

1. East Asia

East Asia consists of a variety of nations: countries such as the Republic of Korea and Singapore, which have attained high economic growth and have already shifted from aid recipients to donors; least developed countries (LDCs) such as Cambodia and Laos; countries such as Indonesia and the Philippines, which still have internal disparities despite their dramatic economic growth; and countries such as Viet Nam, which is in the process of transitioning from a centrally planned economy to a market economy. Japan

has close relationships with these countries in all aspects of politics, economy, and culture, so the development and stability of the region significantly impacts the security and prosperity of Japan as well. From this perspective, Japan is engaging in development cooperation activities, responding not only to the diverse socio-economic circumstances of East Asian countries but also to the changes in the type of development cooperation that is required.

<Japan's Efforts>

Japan has contributed to the remarkable economic growth in East Asia by implementing development cooperation that combines ODA with trade and investment, including the improvement of infrastructure, development of systems and human resources, promotion of trade, and revitalization of private investment. Currently, Japan is aiming to further enhance open regional cooperation and integration while sharing basic values, to promote mutual understanding, and to maintain consistent regional stability. Therefore, Japan has made efforts to proactively respond to an array of transnational problems such as natural disasters,

environment and climate change problems, infectious diseases, terrorism and piracy, and others, in parallel with the assistance for developing infrastructure to date. Japan is also working to promote mutual understanding through large-scale youth exchanges, cultural exchanges, and projects to disseminate Japanese language education.

In order for Japan and other East Asian countries to achieve further prosperity, it is important to assist Asia to become “a center of growth open to the world.” Accordingly, Japan is providing assistance to strengthen Asia’s growth and to expand domestic demand in each country.

● Support for Southeast Asia

Members of the Association of Southeast Asian Nations (ASEAN)¹ are aiming for the establishment of the ASEAN Community in 2015. Japan has continued to assist the enhancement of ASEAN connectivity and in narrowing the development gap within ASEAN. In particular, support for the Mekong countries², which include more low income countries than the other areas of ASEAN, is important for reducing intraregional disparities as well.

With regard to assistance for the Mekong region, the Fourth Mekong-Japan Summit Meeting in April 2012 adopted the Tokyo Strategy 2012 for Mekong-Japan Cooperation, which sets out three pillars: 1. Enhancing Mekong connectivity; 2. Promoting trade and investment; and 3. Ensuring human security and environmental sustainability. At the Fifth Mekong-Japan Summit Meeting in December 2013, Japan announced its intention of following up on its previous assistance that would contribute to the development of the Mekong region and narrow gaps within the region. The leaders conducted a mid-term review of the progress to date of Mekong-Japan cooperation based on the “Tokyo Strategy 2012,” and affirmed the steadfast implementation of the three-

year assistance consisting of ¥600 billion in ODA from FY2013, that Japan committed to at the Fourth Summit Meeting. In August 2014, the Seventh Mekong-Japan Foreign Ministers’ Meeting was held, and discussion took place on the progress and future direction of Mekong-Japan cooperation.

Among the Mekong region countries, democratization is progressing rapidly, especially in Myanmar. In April



The Tsubasa Bridge (Neak Loeung Bridge) on the National Road No.1 in Cambodia, crossing the Mekong River. As part of the Southern Economic Corridor the National Road No.1 connects Thailand (Bangkok), Cambodia (Phnom Penh) and Viet Nam (Ho Chi Minh City). The completion of the Tsubasa Bridge shortened the time previously required to cross the Mekong River by ferry (about one hour in off-season to seven hours in peak season, including waiting time) to around five minutes. It also enables to cross the river 24 hours per day. (Photo: JICA)

Note 1: ASEAN countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam

Note 2: Mekong countries: Cambodia, Laos, Myanmar, Thailand, and Viet Nam

2012, Japan announced that it would review its economic cooperation policy and provide a wide range of assistance to Myanmar to backup the rapid progress of its reform efforts. Japan has been actively providing various kinds of assistance to Myanmar, such as livelihood improvements for residents, including assistance for ethnic groups, assistance for legal and judicial system development, human resources development, and infrastructure development mainly in the Yangon and Thilawa regions.

In addition to promoting such efforts, Japan is providing support in promoting ASEAN economic integration, with poverty reduction and narrowing the development gap within ASEAN.

At the ASEAN Summit Meeting held in October 2010, ASEAN adopted the Master Plan on ASEAN Connectivity*, aiming at intensifying physical connectivity, institutional connectivity and people-to-people connectivity in the region. Japan is also utilizing ODA and public-private partnership (PPP) to provide proactive assistance to also put the Master Plan into action.

In 2013, which marked the 40th year of ASEAN-Japan friendship and cooperation, the Vision Statement on ASEAN-Japan Friendship and Cooperation was adopted at the ASEAN-Japan Commemorative Summit Meeting in Tokyo in December. The statement presented mid- to long-term visions for deepening ASEAN-Japan relations. These visions are expected to further promote ASEAN-Japan cooperation towards strengthening ASEAN connectivity. Additionally, Japan pledged ¥2 trillion of ODA assistance over five years based on the pillars of “strengthening connectivity” and “narrowing gaps” which ASEAN identifies for establishing the ASEAN Community in 2015.

In the area of disaster risk reduction, Japan unveiled the Package for Strengthening ASEAN-Japan Disaster Management Cooperation in response to the catastrophic

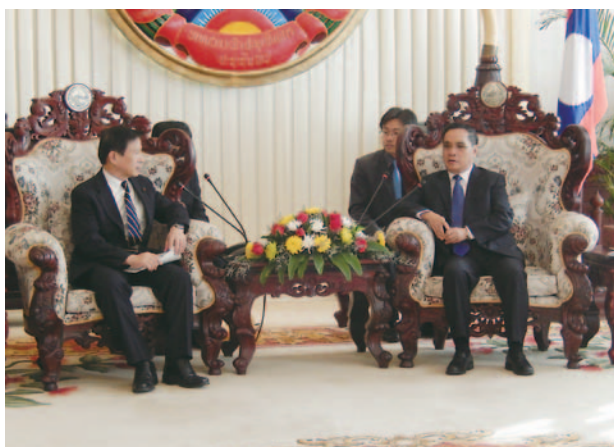
devastation caused by Typhoon No. 30 (“Yolanda”) in the central Philippines in November 2013. The package included expanding the disaster risk reduction network and support for realizing disaster-resilient societies. As part of this package, Japan announced assistance of ¥300 billion over five years and human resources development for 1,000 people, based on the pillars of capacity development on disaster risk management and of high-quality and resilient infrastructure development.³

Based on these commitments, Japan steadily extends supports to ASEAN member states while giving priority to aspects such as: infrastructure development, both hard and soft components, including strengthening connectivity; narrowing the development gap within the region and country (e.g., human resources development, assistance in the areas of poverty reduction, health, women’s empowerment); cooperation in disaster risk reduction; assistance for the environment and climate change field; maritime security; and promotion of the rule of law. In addition, Japan contributes to peacebuilding efforts, including through its intensive support for conflict affected areas in Mindanao in the Philippines and assistance for nation-building in Timor-Leste.

In terms of disaster risk reduction, in addition to bilateral cooperation, Japan provides assistance to ASEAN based on Disaster Management Network for ASEAN Region that Japan proposed in July 2011. Assistance is provided mainly to strengthen the capabilities of the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management (AHA Centre), which is a disaster response and disaster risk reduction organization for ASEAN.

In the area of food security, the ASEAN Plus Three Emergency Rice Reserve (APTERR) entered into force in July 2012. APTERR is a scheme which was created under the ASEAN+3 framework to prepare for emergencies, including large-scale disasters. Through this framework, rice assistance was provided in the aftermath of the flooding in Laos and the typhoon in the Philippines in 2013, strengthening coordination within the Southeast Asian region.

Japan has strengthened its partnership with the Asian Development Bank (ADB), which works on a variety of regional cooperative initiatives in the Asia region. For example, Japan contributed up to \$25 million over five years to the ADB for trade facilitation in Asia. Japan also works with the Economic Research Institute for ASEAN and East Asia (ERIA), an international research organization in East Asia, towards implementation of the Comprehensive Asian Development Plan and the Master Plan on ASEAN Connectivity.



Former State Minister for Foreign Affairs Norio Mitsuya meeting the Prime Minister of Laos, Mr. Thongsing Thammavong (right) in June 2014.

Note 3: Given that infrastructure development is particularly important, at the ASEAN-Japan Summit in November 2014 as well, Japan expressed its intention to provide infrastructure development assistance through “people-centered investment” for sustainable and high quality growth. At the same time, Japan introduced four approaches for promoting “people-centered investment”: 1. Effective resource mobilization; 2. Strengthening partnerships with developing countries, international organizations, etc.; 3. Life cycle cost, environmental/social considerations; and 4. Comprehensive and tailor-made assistance. See page 159 on “people-centered investment.”

Viet Nam has achieved significant economic growth in recent years. Per capita GDP exceeded \$1,005 in 2010, leading the country to join the group of lower middle-income countries¹. Furthermore, the poverty ratio has declined from approximately 60% to 10% in the last 20 years. However, industries such as the assembly and processing industries that have supported economic growth through reliance on cheap labor force are facing competition from other countries. It is urgent that high added value² is given to industries in Viet Nam in order to strengthen the country's international competitiveness. In addition, although Viet Nam is economically stable in the short-term, it also confronts structural challenges on the economic front, such as inflation and budget deficit.

Japan coordinates with the World Bank and other partners to provide support that will enable Viet Nam to realize sustainable growth. Specifically, Japan carries out cooperation that supports the steady implementation of various policy and institutional reforms through financial support and policy dialogue, in terms of strengthening the management of public finances, improving weak financial systems, and improving the operational efficiency of state-owned enterprises. This project was implemented as the first phase of such an initiative. Japan and the Government of Viet Nam worked together on the formulation of a reform plan and monitoring its implementation through a series of dialogues. Through this process, appropriate initiatives were promoted, which have resulted in concrete outcomes, including the revision of tax management laws and the formulation of the mid-term reform plan of the banking sector and state-owned enterprises.

Furthermore, Japan has dispatched experts with advanced knowledge and experience in various sectors including corporate revitalization, bank supervision, and tax affairs. Japan carries out initiatives to make the assistance more effective including: technical cooperation to give advice on reform planning and methodologies; and grant aid to support the installation of electronic customs clearance system that will contribute to improving the business environment.



The kick-off seminar for the “Vietnam Bank Restructuring Support Project” and “Enhancing corporate finance management capacity to implement SOE restructuring” project. This technical cooperation is coordinated and implemented. (Photo: JICA)



A consultation with the State Bank of Vietnam conducted under the Vietnam Bank Restructuring Support Project, a technical cooperation that is implemented in coordination with this project. (Photo: JICA)

*1 See pages 187 and 256

*2 High added value refers to increasing profit by raising the value of products and services to a level that clients and customers demand and are satisfied with, rather than by competing in prices.

● Relations with China

Since 1979, ODA to China has contributed to maintaining and promoting the Reform and Opening Up Policy of China, and at the same time as one of the major pillars of Japan-China relations, it has formed a strong foundation to support this relations. The Chinese economy has seen stable development through assistance for the development of economic infrastructure, and other initiatives. This has contributed to the stabilization of the Asia-Pacific region, as well as the improvement of China's investment environment for Japanese companies and the development of economic relations between Japanese and Chinese private sectors. On a variety of occasions, the Chinese side has expressed appreciation and gratitude towards Japan's ODA. For example, at the Japan-China Summit Meeting in May 2008, then-Chinese President Hu Jintao expressed his gratitude.

On the other hand, ODA to China has already fulfilled its

role to a certain extent, with China having achieved dramatic transformations on various fronts, including those of the economy and technology. As for ODA loans and Grant Aid for General Projects that accounted for the majority of ODA to China, new disbursement has already concluded.

Currently, ODA to China is limited to technical cooperation for areas which have a genuine need for cooperation, such as cross-border pollution, infectious diseases, and food safety, that directly affect the lives of the Japanese people, and Grant Assistance for Grass-Roots Human Security Project, among other schemes.

With respect to technical cooperation, which accounts for a majority of ODA to China, Japan and China have agreed on the introduction of a new form of Japan-China cooperation by which both countries will bear the costs appropriately. This mechanism is scheduled to be introduced gradually.

Master Plan on ASEAN Connectivity

A plan adopted at the October 2010 ASEAN Summit to strengthen connectivity towards building the ASEAN Community by 2015. This enhancement focuses on 3 types of connectivity: physical connectivity (transport, ICT, energy networks, etc.), institutional connectivity (liberalization and facilitation of trade, investment, services, etc.), and people-to-people connectivity (tourism, education, culture, etc.).

Japan's international cooperation policy in the East Asia Region

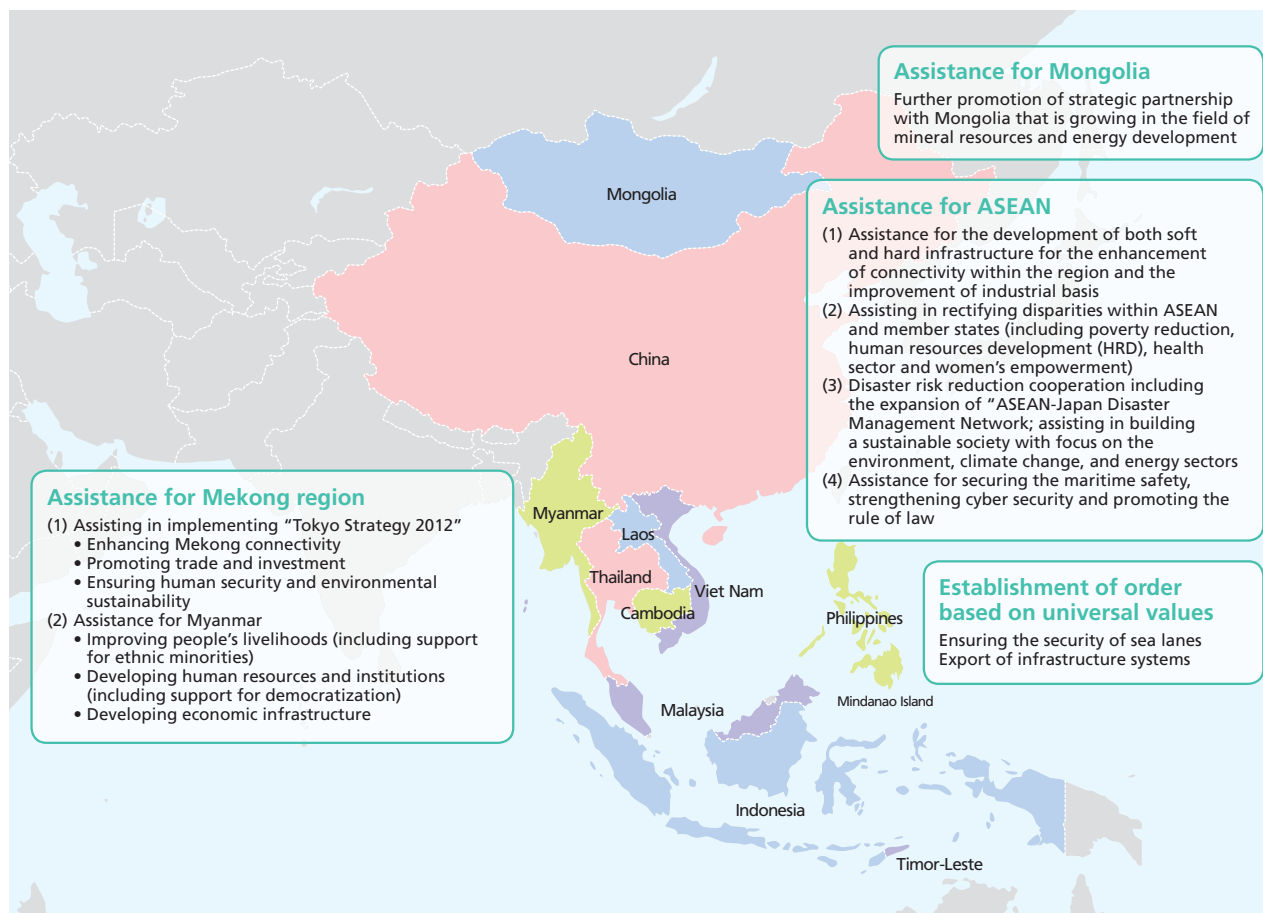


Chart II-8 / Japan's Assistance in the East Asia Region

Calendar year: 2013

(US\$ million)

Rank	Country or region	Grants			Total	Loan aid			Total (Net disbursement)	Total (Gross disbursement)
		Grant aid	Grants provided through multilateral institutions	Technical cooperation		Amount disbursed (A)	Amount recovered (B)	(A)-(B)		
1	Myanmar	3,238.45 (127.75)	48.27 (48.27)	48.65 (48.65)	3,287.10 (176.40)	2,044.67 (2,044.67)	2,803.45 (1,638.13)	-758.78 (406.54)	2,528.32 (582.94)	5,331.76 (2,221.07)
2	Viet Nam	23.99	—	105.30	129.28	1,551.12	373.51	1,177.61	1,306.89	1,680.41
3	Indonesia	11.31	0.17	85.86	97.16	870.99	1,789.09	-918.09	-820.93	968.16
4	Thailand	23.60	1.08	48.38	71.98	535.23	800.26	-265.03	-193.05	607.21
5	China	5.15	—	24.40	29.55	295.57	1,117.77	-822.20	-792.64	325.12
6	Philippines	63.03	33.64	59.88	122.91	133.81	658.21	-524.41	-401.50	256.72
7	Mongolia	31.01	—	25.12	56.13	126.03	17.00	109.04	165.16	182.16
8	Malaysia	0.70	0.23	10.19	10.89	133.66	305.00	-171.35	-160.46	144.54
9	Cambodia	74.29	5.64	46.20	120.50	22.89	1.90	20.99	141.49	143.39
10	Laos	40.33	—	38.11	78.44	1.40	3.88	-2.48	75.96	79.84
11	Timor-Leste	8.72	—	11.74	20.46	1.71	—	1.71	22.17	22.17
	Multiple countries in East Asia	0.13	0.13	7.66	7.79	—	—	—	7.79	7.79
East Asia region total		3,520.70 (410.00)	89.14 (89.14)	511.85 (511.85)	4,032.55 (921.85)	5,717.07 (5,717.07)	7,879.42 (6,714.10)	-2,162.34 (-997.02)	1,870.21 (-75.17)	9,749.62 (6,638.93)
(ASEAN total)		3,475.69 (364.99)	89.02 (89.02)	442.84 (442.84)	3,918.53 (807.83)	5,293.76 (5,293.76)	6,735.31 (5,569.99)	-1,441.54 (-276.22)	2,476.99 (531.61)	9,212.30 (6,101.60)

*1 Ranking is based on gross disbursements.

*2 Grant aid includes aid provided through multilateral institutions that can be classified by country.

*3 Aid for multiple countries is aid in the form of seminars or survey team dispatches, etc. that spans over multiple countries within a region.

*4 Country or region shows DAC recipients but including graduated countries in total.

*5 Disbursements under "Multiple countries in East Asia" utilize figures based on the OECD-DAC criteria, and therefore, do not include disbursements for multiple countries, including Myanmar.

*6 Negative numbers appear when the recovered amount of loans, etc. exceeds the disbursed amount.