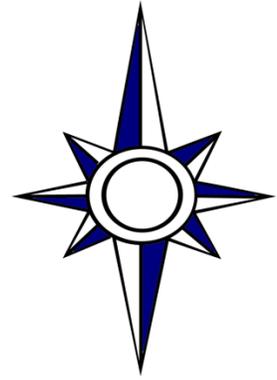


# Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



## **Japan-Southeast Asia Relations: Abe Opens New Fronts**

**Catharin Dalpino  
Seton Hall University**

In the early months of 2015 Tokyo has stepped up its strategic and economic engagement with Southeast Asia. Increasingly concerned with tensions in the South China Sea and the potential for their spillover, Japan has continued to work with Vietnam and the Philippines to strengthen coast guard and naval capacity. A new defense agreement with Indonesia, and the establishment of a high-level dialogue on maritime security, underscores a broader worry about China's claims of sovereignty through the "nine-dash line" and other issues in regional maritime security. To counter China's economic reach and political influence in the poor states of mainland Southeast Asia – Myanmar, Laos, and Cambodia – Tokyo has stepped up with a variety of initiatives, including a strategic partnership with Laos. A good portion of this new surge in relations has focused on infrastructure contracts, not least because of China's pivotal role in the Asian Infrastructure Investment Bank, to which all the Southeast Asian governments subscribed. Although polls indicate very positive views of Japan in Southeast Asia, Tokyo must nevertheless implement new policy initiatives in the region with care, in view of Japan's own complicated relations with China and a more positive, but no less complicated, relationship with the US.

### **Japan re-engages with Southeast Asia**

For the better part of a century, Southeast Asia has been instrumental in Japan's economic development and its role in the Asia-Pacific region. Its natural resources and geostrategic position made Southeast Asia a critical base for Japanese domination of the region in World War II; following the war, reparations paid to several countries in the form of infrastructure restoration and development put Japanese relations in Southeast Asia on a more positive footing more quickly than in Northeast Asia. By the 1980s, Japan had become Southeast Asia's largest investor and aid donor.

Tokyo's attention to the region would ebb and flow for the next two decades, because of Japanese investment in China and domestic economic stagnation. As well, pressure from the West to join in sanctions on Myanmar (then Burma) in the 1990s and 2000s would restrain Japanese policy in that country, helping to push Nay Pyi Taw closer to China. In the late 1990s Tokyo acceded to pressure from Washington and attempted to persuade the military junta in Myanmar to enter into negotiations with the National League for Democracy; it got scant return for its efforts. Following 2010 elections in Myanmar and President Thein Sein's launch of the reform movement, Japan was quick to respond with economic overtures to the new government. However, Japanese law required that normal economic relations could not be restored until Myanmar had discharged its outstanding debt to Japan, nearly \$2 billion; this was accomplished in early 2013, largely through bridge loans provided by the World Bank. Although the US was

revising its own policy in Myanmar, Tokyo worried about getting too far ahead of Washington too soon.

While Japan would have responded with vigor to the political changes in Myanmar under any circumstances, Tokyo's new policy paradigm corresponded to broader changes in Japanese foreign policy. In the present decade, and particularly after the return of Prime Minister Abe Shinzo, Japan has found economic and security rationales for a new focus on Southeast Asia. After his return to power in December 2012, Abe signaled Southeast Asia as a foreign policy priority with visits to Vietnam, Thailand, and Indonesia, his first trip abroad after his inauguration. By the end of 2013 he had visited all 10 ASEAN countries. He was the first Japanese leader to visit Myanmar since 1977.

### **Expanding defense cooperation**

Japan's new policy surge in Southeast Asia is driven by two underlying factors. One is Tokyo's increasing concern about China's rise in the region, and the cumulative impact of Beijing's serial "charm offensives" in Southeast Asia. This is particularly evident in mainland Southeast Asia, where China remains a dominant partner in Myanmar, and where it has been able to bring Cambodia and Laos increasingly into its sphere of influence. The May 2014 coup in Thailand has also opened the door to stronger China-Thailand relations, although those are tempered by Bangkok's security alliance with the US and Japan's major investment position.

More recently, however, Japan also has cause to worry about China's disagreements with Southeast Asia, specifically, its rising tensions with Vietnam and the Philippines over the Spratly Islands in the South China Sea (SCS). Although Japan is not a claimant country, it fears that China's attempts to assert sovereignty over the SCS will embolden Beijing in its dispute with Japan over the Senkakus. Also worrisome is the possibility that China would claim an Air Defense Identification Zone in the South China Sea, as it has done in the East China Sea.

To that end, Japan has introduced or expanded security cooperation in its relations with key Southeast Asian countries. In early 2015, the first of a dozen coast guard ships promised to Vietnam arrived, matched by an increase in Japan-Vietnam cooperation on maritime capacity-building. Moreover, Vietnam is an important economic focus for Japan in Southeast Asia. Sixty percent of Japanese companies in Vietnam are profitable, and 70 percent of them plan to expand. This trend will likely strengthen if/when the Trans-Pacific Partnership trade agreement goes into effect, although Japan has cautioned Vietnam that the new opportunities will likely be in small- and medium-size enterprises rather than large companies. In addition, Vietnam is the only Southeast Asian country that is thus far not deterred by the "Fukushima effect"; Hanoi has gone ahead with plans for nuclear power plants, and Japan expects to build Vietnam's second major plant, after the first one is completed under a Russian contract.

Tokyo is also expanding its defense cooperation with the Philippines, building on the 2011 Japan-Philippines Strategic Partnership. This includes high-level exchanges, capacity-building training with the Philippine Armed Forces, and discussions on equipment acquisitions. The two countries' armed forces cooperate through various multilateral exercises, such as *Cobra Gold*, and the Western Pacific Naval Symposium. They also conduct joint bilateral activities in

combating maritime crime through the *Joint Maritime Law Enforcement (MARLEN)* Exercise, the latest of which will be held in the Philippines this May.

In March, with the state visit of Indonesian President Joko Widodo, Japan and Indonesia elevated relations to the level of strategic partnership. Although the partnership is comprehensive and includes five policy areas, the most significant was arguably the expansion of defense relations. Japan will increase its military training with the Indonesian armed forces, and the two countries will consider military equipment deals. More significant is the agreement to establish a high-level bilateral forum on maritime security. Although Indonesia does not make claims to the Spratly Islands, the government has become increasingly concerned with China's assertiveness over the entire South China Sea. Moreover, as Southeast Asia's largest country, Indonesia is viewed as the assumed (albeit unofficial) leader of ASEAN, and helps to stabilize the group of 10 Southeast Asian nations on important policy issues. Having a direct and regular forum on maritime security with Jakarta, Tokyo can hope to strengthen ASEAN unity on its policy with China over the South China Sea.

### **Expanding investment**

Both internal and external factors push Japan to expand its economic presence in Southeast Asia. With an aging and shrinking population, the country must increasingly look to international trade to fuel economic growth. Moreover, the region presents both new opportunities and challenges to Japan's economic position. First, the ASEAN Economic Community (AEC), scheduled to become operative at the end of 2015 (a deadline that will likely slip) will enable companies with existing investment platforms to expand more rapidly and easily to other areas of Southeast Asia. It will also, however, stimulate competition. Nevertheless, the timing of the AEC is fortuitous for Japan as its companies have started making supply chain shifts in its investments from Southeast Asian countries with higher labor costs (most notably Thailand) to lower-cost ones (Indonesia, Vietnam, and possibly Myanmar).

Second, plans for "ASEAN Connectivity" – new transportation routes to support greater intra-Asian trade, will require a dramatic expansion of rail and road links, as well as stronger port facilities. Japan is a high-end provider of infrastructure but a highly desirable one; however, in Southeast Asia it is often eclipsed by China and seriously challenged by South Korea, Singapore, and a number of other countries. US companies are often priced out of infrastructure projects in the region or constrained by environmental and other considerations. China's launch of the Asian Infrastructure Investment Bank (AIIB), which both the United States and Japan opposed, will offer Beijing an obvious edge in infrastructure deals.

The critical mass of ASEAN Connectivity projects is in mainland Southeast Asia, which places Japan in competition with China in Myanmar, Thailand, Laos, and Cambodia. Vietnam is part of the east-west transportation nexus, but both east-west and north-south systems will converge in Thailand. Myanmar is the western end of the east-west grid, but also offers possibilities for new routes that link Southeast Asia to South Asia and beyond. For example, the proposed Dawei Special Economic Zone in Myanmar would include a deep-sea port that would allow westward Thai exports and imports to reach Thailand without going through the Straits of Malacca.

The mainland connectivity plans illustrate Japan's dilemma in Southeast Asia. Concerns about Thai political stability and the 2014 coup and higher labor costs contributed to a drop of 37 percent in Japanese investment in Thailand in 2014. At the same time, according to the Thai Board of Investment, China's investment in Thailand expanded eight-fold in 2014. In late 2014, Bangkok announced that it would partner with China to build high-speed rail links north from China through Thailand. This February, Tokyo invited Prime Minister Gen. Prayuth Chan-ocha to Tokyo for his first visit to Japan since the coup. During the visit the two governments agreed to partner on an east-west rail link through Thailand, and Prayuth secured Tokyo's agreement in principle to join Thailand and Myanmar in developing the Dawei Special Economic Zone. Despite Bangkok's continued pressure on Tokyo to join the Dawei project over the past two years, Japan had kept Thailand at arms-length because of doubts over the ability of the other two partners to implement the project. Moreover, Japan has been focused on its investment in the Thilawa Special Economic Zone near Yangon.

Japan is also involved in development of the Mekong River sub-region, as an individual country and as the dominant member of the Asian Development Bank. Tokyo is a member of the Friends of the Lower Mekong Initiative and shares Washington's concerns about the consequences of overbuilding dams on the Mekong. However, Japan has provided two bridges across the Mekong, the first one linking Laos and Thailand and the second, opened this April, in Cambodia.

### **Addressing the “frontier” states**

The second Japanese bridge across the Mekong was emblematic of Japan's new attention to the “frontier” states of mainland Southeast Asia: Cambodia, Laos, and Myanmar. All three countries, but particularly Cambodia and Laos, have come under increasing Chinese influence in the past decade; this was illustrated in 2012 when Phnom Penh, as that year's ASEAN chair, refused to put South China Sea issues on the agendas of the major ASEAN meetings. Japan is a major aid donor in Cambodia and one of the architects of the Cambodian peace process in the early 1990s. However, Tokyo now seeks to move away from aid and toward trade and investment with Cambodia.

Japan has fewer historic points of contact with Laos but has encouraged an expansion of relations with that country as well. In March, Laotian Prime Minister Thonsing Thammavong visited Tokyo, and the two governments agreed to elevate relations to the strategic partnership level, from the 2010 comprehensive partnership agreement of 2010. However, the expansion of Japanese relations with Laos will likely be a gradual, even slow process, given the footholds in the country already established by China, Thailand, and Vietnam. Moreover, low education levels and a small population (7 million) affect Laotian capacity to implement the large-scale projects that are typical of Japanese aid and investment.

### **Southeast Asia in changing Japanese policy structures**

Although Japan's policy goals in Southeast Asia are long-term and therefore likely sustainable, expanding relations in the region will be affected by two initiatives of the Abe administration, both of which are elements in his “proactive pacifism” framework. The first is the revision of the [charter for Overseas Development Assistance](#) (ODA). One thrust of ODA charter reform is

to expand the rationale and application of aid beyond a focus on poverty alleviation and other economic goals toward a broader definition of Japan national security and national goals. One result of this reform is likely to be broader latitude for Japan to assist foreign militaries. Since 2012, the Japanese Defense Ministry has provided noncombat technical assistance to a number of Southeast Asian militaries, but has been prohibited from using ODA for this purpose. As the revision of the ODA charter lifts this prohibition, ODA will likely be applied to Vietnam and the Philippines for such purposes as the construction or improvement of military sea and air facilities.

Another change to the ODA charter will be to give greater emphasis to the promotion of democracy and human rights. Since the end of the Cold War, Tokyo has included these issues in its foreign policy, but has often played the “good cop” role with authoritarian countries against the more frequent “bad cop” role of the United States and other Western countries. Tokyo has often preferred to emphasize the rule of law and good governance in its assistance programs, while Western nations are more focused on elections and political parties. When Japan has provided election assistance, it has inclined toward the technical – e.g., the provision of voting machines in elections – over the political. It is not clear how this revision of the charter will be implemented in Southeast Asia, particularly given Japan’s concern with reducing China’s influence in the region.

The convergence of these two reforms would likely result in Tokyo’s providing assistance to Southeast Asian militaries to strengthen democratic civil-military relations, particularly in Myanmar. In 2014, Self-Defense Force Chief of Staff Gen. Iwasake Shigeru met Myanmar’s Armed Forces Commander-in-Chief Min Aung Hlaing to discuss potential cooperation. With the current Congress prohibiting funds for US-Myanmar military-to-military projects, Japan – along with Australia and the European Union – will be able to fill a critical gap in international assistance to Myanmar’s reform process.

A related and more high-profile reform is Abe’s proposed revisions to the Japanese constitution that would expand overseas activities of the Self-Defense Forces, in keeping with a reinterpretation of the constitution to strengthen the right to collective self-defense. Broadening the SDF rules of engagement would likely see more Japanese joint exercises with Southeast Asian nations, particularly Vietnam and the Philippines.

### **The Japanese advantage**

Public opinion polls – of both opinion leaders and the more general population – show high and consistent approval of Japan in Southeast Asia at the present time. In 2014, surveys showed that 60 percent of opinion leaders in Malaysia, Indonesia, the Philippines, Singapore, Thailand, Vietnam, and Myanmar considered Japan to be the most important country in Asia, with China behind that. Other polls of ordinary citizens have shown favorable ratings for Japan in the region as high as 96 percent.

This high public regard is likely due as much or more to Japan’s past image rather than its current enthusiasm for Southeast Asia. In the 1980s and 1990s, Japan’s more narrow focus on economic interests in its assistance programs, although sometimes viewed as too mercantilist,

offered an alternative to more conditional aid from the West, which tended to focus more on human rights. Increasingly, China now plays the role of aid donor without strings, leaving Japan somewhere in the middle between Beijing and the West. However, Japan continues to be viewed in Southeast Asia as more pragmatic, and therefore more flexible, than the United States or the European Union. Thus, Thailand could assume (correctly) that Prime Minister Prayuth might be invited to visit Tokyo, while a visit to Washington under the present circumstances is unlikely.

The opposite could also prove to be the case however: Japan could be pressured to apply conditionality more strongly to its assistance and investment projects in Southeast Asia. This is less likely to apply to democracy and human rights issues than to such areas as the environment and labor rights. This is likely to apply especially to the “frontier” states, where an increasing backlash against Chinese investment is evident. In Myanmar, NGOs and advocacy groups largely welcome a greater Japanese presence but are not certain if it will bring greater concern for local conditions than the Japanese government and companies exhibited in past decades.

Another key element of Japan’s longstanding image in Southeast Asia is that of a pacifist nation with a military constrained to self-defense. This image, as well as Japan’s status as an Asian (rather than Asia-Pacific) nation, has made it more welcome in conflict resolution in the region than more muscular powers such as the United States. Thus, Japanese NGO’s have been able to render some assistance in Myanmar’s border provinces where armed ethnic groups dominate; moreover, Tokyo has been able to appoint a Special Representative for National Reconciliation in Myanmar without undue alarm in Nay Pyi Taw.

It is not clear how proposed changes in Japan’s defense and foreign policy structure that would allow greater military involvement in the region will affect Japan’s image in Southeast Asia. Although there is little real fear in the region that Japan would re-arm and present a military threat, Southeast Asians are concerned about developments that might raise tensions between the region’s great powers and, specifically, that a more active Japanese military might accelerate China’s own military rise.

### **The near-term outlook**

Apart from Abe’s pronounced turn toward Southeast Asia, the region will be involved in, and stands to benefit from, a number of new policy initiatives under his administration: from reform of the ODA charter to a revision of security policy under the constitution. These are not likely to materialize in the next few months. However, even without such headline developments, Japan will pursue its economic interests vigorously in Southeast Asia in the near-term, to counter China and to position Japanese companies to benefit from the ASEAN Economic Community.

But by re-engaging Southeast Asia Tokyo will also face challenges with the region itself, some of which will be evident in 2015. A greater emphasis on democracy and human rights, albeit tempered with pragmatism, will be difficult to pursue in the authoritarian countries of Southeast Asia. This could be an issue as Myanmar moves toward national elections later this year, when international pressure to ensure that the elections are free, fair, and inclusive will increase. It is less likely to be an issue with Thailand, if only because the international community is more skeptical of democratic progress there after a decade of political turmoil. In contrast to the

United States, deeper economic and security engagement with Vietnam will not meet with domestic Japanese resistance on human rights grounds.

Finally, ASEAN and its member countries are wary of becoming entangled in great power competition or conflict in the region and will seek to balance expansion in relations with one power with commensurate gains with another. In that regard, Tokyo may occasionally find that it is the victim of its own success in Japan's new presence in Southeast Asia. Amendment of the ODA Charter and/or the Japanese constitution to permit greater Japanese military activity in the region, combined with conclusion of the Trans-Pacific Partnership agreement, will likely encourage Beijing to increase its own outreach and inducements to Southeast Asia.

In a similar vein, Japan's reinvigorated Southeast Asia policy has clear parallels to the US rebalance to Asia, particularly in its focus on the South China Sea. As Japan moves forward in the region, Tokyo will likely be amendable to consultation and coordination with Washington, but will make an effort to maintain a working distance from the US in Southeast Asia.

### **Chronology of Japan - Southeast Asian Relations January – April 2015**

**Jan. 29-31, 2015:** Philippine Defense Secretary Voltaire Gazmin makes a three-day visit to Tokyo to confer with Japanese Ministry of Defense officials on bilateral security concerns.

**Feb. 5, 2015:** The first tranche of coast guard ships promised by Japan in 2013 to strengthen Vietnamese patrol and surveillance capacity arrive in Vietnam.

**Feb. 8-10, 2015:** Thailand Prime Minister General Prayuth Chan-ocha arrives in Tokyo for consultations on joint investment projects. He is the first Thai leader to visit Japan since the Thai coup in May 2014.

**Feb. 10, 2015:** Japan's Cabinet approves new guidelines for foreign aid, stipulating for the first time that Japan can fund foreign military forces.

**Feb. 15, 2015:** Japan and ASEAN agree to launch the ASEAN-Japan Dialogue on Transnational Crime and Terrorism.

**March 6, 2015:** Japan and Laos agree to forge a bilateral strategic partnership when Laotian Prime Minister Thongsing Thammavong visits Tokyo, elevating bilateral relations from the comprehensive partnership established in 2010.

**March 16, 2015:** Japanese Foreign Minister Kishida Fumio and Vietnamese Vice President Nguyen Thi Doan hold talks on ensuring maritime security, an obvious reference to the South China Sea, on the margins of the UN World Conference in Disaster Relief Reduction in Sendai.

**March 22-25, 2015:** Indonesian President Joko Widodo visits Japan, his first state visit outside Southeast Asia. He and Prime Minister Abe Shinzo sign a defense agreement to cooperate on military training and technology and agree to set up a bilateral forum on maritime security.

**April 6, 2015:** Japanese-funded Tsubasa Bridge across the Mekong River opens in Cambodia. It will strengthen transportation links in the “southern economic corridor” of mainland Southeast Asia, linking Ho Chi Minh City with Bangkok via Phnom Penh. It is the third Cambodian bridge donated by Japan and the second Japanese-built bridge across the Mekong.

**April 20, 2015:** Sasakawa Yohei, special envoy of the government of Japan for national reconciliation in Myanmar, issues a statement praising the draft ceasefire agreement between Myanmar’s central government and the armed ethnic groups; he offers Japanese diplomatic support for a finalization of the agreement.

**April 22, 2015:** Prime Minister Abe addresses the Asian-African Conference in Bandung, Indonesia and expresses “deep remorse” for Japan’s actions in World War II but does not offer an apology. Although it creates friction with Japan’s Northeast Asian neighbors, it has little impact in Southeast Asia.

**April 27, 2015:** Thai government publicly announces the formation of a Thai-Japanese project to build the Dawei Special Economic Zone in Myanmar and indicates that a formal agreement will be signed in May.