

## I. Expectations for Sustainable Growth in Asia

1. Asia has great latent potential for growth, and global expectations are high for further Asian development. Achieving growth in Asia—creating wealthy economic societies through industrial development, expanded employment, and stabilization and improvement of people’s lives—is key. Another result will be contributions to global growth.
2. It is hoped that Asia will go beyond being “the world’s factory” to play a new role as an end consumer market. This will hinge on the establishment of internal-demand-led economies through expansion of domestic consumption in China, India, and the ASEAN members, where middle-class populations are growing rapidly.
3. Toward this end Asia must (1) expand markets and invigorate trade and investment through regional economic integration and (2) remove growth bottlenecks by investing in both “soft” and “hard” infrastructure. These steps will reduce intraregional inequalities and create a firm foundation for growth.

## II. Japan’s Role and Contributions

1. As a member of the Asian region, Japan must make contributions and develop alongside its neighbors so the Asian economy can achieve sustainable growth.
2. Japan must clearly spell out support measures commensurate with its economic clout. For example, active contributions are needed in areas like (1) expanding and improving EPAs to boost regional economic integration, (2) providing stable medium- and long-term funding, (3) developing broad regional infrastructure, (4) enhancing “soft” infrastructure, (5) boosting demand within Asia, (6) balancing environmental concerns with economic growth, and (7) advancing fundamental reforms in ODA and OOF (Other Official Flows).
3. It will be key to work closely with the main international organs in the region. Japan should cooperate with Economic Research Institute for ASEAN and East Asia (ERIA) and the ADB, as well as APEC, to craft a shared vision for rule-making and other forms of regional governance, regional development master plans, and currency and financial cooperation. JICA and other organs must offer active support to these efforts.
4. Japan should give thought to the proper shape of an open East Asian Economic Community.

## III. 7 Action Plans for Sustainable Growth

### 1. Promoting regional economic integration to facilitate economic activities

- (A) Enhancing EPAs  
Expansion and improvement of economic networks formed by accumulated comprehensive EPAs (ASEAN+6, FTAAP, etc.) will be beneficial.
- (B) Geographic expansion  
(i) Japan must help fill in the Northeast Asian blank on the EPA map by quickly inking EPAs with Korea and India, promoting a Japan-China-Korea FTA, and consider study on an FTA with China.  
(ii) It will be key to work with USA, the EU, and other extra-regional parties to keep the integrated Asian economy open to outside partners.
- (C) Qualitative improvements  
(i) In addition to further reductions of tariffs on goods, improvements are needed in rules of origin, customs classifications, and trade procedures.  
(ii) In services trade and investment, foreign capital restrictions must be relaxed and the movement of natural persons must be further liberalized.

### 4. Enhancing “soft” infrastructure development

- (A) Improving legal frameworks  
In soft infrastructure, it will be key to establish systems and enforcement schemes for various legal frameworks and guidelines, systems to protect IP rights, distribution and customs procedures, and standards and certifications. Japan should use ODA to help Asian nations put legal frameworks in place.
- (B) Creating innovation-friendly environments  
To boost innovation in Asia, cooperative efforts should be promoted to create environments for free exchange of R&D human resources and to enhance standardization.

### 2. Providing stable medium-, long-term funding

- (A) Currency stabilization  
To stabilize currency markets, the Chiang Mai Initiative’s network of bilateral swap arrangements has been made multilateral; it should be expanded to cover more nations and made more flexible.
- (B) Responding to intraregional funding needs  
(i) Vast funding needs must be met to maintain the corporate activities and infrastructure provision that drive regional growth.  
(ii) To meet this demand, there is an immediate need for regional issuance of debt instruments and securities and markets for these; also needed are legal frameworks to protect creditors, increased market transparency, etc.  
(iii) The ADB and stock exchanges in each nation are expected to play valuable roles in designing the needed systems.

### 5. Boosting demand within Asia

- (A) Bolstering social security  
(i) More reliable social security systems will provide an incentive for people to save less and consume more.  
(ii) Efforts should be taken to grow middle-class populations by increasing education levels and boosting jobs training.
- (B) Dealing with the “base of the pyramid” (BOP)  
Improving the lives of lower-income people is the key to sustainable Asia growth, and public-private cooperation is needed on support measures.
- (C) Advancing deregulation  
To boost local consumption, improvement is needed in services like finance, advertising, distribution, and retail. It will be key to relax regulations on foreign capital to transfer high-quality services within the region.

### 3. Advancing broad regional infrastructure development

- (A) Removing growth bottlenecks  
(i) It will be a must to get rid of bottlenecks to growth by creating regional infrastructure and reducing transaction costs.  
(ii) The creation of regional infrastructure will boost the horizontal distribution of industry throughout Asia, helping to correct intraregional imbalances.
- (B) Shared master plans  
(i) ERIA and other groups should draw up master plans for the Mekong-India Industrial Corridor, etc., with JICA providing support.  
(ii) The focus should be on basic and urban infrastructure (transport, power, communications, water, etc.) and urban infrastructure to spark inflows of private investment.
- (C) Promoting public-private cooperation  
Public-private partnership schemes should be established to attract private financing.

### 6. Balancing environmental concerns, economic growth

- (A) Addressing the global warming issue  
(i) To deal with global warming, the participation of China, India, and other major emitters in international frameworks will be vital.  
(ii) Based on the principle of “common but differentiated responsibility,” Asian nations must set and work toward either intensity-based or aggregate emission reduction targets.
- (B) Promoting technical, knowledge tie-ups  
(i) To realize sustainable growth, cooperative cross-border efforts will be needed in areas like global warming, energy efficiency, and waste recycling.  
(ii) Japan, on the condition of protection for its IP rights, should show leadership in these areas by promoting technology and knowledge transfer and broader use of eco-friendly products.

### 7. Promoting reform of Japan’s ODA, other official flows (OOF)

- (A) To achieve the above goals, Japan must carry out fundamental reforms of its ODA (quantitative and qualitative), OOF, and formation of its public-private frameworks.
- (B) In quantitative terms, ODA should be increased on the basis of the UN target of 0.7% of gross national income.
- (C) In qualitative terms, Japan should make steady progress toward (1) relaunching JICA’s Private-Sector Investment Finance facility, (2) expanding grant assistance, and (3) speeding up the yen loan process.
- (D) Enhanced cooperation is needed, such as by implementing aid projects as complete packages with a view to unifying the financial functions of JICA and JBIC.