

Address to the ASEAN Committee
Luncheon speech, by Taro Aso, MHR, former Foreign Minister of Japan
April 25, 2008, Botan no Ma, Imperial Hotel, Tokyo

Thank you. Thank you very much, Ambassador Simaskul. I am glad to meet you all. And thank you for giving me a good chance to speak with you.

You know that I was Minister for Foreign Affairs until recently. I know what you do as an ambassador. You hear my talk, go back to your embassy, dictate what you just heard, and you send your telegraph to your own minister, don't you? So I will say a lot today except for one thing. I won't say bad words about Prime Minister Fukuda. You cannot amuse your boss back home, saying like "Aso was really harsh on Fukuda" In any event, it is not Mr. Fukuda alone who is faced with a serious threat. It's the LDP itself that is threatened.

Now, my first point is about Japan's economy. Later on, I will speak on Japanese diplomacy, and Japan's relations with ASEAN countries.

Now, more than anytime before, the global economy needs us, namely, the Japanese consumers.

Imagine, you have a balance sheet. You have the asset side, and the liability side. Yesterday, you thought you had 10 on your asset side. Today, you find that's only 5. But on your liability side, you still have 10. You are now insolvent.

That's what happened in Japan during the post-bubble recession. Here, normal financial policies wouldn't work. To lower the interest rate will do absolutely no good. Because you have to reduce your liability side by the same amount, 5. Because you need no more loan. To pay it back is what you should do. In that context, interest rate reductions mean almost nothing.

That's what the so-called "balance-sheet recession" is like. It happened in Japan recently, and that is exactly what is happening now in the US. The Chairman of the US Federal Reserve, Ben Bernanke, is making the interest rate lower and lower. He knows a great deal about finance.

He has published many books. And still, I can tell you. His policy will do little.

What's going on now is even more serious than the Japanese post-bubble recession. Because this time, there is no concentration of bad assets. Instead, they are scattering everywhere, on the balance sheet of so many banks in so many countries. I can see a credit squeeze of a massive, and huge scale down the road.

But if you think about it, the US economy was the consumer of the last resort. Japan, China, and many others depended on the US market. Also, the US economy was just like a huge bank. People bought dollar-denominated assets. Money flowed into the US. From the US, hedge funds and others bought assets in China, Japan, Russia and so forth. Both functions, buyers and bankers, are now gone. US consumers won't buy as much. The great bank of America has stopped rolling on.

That's why the Japanese economy must now stand up. It must create demand. And it must be domestic demand, like consumption. Now is the time for Japan to ease the economic pain of the world, by encouraging Japanese consumers to buy more, and save less.

How can we do that? I am saying that we should abolish the pension premium. Japanese pension system is already broken and largely insolvent. Remember, under the current system, you pay 5, and your company pays 5. And the total amount, 10, will be put into the government safety box. It will sleep there for 25 years, until you become eligible to get them back as pension.

First, lots of people, like college students, are not paying the premium from the beginning. Second, the government is doing a very bad job to manage the safety box. For these two reasons, the government pension system has lost credit, and is now already broken.

And that is exactly the reason why people in

Japan are feeling anxious and very much uneasy about their own future. They think they can trust nothing.

It's always better to have complaints. Because if you have complaints, you think you must change something. Complaint is the mother of action. But if you feel uneasy, trusting nothing, what will you do? You just don't want to take any risk any more. You stay in bed, if you like. In bed, at least you can stay warm. And that is what you see happening in Japan. They are so risk-averse, that they just stay in bed, doing very little else.

So, to make them feel secure and safe is the most important economic policy that Japan should do now.

My idea is, we should now get rid of the pension premium. The pension should be covered by the consumption tax. Then you will have no worry about your pension coverage. You will feel more at ease about your future.

True, you must pay more when you buy goods and services. But you don't have to pay the pension obligation. The company doesn't have to pay the matching amount. They can pay you more, instead. Plus, you feel safer about your future. As a consequence, I am sure the Japanese will spend much more.

You may say that my idea sounds like my campaign platform. Yes, you may say so. I will run for office again, when the time has come. This, you may also report back to your minister. More seriously, though, I believe Japan must stand tall in the international community. For Japan to stand tall, its economy must keep on rolling. My policy, therefore, is an economic policy, but it is also a diplomatic policy.

Let me turn now to the diplomacy, Japanese diplomacy.

Please make no mistake. For Japan, no other nation is more important than the US. There are some politicians who say different things, depending on the audience. They say America is number one, to the Americans. But to the people from Southeast Asia, they may say they can count on America no longer. I say always the same thing, no matter who I am talking to. So I should once again say that the US will remain the most

important country for Japan to live on.

Why do I say so? If you want me to do that, I can speak for two hours or even longer about why I say so. For now, I should only say the following.

Number one: Japan and the US make up 40% of the world output. The two giants, when together, can stabilize the world. If apart, you will have a totally different rule of the game.

Number two: the military alliance between the two now provides the world with one of the largest insurance policies. It reduces future risks, enhances predictabilities. This aspect is all the more important because we now have, in this part of the world, some great uncertainties in the making.

Number three: Japan and the US are two of the largest, longest-standing democracies. Tokyo and Washington DC have had many disputes. We may have still more in the future. But the alliance has not changed. It has even gained strength. That's because Japan and the US are established democracies. And it is always a democracy you can count on. Together, the two nations, Japan and the US, should be the ones you can rely on.

While I was Foreign Minister, I knew I would have to do a lot in investing into the alliance. Alliance, at the end of the day, is a contract. As with any contract, to keep the alliance valid and viable, you just can't leave it on your desk.

It takes a constant effort to make it effective. With this firm in my mind, I went to Canberra, Australia, Delhi, India to strengthen the ties with these two great democracies. I went also to Brussels, Belgium to address the North Atlantic Council, Baghdad, Iraq and the old town Jericho, in the Palestinian territory. I did that for Japan's own sake, but I did that also for investing into the Japan-US alliance.

With that same idea in mind, I pushed an initiative, "the Arc of Freedom and Prosperity". The arc is designed to serve Japan's purposes. It is also for Asia, for NATO and for a lot of others. But importantly, when Japan cares about the world, it is always to an extent, to the benefit of the US. Because no other nation is more widely exposed to the world uncertainties than

the US.

Now on Asia in general, and about ASEAN in particular.

What I should say briefly is about the source of Japanese leadership in the world. For some, Japan's world leadership derives from its capital power. For others, it's the technology. And for still others, it's the Japan-US alliance I just touched on. Some may count manga and anime. Others may say that Haruki Murakami is the only novelist that sees no borders in Asia. At any rate, what can make Japan a leader of the region?

I think it's a combination of almost everything I just said. Last year, as Foreign Minister, I started something called the International Manga Award. It is an annual event. For this year, the number of applicants more than doubled. 368 manga artists applied, and 156 of them, or 42% of the total, came from Asian countries. Hence there can be no doubt that Japan offers many things that are attractive, interesting, and useful for the Asians, young and old.

But, what makes me feel happiest is the kind of Japanese people I see in Indonesia, for example. They are the Japanese police officers. One of them is Mr. Mano, who is from Okayama Prefecture Police. He and his colleagues have worked hard in Indonesia, in a city called Bekasi, to introduce Japan's koban system into the country. Thanks to Mr. Mano's effort, police boxes, or koban stations, are there in Bekasi. One of those police boxes has a couple of police officers. But they are all female officers. I think this is a beautiful achievement. Because it shows that people in the local community now pay respect to those women officers. I feel proud, as a Japanese, to have people like Mr. Mano.

And in many other countries, there are lots of Japanese men and women who paid no respect to their own financial gains, but worked hard together with the local people. One of them is the late Dasho Keiji Nishioka, who dedicated his whole life to fostering agriculture in Bhutan.

Japanese leadership derives from the very attitude Mr. Mano, Dasho Nishioka, and numerous others have shown to the local people. These Japanese aid workers simply like working together with them. They like to sweat. They like

to share the joy and sorrow with the local people. That, I think, is what is best about the Japanese. That, I believe, is what gives them leadership capacity. And that, I also believe, is enduring. Even if Japanese economy will lose some of the ground, the Japanese characteristics I just described will not go away. My hope is that the Japanese will gain more trust from their neighboring Asians.

You may know that I have had a firm conviction about how a society develops. That is to gain peace and happiness through economic prosperity and democracy. Asians in general, and people in ASEAN nations in particular, have either already lived through that process, or have just started it. ASEAN represents more and more the set of values that Japan also regards highly. Democracy, rule of law, respect for human rights and so on are the values ASEAN appreciates.

This is an encouraging development. And I can tell you. Once your charter is complete, and ASEAN gets more like an institution, Japan will talk to ASEAN just like its talking to the European Union. Sooner rather than later, Japan will set up an ASEAN representative office just like the one in Brussels. An ASEAN Ambassador will be appointed, too.

I know that the gap between the rich and poor among the ASEAN member nations will remain one of the hardest issues. On that, I should say that the CLV nations, Cambodia, Laos and Vietnam will continue to be large on the Japanese radar screen. A large portion of developmental aid will keep flowing to that region from Japan. I wish I could include Myanmar and call the region not CLV but CLMV. Yet I can't. I should urge you to put a healthy peer pressure on Myanmar so that even if gradually, they will understand that more democracy and less military rule will be the only available option for them to take.

ASEAN and Japan have come a long way together. You stay seated behind the wheel. Japan will remain a trusted partner, and a stabilizing force, together with the US, for the ASEAN nations. We can do more together down the road for the Asians and beyond. Because now, we can call each other more mature and democratic than any time before.

Thank you very much.