan's pollution pedagogy

MICHIKAZU KOJIMA

**I**N 2022 the UN Environment Programme's Intergovernmental Negotiating Committee on Plastic Pollution has argued for a new international treaty on plastic pollution. It is common knowledge that plastics negatively affect ecosystems and the health of animals and, potentially, of people. Developing countries in Asia, such as China, Indonesia and the Philippines are big sources of plastic leakage into the ocean.

They could well turn to Japan for inspiration on how to better manage plastic waste, particularly the expansion of waste collection services to rural areas where there is a higher proportion of mismanaged waste. For example, a 2020 report published by the World Economic Forum estimated the fate of Indonesia's plastic waste across four main categories—megacities, medium-sized cities and rural and remote areas. Medium-sized cities and rural areas account for around 72 per cent of mismanaged waste. While megacities only accounted for around 10 per cent of the total leakage of plastics, rural areas accounted for 49 per cent of the leakage into the sea, lakes and rivers.

Waste collection services are provided to almost all households in Japan, but in 1961 the percentage of waste collection coverage was only 46.6 per cent. By the end of the 1970s, the percentage of waste collection coverage had reached 92.6 per cent. From the 1960s, the central government increased subsidies for local governments to invest in

methods of waste disposal such as waste incineration plants, waste-to-energy plants and landfills.

The Japanese government also promoted inter-municipal cooperation on waste management because waste-to-energy plants and landfills achieve economies of scale. Some 537 inter-municipal associations for waste management were established between 1961 and 1979.

**A** FEW cases of similar regional waste management approaches do exist in developing Asian countries, such as India, Thailand and the Philippines. But even in these countries, regional waste management schemes are limited. This is due to a lack of national policies and funding mechanisms to expand waste management facilities to smaller cities and rural areas.

In the latter half of the 1980s, household and industrial waste generation in Japan increased 21 per cent and 26 per cent respectively, due to economic growth and a massive uptick in the usage of plastics. Japan faced a shortage of landfill sites and an increase in illegal dumping of industrial waste around 1990, prompting the Japanese government to promote recycling. In 1991, the *Law for the Promotion of Utilization of Recycled Resources* enabled the government to require industries to implement designs for recycling and labelling waste for separate collection.

Extended producer responsibility (EPR) was tried for the first time in Japan with the 1995 *Act on the*

*Promotion of Sorted Collection and Recycling of Containers and Packaging*. The Act required producers who use containers and packaging to pay a recycling fee to the Japan Containers and Packaging Recycling Association, a government-designated organisation responsible for overseeing recycling services. The Act also requires consumers to manage the return of material for recycling and allows municipalities and producers to organise their own recycling programs.

For example, a producer of polystyrene trays for sashimi and sushi has its own recycling program. Recycling bins for used polystyrene trays are collected at supermarkets and stores. Consumers wash the trays at home and return trays to designated bins when shopping. The trays are

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Effective waste management is dependent on enhancing capacity in the region, minimising the use of plastics and implementing and promoting recycling through EPR schemes



then collected when trucks deliver new trays to shops. The collected waste trays are recycled into new polystyrene trays, but the surfaces of the tray are coated with virgin plastic.

EPR was applied to glass and polyethylene terephthalate (PET) bottles in 1997. In 2000, it was also applied to paper and plastic containers. Now 87 per cent of plastic waste is recycled or undergoes thermal recovery in Japan.

It is critical to identify the sources and types of plastics that are leaking into the environment, and to apply appropriate countermeasures. Attention is now being paid to other sources of plastic waste in Japan. The *Act on the Promotion of Resource Circulation for Plastics* that came into force in 2022 promotes recycling of plastic waste other than packaging and

containers, such as that of plastic toys and clothes hangers.

In fiscal year 2020, a microplastics survey conducted in rivers and lakes by Japanese start-up Pirika and its partner organisations—including 20 local governments and two universities—found that artificial turf and capsules of slow-release fertiliser were the dominant microplastics in Japan, at 23.4 per cent and 15 per cent respectively. In response, the National Federation of Agricultural Cooperative Associations declared that slow-release fertiliser capsules made from non-biodegradable plastics would be replaced with biodegradable plastic capsules.

The 2022 *Act on Promotion of Resource Circulation for Plastics* promotes the recycling of various plastic products by, regulating the

free-of-charge supply of plastic cutlery, stirrers and straws by restaurants and retailers. The law also covers the provision of toothbrushes and razors and other items by hotels, as well as hangers and bags by dry cleaners.

The Japanese government is now supporting Southeast Asian countries with their plastic pollution by organising training courses through the Japan International Cooperation Agency. In addition, the Japanese Ministry of Environment supported the establishment of the Regional Knowledge Centre for Marine Plastic Debris under the Economic Research Institute for ASEAN and East Asia (ERIA) in 2019, which disseminates responsible environmental practices in the region through online and in-person public outreach. The ASEAN-Japan Centre has also held marine plastic debris awareness programs in several schools across Japan and some ASEAN countries.

Reducing plastics through recycling and replacement with other materials is critical, but it is difficult to do so in a short period of time, particularly in developing countries. Effective waste management is dependent on enhancing capacity in the region, minimising the use of plastics and implementing and promoting recycling through EPR schemes. Japan's experience provides a successful model which can be the basis of similar initiatives to deal with this problem in Southeast Asia. [EAFQ](#)

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Model makers return plastic scrap to a collection point at a store in Osaka City (November 2022).



Japan's Foreign Minister Yoshimasa Hayashi speaks at the ASEAN Plus Three Foreign Ministers' Meeting in Jakarta (July 2023).

## A relationship fit for the times?

VANNARITH CHHEANG

**T**HE ASEAN–Japan relationship today is almost unrecognisable from that of 50 years ago when riots against the visits of former Japanese prime minister Kakuei Tanaka to Southeast Asian capitals were emblematic of its troubled state. Japan's current benign role in ASEAN belies what has been a powerful alignment of interests and influence assiduously developed over the ensuing decades important to the relationship's success.

The question is how these foundations fit the present relationship. The 50th anniversary

of the ASEAN–Japan dialogue underscores the strong ties that have been built in the intervening decades. But a fast-evolving, multiplex world order, with new centres of power and increasingly complex interactions, poses a number of challenges to the relationship going forward.

Intense geopolitical rivalry between the United States and China presents unprecedented challenges for ASEAN, and Japan will need to cooperate with heightened awareness and strategic acumen to address these challenges. The relationship with Japan is also a key element in the environment in

which ASEAN will have to navigate the strategic dilemma between the United States and China.

Navigating the balance between China and the United States is crucial for maintaining regional stability and upholding ASEAN's shared principles of openness and inclusivity. As Japan tilts towards its US alliance, balancing competing interests, avoiding ASEAN's overreliance on any single power and preserving centrality and strategic autonomy will require continuing and deft diplomatic initiative.

Managing these complexities

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ASEAN and Japan can focus on enhancing physical and digital connectivity, promoting trade facilitation, strengthening regional supply chains and addressing climate change and sustainable development.

through dialogue, trust-building and a focus on shared interests is key. Addressing challenges to the ASEAN–Japan relationship, like regional power dynamics, territorial disputes, economic competition and historical tensions will be essential for fostering a more resilient and cooperative partnership.

Japan's commitment to regional security and engagement in multilateral frameworks provides avenues for closer collaboration with ASEAN, under the framework of the East Asia Summit, the ASEAN Regional Forum, the ASEAN Defence Ministers' Meeting Plus and the ASEAN Expanded Maritime Forum. But Japan's involvement in security minilaterals such as the Quad—which China views as a containment strategy—does not sit comfortably with ASEAN.

Compatibility between Japan's Free and Open Indo-Pacific and the ASEAN Outlook on the Indo-

Pacific lies in their shared objectives and overlapping principles. Both emphasise a rules-based international order, respect for sovereignty and the promotion of connectivity and economic integration. Through mutual collaboration, these initiatives have the potential to contribute significantly to peace, stability and economic development in the Asia-Pacific region, but how these agendas evolve, are defined and made operational is still a work in progress.

The sharing of intelligence, expertise and best practice has enabled a more comprehensive approach to countering radicalisation, preventing terrorist financing and enhancing border security. By pooling resources and knowledge, Japan and ASEAN have bolstered their respective counterterrorism capabilities and contributed to regional stability. In 2014, ASEAN and Japan adopted a Joint Declaration for Cooperation to Combat Terrorism and Transnational Crime to strengthen cooperation in this area.

Given the importance of maritime domains in the region, ensuring security and freedom of navigation has been an area of collaboration between Japan and ASEAN. Japan actively supports ASEAN member states in enhancing their maritime capabilities, providing assistance in areas such as maritime domain awareness, capacity building, joint exercises and equipment.

Since the 1970s Japan has supplied surveillance ships to nations within ASEAN, including Vietnam and Indonesia. It has also financially supported various initiatives aimed at enhancing the capabilities of ASEAN nations to prevent and counteract unlawful fishing activities. In 2017, Japan entered into a collaborative agreement with Thailand, focusing

on combating illegal, unreported and unregulated fishing. This agreement emphasised improving the traceability of fishery products and bolstering efforts in monitoring, controlling and overseeing fishing operations.

With Japan and several ASEAN countries prone to natural disasters, sharing expertise and resources in disaster response and recovery is another significant area of collaboration. Japan's experience with disaster preparedness, early warning systems and post-disaster reconstruction is instrumental in assisting ASEAN member states with capacity building to mitigate the impact of natural disasters. This cooperation has not only saved lives but also promoted regional solidarity and cooperation in times of crisis.

Economic ties between ASEAN and Japan have flourished over the years, with Japan remaining one of ASEAN's largest trading partners and a major source of foreign direct investment (FDI). FDI outflows from Japan to ASEAN amounted to around US\$20 billion and bilateral trade reached US\$240.2 billion in 2022. ASEAN is home to 30 per cent of all Japanese overseas subsidiaries. The ASEAN–Japan Comprehensive Economic Partnership has facilitated trade liberalisation, market access and economic integration. Infrastructure development, such as the Partnership for Quality Infrastructure, also received active support from Japan, contributing to ASEAN's connectivity goals.

ASEAN and Japan can focus on enhancing physical and digital connectivity, promoting trade facilitation, strengthening regional supply chains and addressing climate change and sustainable development. Continued support from Japan is crucial to ensure inclusive growth and



bridge development disparities among ASEAN member states. The Japan–ASEAN Integration Fund, established in 2006, and Japan–Mekong Cooperation, founded in 2008, are the two such mechanisms established to assist the least developed economies in ASEAN.

Deepening people-to-people ties through cultural exchanges, educational programs and tourism will further foster mutual understanding and friendship. Strengthening educational cooperation and providing reciprocal scholarships for students from Japan and ASEAN nations will also contribute to long-term relationship building.

ASEAN and Japan need to continue working closely together to strengthen open and inclusive multilateralism, promoting a rules-based international order and leveraging opportunities for economic integration, security cooperation and people-to-people exchanges. In this way, ASEAN and Japan can navigate the challenges and build a stronger and more sustainable relationship in the years to come. **EAFQ**

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# Can ASEAN and Japan buttress the international legal order?

SHARON SEAH

**I**N 1973, recognising an imperative to engage peacefully with the region, Japan decided to start informal relations with the Association of Southeast Asian Nations (ASEAN) before formalising with the convening of the ASEAN–Japan Forum in 1977.

Former Japanese prime minister Takeo Fukuda articulated Japan's foreign policy shift towards the region in 1977 during a stopover in the Philippines. The Fukuda Doctrine, based on a speech that he made in Manila, would eventually become a cornerstone in Japan's relationship with Southeast Asia, based on three important principles. They included a commitment by Japan to peace and its pacifist role, the development of people-to-people connections and cooperation for peace and prosperity.

The success of the Fukuda Doctrine can be measured in the tangible benefits from ASEAN–Japan cooperation today. Japan enjoys positive political and economic relations with every country in Southeast Asia and has bilateral economic partnership agreements with seven of Southeast Asia's eleven countries. It is a key trade and investment partner to ASEAN. In 2021 two-way trade between ASEAN

and Japan reached US\$240.2 billion, making Japan ASEAN's third largest trading partner. In the same year, among ASEAN's dialogue partners, Japan was also ASEAN's fourth largest source of foreign direct investment with inflows from Japan amounting to US\$12 billion.

From 1998 to 2018, the number of Japanese companies in ASEAN expanded 35-fold in key manufacturing sectors such as automobiles and chemical production, creating jobs and training opportunities across Southeast Asia.

Cooperation extends beyond the economic relationship and benefits the nearly 800 million people living in both Southeast Asia and Japan. Japan is the largest provider of official development assistance (ODA) to the ASEAN countries with a total of US\$129 billion to date.

Over the years, Japan has supported ASEAN's development and integration through a range of initiatives and programs including assistance during the Asian financial crisis, through disaster relief following the Indian Ocean tsunami and via the establishment of the Japan–ASEAN Integration Fund During the recent COVID-19 pandemic, Japan

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## FOREIGN POLICY

committed US\$50 million to the development of the ASEAN Centre for Public Health Emergencies and Emerging Diseases.

Japan's soft diplomacy in Southeast Asia has paid off. According to the recent State of Southeast Asia 2023 Survey Japan is viewed by nearly 55 per cent of Southeast Asian opinion leaders as the most trusted major power in the region. At a time of rising geopolitical tensions, where multilateralism and the rules-based order are under threat, Japan's longstanding commitment to the region has reinforced views of Japan as a reliable partner in ASEAN. Japan is also one of the region's top three choices as a strategic partner if third parties are required to hedge against the uncertainties of US–China rivalry.

Russia's invasion of Ukraine in February 2022 was a devastating blow to international law. Japan was one of the first countries to condemn it. But most ASEAN countries did not. Singapore condemned Russia's actions, but the majority of Southeast Asian governments refused to name Russia as the aggressor, despite the implications of Russia's invasion for the principle of self determination and the sovereignty of small states like those in ASEAN.

Since the breach of the international rule of law by the Russia–Ukraine war, Japan has been quietly reviewing its foreign policy and defence posture. This includes the adoption of three key national security documents in 2022, an increase in its military spending and a revision of its ODA Charter to

respond to the emergence of the new balance of power in the region.

Japan has also doubled down on its engagement with ASEAN, being among the first to express support for the ASEAN Outlook on the Indo-Pacific, which shares some fundamental principles with Japan's own Free and Open Indo-Pacific. The ASEAN–Japan partnership will be upgraded to a 'Comprehensive Strategic Partnership' in December 2023.

Analysts talk about the end of the United States' unipolar moment and the emergence of a multipolar world. As the US security umbrella shrinks, Japan will be increasingly looked upon as a reliable partner to bear a share of the regional security burden. Japan's nuanced approach to regional order

PICTURE: REUTERS



Japanese prime minister Takeo Fukuda pictured with EU commission president Roy Jenkins, Italian president Giulio Andreotti, US president Jimmy Carter, German chancellor Helmut Schmidt, French state president Valery Giscard d'Estaing, British prime minister James Callaghan and Canadian prime minister Pierre Trudeau (16 July 1978).

is appreciated by ASEAN, particularly its balance between Beijing and Washington and its shared goals of strengthening the international rules-based order. While there had been lingering fears of Japanese militarisation in the past, the changing circumstances and a strengthening of Japan's security role might not be unwelcome.

The prevailing narrative in Asia is against any unilateral changes to the status quo by force. As the rivalry between China and the United States heats up, potential geopolitical flashpoints such as the Taiwan Strait or the South China Sea pose risks of intentional or accidental conflict. China's sweeping claims over the South China Sea, intrusive actions into the exclusive economic zones of a number of ASEAN member states and

rejection of the 2016 Arbitral Tribunal ruling worry the region.

Circumstances over the past 50 years created an environment conducive for Japan and ASEAN to pursue development and prosperity. A change in the status quo on the Taiwan Strait or any conflict over flashpoints in the South China Sea would threaten these joint goals—not just in the region, but globally. Middle powers like Japan, with open and vulnerable economies, and groupings like ASEAN, with similar international interdependencies, are trapped in this geopolitical flux and cannot afford to stand idly by.

To protect against geopolitical shocks, ASEAN and Japan can seek to buttress the rules-based order and strengthen the international rule of law. The inaugural meeting of

ASEAN's and Japan's justice ministers followed by a meeting of ASEAN and G7 ministers were a start. Both meetings reaffirmed the importance of the rule of law and put in place a mechanism for communication between key ASEAN and G7 judicial officers, as an initiative of Japan as G7 chair.

Building more robust frameworks that reinforce the norms that underpin observance of the rule of international law in East Asia is a challenge for the future of ASEAN's relationship with Japan. [EAFQ](#)

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## INDISPENSABLE PARTNERS

# Co-creation has the potential to drive digital and green transformation

TETSUYA WATANABE

**I**N A shifting global landscape, ASEAN remains a centre of global growth in the Indo-Pacific region. But increasing geopolitical tensions between China and the United States over international trade now threaten regional stability and prosperity. The COVID-19 pandemic and Russia's

invasion of Ukraine have also raised concerns about strategic goods and commodity shortages, as well as rising energy and resource prices.

ASEAN's regional gross domestic product rose to US\$3.6 trillion in 2021 and is set for further growth, with the transformation of the region from a

manufacturing base into a significant consumer base and innovation hub. Though the COVID-19 pandemic restricted the movement of people, goods and resources, it also accelerated the adoption and expansion of digital services like e-commerce and cashless transactions.



Mega free-trade agreements—including the Regional Comprehensive Economic Partnership—have added to the region’s attractiveness for foreign investment.

The confluence of geopolitical anxieties and uncertainties about growth prospects have sparked a surge of cooperative initiatives in the region. They include Japan’s Free and Open Indo-Pacific initiative, the Indo-Pacific strategies of the European Union and the United Kingdom and the United States’ Indo-Pacific Economic Framework. These strategies align with the ASEAN Outlook on Indo-Pacific released in 2019, wherein dialogue partners and neighbouring countries acknowledge the importance of ‘ASEAN centrality’ in shaping the contours of the region, while recognising growth opportunities.

ASEAN’s economic growth is now driven in part by its digitally savvy younger generation. This positive momentum reflects ASEAN’s potential for future progress. But there are a number of challenges that need to be addressed, including disparities in the development of physical, human and social capital across countries, as well as between urban and rural areas and different industries.

Despite Japan having one of the world’s most aged demographic profiles, it possesses advanced technologies and significant human and social capital. These assets position Japan as a crucial partner in harnessing ASEAN’s potential. ASEAN and Japan have unique and complementary advantages. Their economic cooperation should focus on deepening integration and fostering collaborative innovations for their mutual benefit.

ASEAN and Japan should view each other as indispensable partners in their economic development

journeys. As ASEAN and Japan commemorate the 50th anniversary of dialogue and cooperation, they are advancing discussions on the future direction of their partnership with a strong emphasis on ‘co-creation.’ The June 2023 interim report on the ASEAN–Japan Economic Co-creation Vision, developed by Japan’s Ministry of Economy, Trade and Industry in collaboration with business communities from ASEAN and Japan, emphasises that ASEAN is an equal partner to Japan and prioritises co-creation of a mutually beneficial economy by promoting open innovation and developing human resources.

For instance, the interim report asserts that fostering youth exchanges between ASEAN and Japan and capturing the entrepreneurship of both regions’ emerging talents will drive new industries and innovation for mutual growth. By leveraging their respective strengths, ASEAN and Japan can foster inclusive and sustainable growth while embracing the opportunities presented by digital and green transformation.

**J**APAN has taken proactive steps towards digital transformation (DX) and green transformation (GX) by prioritising the achievement of a circular economy that balances environmental sustainability and economic growth. Japan has committed significant public and private investment of around 150 trillion yen—approximately US\$1 trillion. As an initial milestone, 20 trillion yen—approximately US\$138 billion—of ‘GX transition bonds’ will be issued over the next decade, with repayment scheduled to align with Japan’s commitment to the Paris Agreement’s 2050 carbon-neutral target. This financial approach

extends beyond Japan and includes collaboration with Asian countries, that aims to foster a regional effort towards sustainable development.

In March 2023 Japan launched the Asia Zero Emission Community (AZEC). Introduced by Prime Minister Fumio Kishida at the World Economic Forum in January 2022, this initiative draws inspiration from the European Union’s roots in the European Coal and Steel Community.

AZEC aims to promote cooperation and optimise the use of energy resources, focusing on decarbonisation technologies such as renewable energy, natural gas, hydrogen, ammonia, carbon capture use and storage and cross-border grid interconnections within the region. AZEC supports ASEAN member states by encouraging them to optimise renewable energy resources, promote technology transfer related to GX and share best practices.

In addition to infrastructure and policy advancements, there is a pressing need for talent development as a skilled workforce is essential to support emerging DX and GX industries. A survey conducted by the Economic Research Institute for ASEAN and East Asia (ERIA) reveals a shortage of workers with the DX skills necessary to operate in the workforce. Specifically, there is also a substantial shortage of skilled engineers to drive the implementation of new technologies.

Addressing this gap requires new mechanisms that extend beyond national efforts, through establishing regional forums that harness the innovative potential of young individuals. Science and engineering universities are key to strengthening co-creation between ASEAN and Japan as they can identify effective strategies to develop engineering

professionals.

Former Japanese prime minister Shinzo Abe originally proposed establishing ERIA in 2007 at the East Asia Summit. Initially, ERIA's primary focus was to propel economic integration and development in East Asia, driven by the promotion of trade liberalisation and investment. Its mandate has evolved to encompass the realms of DX and GX, aligning its work with the region's new development objectives.

With the support of the Japanese government, ERIA is set to launch the Digital Innovation and Sustainable Economy Centre this year. The establishment of this centre will provide a platform to address the challenges associated with DX and

GX in ASEAN, fostering collaboration and collective efforts towards building a thriving digital economy. This initiative marks a milestone in cooperation between ASEAN and Japanese economies, symbolising their commitment to joint progress.

As an initial step of this centre within the ASEAN–Japan co-creation vision, a study on the 'Circular Value Chains of Electrical and Electronic Equipment (EEE) in ASEAN' has been undertaken. This study unveils gaps in circular value chain processes between ASEAN and Japan, including the collection and recycling of used EEE, and recommends collaborative efforts by ASEAN and Japan to address these challenges together. This study's findings significantly contribute to

the ASEAN–Japan Circular Economy Initiative, which were presented by State Minister Nakatani during the 29th AEM–METI Consultation on 22 August 2023.

Through these efforts, ERIA is establishing a solid foundation for sustainable economic growth and innovation. Together, ASEAN and Japan can leverage this partnership to shape a prosperous future for the region, driving inclusive and resilient development. **EAFCQ**

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PICTURE: THE YOMIURI SHIMBUN



A floating wind turbine is set up by Goto City and Toda Corporation at the Goto Islands in Nagasaki prefecture (October 2020).



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