

Japan-Southeast Asia Relations:  
**Trading Places?:  
The Leading Goose & Ascending Dragon**

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**Tokyo's Foreign Policy Activism in Southeast Asia**

Contrary to the stereotypical view that Japanese foreign policy is generally passive, reactive, and driven primarily by economics (and Washington), the reality is that Tokyo has sought to exercise diplomatic initiatives in Southeast Asia especially over the past 25 years. Ironically, Japan plays a larger political role in Southeast Asia than in its more immediate Northeast Asian neighborhood for at least three reasons.

First, unlike its relations with Beijing, Seoul, and Pyongyang, Tokyo's ties with Southeast Asian states are very much less bedeviled by unresolved issues of history – including an appropriate apology to the victims of Japanese militarism, the “correct” perspectives that should be adopted in textbooks, and a lack of remorse over the past shown by conservative Japanese politicians. Moreover, the Japanese occupation of Southeast Asia was mercifully short (around three years) compared to Tokyo's lengthy colonization of Korea, Taiwan, and Manchuria. While imperial Japan's original intention was to incorporate Southeast Asia into a Greater East Asia Co-Prosperity Sphere, it incidentally aided the independence movements in Indonesia and Burma toward the end of World War II; Tokyo's initial victories against the white colonial regimes in Southeast Asia also shattered the myth of white invincibility and eventually facilitated decolonization in that region.

Second, unlike Russia, China, and the two Koreas, the Southeast Asian states do not have any territorial disputes with Japan. Shackled by neither the burden of history nor territorial disputes with Tokyo, Southeast Asian countries welcome Japanese investments and ODA (official development assistance) and are thus more open to Japanese diplomatic initiatives, especially if these are also to their advantage.

Third, Southeast Asia as a region does not have intractable security problems of the same magnitude as Northeast Asia: the heavily militarized and divided Korean Peninsula and the potential flashpoint in the Taiwan Strait. Besides the perennial suspicions of the Chinese and Koreans toward any hint of a larger Japanese political and military role, the problems in the Korean Peninsula and the Taiwan Strait are simply too big for Japan to chew. In this regard, Southeast Asia is a more conducive environment for Japan to



pursue its diplomatic initiatives, especially when the ASEAN states are less hostile toward Tokyo and inter-state relations within the region are less confrontational and warlike.

### **Tokyo's Roles in Southeast Asia**

Traditionally, Japan's key role in Southeast Asia was in the economic realm of investments, trade, loans, and aid. Over the past 25 years, Japanese foreign policy in the region has expanded into diplomatic activism beyond economics. Japan still does not play a direct military role in Southeast Asia given its residual pacifist political culture, constitutional restrictions, and the ambivalence of its neighbors, especially China. (Nevertheless, Tokyo plays an indirect yet important strategic role in Southeast Asia by providing military bases and logistical support to its U.S. ally maintaining a strategic presence in that region.)

Tokyo is motivated to adopt an active stance in Southeast Asia to safeguard its own interests. Besides being an important market, the region also straddles critical sea lines of communications for 70 percent of Japanese shipping. Tokyo also wants say in and the ability to shape emerging regional multilateral fora that deal with trade and regional security. Making diplomatic initiatives in Southeast Asia also satisfies Japan's desire to play a political role commensurate with its economic status. Winning friends in Southeast Asia is also gratifying when relations with its Northeast Asian neighbors are often more problematic; support and votes from 10 ASEAN states are also useful in Tokyo's quest for a permanent seat in the United Nations Security Council.

A catalyst to Japan playing a larger political role was the 1991-92 Gulf War debacle. Despite contributing \$13 billion, Japan was deeply humiliated by a barrage of criticism that it engaged only in "checkbook diplomacy." Tokyo does not want a repeat of the Gulf War fiasco and is psychologically better prepared to play an active role in international affairs.

While Japan hopes to raise its political profile in Southeast Asia, there are two trends, one domestic and the other regional, which might well limit its ability to do so. First, Japan has suffered from more than a decade of economic stagnation. Given its economic difficulties, Tokyo is less able and willing to be generous in its ODA to ASEAN states and has also become less attractive as a model of state-led economic development. Indeed, Japan's prolonged economic stagnation and domestic political drift have seriously dented the country's prestige and appeal in the eyes of many Southeast Asian elite in politics, business, and the media. Second, it is conceivable that the rise of China, if sustained for the next 20 to 30 years, will underpin greater Chinese economic and political influence in the region, while the relative decline of Japan will concomitantly diminish its image and presence in Southeast Asia.

### **China's FTA Initiative to Southeast Asia**

Beijing stole a march on Tokyo when Premier Zhu Rongji mooted a free trade area (FTA) with the ASEAN states when he attended an ASEAN Plus Three meeting in Singapore in November 2000. Barely a year later, the 10-nation grouping at the ASEAN summit in Brunei accepted China's proposal to create the world's largest FTA within 10 years: a market of 1.7 billion consumers and a GDP of \$2 trillion with trade worth \$1.23 trillion. As a sweetener, Beijing offered to unilaterally open its own market to the ASEAN countries five years before these economies were ready to reciprocate.

China's FTA proposal has geopolitical and economic significance. By offering the Southeast Asian countries a stake in its booming economy, Beijing will not only enjoy reciprocal access to the markets of its southern neighbors but also allay their fears of a China "threat." Conceivably, if Beijing were to succeed in convincing the ASEAN states that it is a friend indeed (coupled with the intertwining of their economies), it would mean that these states are unlikely to participate in any future U.S.-led containment of a rising China. Moreover, Beijing excluded Tokyo (Washington's most important ally in Asia) from its FTA proposal, which covers a region often considered to be Japan's economic backyard.

### **The Ascending Dragon Challenges the Lead Goose**

Hitherto, Japan was the lead goose in the region's "flying geese" pattern of development by providing capital, technology, and managerial know-how to Southeast Asia. Driven by rising domestic labor costs, many Japanese companies moved labor-intensive production to Southeast Asia (where labor costs were significantly less expensive) and moved up the value-added chain. In turn, the next echelon of newly developing Southeast Asian countries, faced with rising labor costs, would shed their labor-intensive industries to the next tier of less developed neighbors with even lower costs of production. Besides being the vaunted leading goose, Japan also provided a model of state-led economic development to some Southeast Asian countries and was also their largest source of ODA.

However, Japan's pre-eminence and prestige in Southeast Asia have been eroded by a fundamental shift in the regional political economy: the relative decline of Japan coupled with the economic rise of China. Even though Japanese companies retain substantial investments in and trade with the ASEAN countries, they too are increasingly turning their attention to the China market at the expense of Southeast Asia. In the long run, if Japanese investments and loans (both private and official) continue to dip in Southeast Asia, Tokyo is likely to exercise less diplomatic and economic clout in the region.

Japan's Ministry of Economy, Trade, and Industry (METI), in its 2001 White Paper on International Trade noted: "Asia is said to have echoed Japan's development path in a flying geese pattern. ... However, this flying geese pattern of development in East Asia has also begun to change with the emergence of China. China is not only pushing up its production and export volume, but has also increased its international competitiveness from the comparative labor-intensive textile industry through to the comparatively technological-intensive machinery industry."

Against the backdrop of “China rising, Japan stagnating,” Prime Minister Koizumi Junichiro made a one-week trip to the original ASEAN-5 countries (the Philippines, Thailand, Malaysia, Indonesia, and Singapore) to bolster Japan’s political and economic role in the region in January 2002. In this endeavor, the charismatic Japanese leader was hamstrung by two painful realities: Tokyo had just cut its ODA budget by 10 percent, and Japan’s powerful agriculture lobby is vehemently opposed to any FTA that threatens to pry open the country’s protected agricultural sector. Although Koizumi has made a clarion call for “structural reforms without sanctuaries,” agriculture reform remains a sacred cow.

Ironically, Japan’s liberal democratic political system (which is deeply penetrated by parochial but powerful interest groups like agriculture) appears to hinder a bold leader like Koizumi who sought to pursue Japan’s national interest in Southeast Asia. In contrast, China’s post-Maoist authoritarian political system permits its leaders a free hand to pursue entry into the WTO (even though millions of Chinese workers and farmers are likely to be badly affected by foreign competition) and to forge an FTA with the ASEAN states.

### **From Fukuda to Koizumi: Tokyo’s Diplomacy in Southeast Asia**

Koizumi’s state visit to the ASEAN-5 marked the 25<sup>th</sup> anniversary of his mentor’s (former Prime Minister Fukuda Takeo) trip to Southeast Asia. In that historical trip, Fukuda articulated the first codification of Tokyo’s postwar foreign policy principles toward Southeast Asia: a heart-to-heart relationship with the region, that Japan will never be a military power again, and the desire to play a political role in Southeast Asia. The Fukuda Doctrine was underpinned by Tokyo’s desire to play a political role commensurate with its economic superpower status, to mitigate anti-Japanese sentiments that Tokyo is an exploitative economic animal, and to contribute to regional stability, in which Japan has an important stake. Tokyo also hoped that it could play a “bridging” role between the non-communist ASEAN group and the communist Indochina bloc.

Japan was taken aback by the violent demonstrations against it when then-Prime Minister Tanaka Kakuei visited Bangkok and Jakarta in 1974. (Underpinning the anti-Japanese riots were perceptions that Tokyo was a selfish, arrogant, and distant neighbor that was interested only in exploiting the natural resources and cheap labor of Southeast Asia. The notoriety of Japanese predators who traveled in groups for cheap sex in the region did not enhance the country’s image.)

Fukuda in 1977 had certain advantages that his protégé did not enjoy in 2002. First, he bore gifts of \$1 billion and promises to substantially increase ODA to Southeast Asia; Koizumi came empty-handed. Second, Fukuda was the prime minister of a rising economic superpower; Koizumi is the prime minister of a country in relative decline.

Between Fukuda and Koizumi’s trip to Southeast Asia, Japan has indeed played a more active political role in Southeast Asia. Initiatives include: offering its good offices to the

Cambodian warring factions and aid for the reconstruction of Cambodia, participating in PKOs (peacekeeping operations) in that country and lately in East Timor, exerting subtle influence on Myanmar's military junta to ease its restrictions on Nobel Peace Prize Laureate Aung San Suu Kyi and that country's democratic movement, seeking to mediate in the Spratly Islands dispute in the South China Sea, and advocating the establishment of the ASEAN Regional Forum (ARF) to promote a multilateral approach to confidence building in the region.

Space does not permit me to elaborate on all these initiatives. One hallmark of Tokyo's diplomacy in Southeast Asia that ought to be highlighted is its willingness to adopt a foreign policy that is autonomous and distinct from its U.S. ally in a number of cases. This can be interpreted as a more confident Japan in the making; it can also be pointed out that in these instances the core interests of the U.S. were not jeopardized. Unlike Washington's uncompromising hard-line position toward the Myanmar military junta's abuse of human rights and lack of progress toward democratization, Tokyo adopts a finely calibrated approach that offers aid to Myanmar as a reward for progress in human rights and political liberalization.

Tokyo was also more enthusiastic than Washington to promote a multilateral security forum in the region to promote confidence building, greater military transparency, and preventive diplomacy in the future. (During the Cold War, the U.S. was not in favor of any overarching Asia-Pacific security forum because it probably feared that a multilateral forum would challenge and undermine its bilateral security arrangements designed to contain the Soviet Union.) In July 1991, then-Foreign Minister Nakayama Taro, at the ASEAN-Post-Ministerial Conference (PMC) in Kuala Lumpur proposed that the region should use the ASEAN-PMC as a forum for political dialogue and mutual reassurances. The so-called Nakayama Initiative has been regarded as an antecedent to the formation of the ASEAN Regional Forum (ARF). When the ARF was formed in 1994, Tokyo was naturally one of its enthusiastic backers.

Tokyo was also very supportive of multilateral approaches to promote regional trade. Initially, many Japanese expressed interest in Malaysian Prime Minister Mahathir Mohamad's proposal for an East Asian Economic Caucus (EAEC) that would exclude the U.S. After vociferous objections from the U.S., Japan did not further pursue the EAEC concept; Tokyo supported Asia Pacific Economic Cooperation as the preferred regional organization to promote free trade.

Another diplomatic success of Japan was its ability to broker a peace agreement in Cambodia to end the armed conflict that erupted between Co-Prime Ministers Hun Sen and Prince Ranariddh in July 1997. Tokyo forged a political compromise in which Prince Ranariddh would stand trial for weapons smuggling and collusion with the Khmer Rouge and, upon conviction by Hun Sen's kangaroo court, would receive a royal pardon from his father, King Sihanouk. Ranariddh also agreed to give up further dealings with the Khmer Rouge and his remaining troops were to merge with the national army. In turn, the prince would be permitted to compete freely in the proposed national elections.

Tokyo was able to influence Cambodian leaders because it is the key donor of much needed foreign aid to that impoverished country.

Also noteworthy was then-Prime Minister Hashimoto Ryutaro's visit to Southeast Asia in January 1997. Hashimoto went further than Fukuda by articulating Japan's willingness to hold regular political summits with ASEAN and also bilateral talks on security issues. In this regard, the Japanese and Southeast Asian allergy to Tokyo playing a role on regional security matters has lessened substantially.

In the same year, the Asian financial crisis hit. Initially, Tokyo exercised leadership by proposing to establish an Asian Monetary Fund (AMF) to assist regional countries in distress. However, Tokyo caved in to the objections of the U.S. and scuttled its proposal. (Washington was concerned that the AMF would undermine the IMF [International Monetary Fund] and the role of the U.S. dollar as the global currency if a yen bloc were to emerge. This is a core issue for the U.S. – unlike human rights and democratization of Myanmar, where Japan has more latitude to maneuver.) Nevertheless, in May 1998, when then-Foreign Minister Obuchi Keizo was in Singapore, he promised an unprecedented financial aid package of \$43 billion for East Asia. In October the same year, then-Finance Minister Miyazawa Kiichi unveiled another aid package of \$30 billion.

### **Koizumi's January 2002 Trip to the ASEAN-5**

The region has been hit again by an economic slowdown, this time due to the bursting of the U.S. technological bubble and the aftermath of the Sept. 11 terrorist acts. The Philippines appealed to Japan not to cut its ODA, Thailand sought an FTA with Japan, and Malaysia urged Koizumi not to devalue the yen (which might lead to competitive pressure on Southeast Asian currencies to devalue). In addition, Malaysian Prime Minister Mahathir advocated an ASEAN Plus Three group (including China, Japan, and South Korea) as a pan-Asian regional grouping Tokyo ought to support; Koizumi preferred an open and broader pan-Pacific community that encompasses Australia and New Zealand, while not excluding the U.S.

In Singapore, Koizumi and Prime Minister Goh Chok Tong signed an Economic Agreement for a New Age Partnership, an FTA that was supposed to act as a model for economic relations between Japan and ASEAN. The FTA will remove tariffs on 94 percent of Singapore's exports to Japan, up from the current level of 84 percent and covering over 3,800 items. However, tariffs on key agricultural and fishery products and some petrochemical and petroleum products were excluded from the FTA. Going beyond the traditional agreement that focuses only on trade, both countries plan to promote ties in science and technology, human-resource development, and tourism.

Japan could forge an FTA with Singapore because the city-state lacks an agricultural sector. Therefore, it is questionable whether the Japan-Singapore agreement can really serve as a model for FTA between Japan and other Southeast Asian countries with important agrarian sectors. While keeping the possibility of future FTAs with these states

open, Koizumi provided neither details nor a timetable for such agreements. In this regard, it is doubtful whether Koizumi's trip succeeded in counter-balancing China's overtures to Southeast Asia.

At his Jan. 14 keynote speech entitled "Japan and ASEAN in East Asia" in Singapore, Koizumi called for closer economic and security ties between Japan and Southeast Asian countries that would lead to a larger community that would include China, South Korea, Australia, and New Zealand. He also proposed an "Initiative for Japan-ASEAN Comprehensive Economic Partnership," which would expand ties from the traditional areas of trade and investment to areas such as science and technology, human-resource development, and tourism. Koizumi also advocated that Japan and ASEAN tackle "a variety of transnational issues such as terrorism, piracy, energy security, infectious diseases, the environment, narcotics, and trafficking in people."

Of interest is Koizumi's call for strengthened cooperation between the Japanese Coast Guard and its ASEAN counterparts to curb piracy in the region. The prospect of Japanese ships patrolling the South China Sea and the Straits of Malacca is certainly not welcomed by Beijing, given its fear that Japan might become a military power again.

Koizumi also called for greater intellectual exchanges and cooperation between the universities of Japan and ASEAN. The reality, however, is that the best and brightest Southeast Asian students aspire to Ivy League schools in the U.S. rather than the universities of Tokyo, Waseda, and Keio. Moreover, Japanese universities rarely hire Southeast Asian academics. In this regard, compared to the U.S., Japan has limited cultural and intellectual appeal to scholars and students from the ASEAN countries.

### **Assessing Japan's Role in Southeast Asia**

Southeast Asian states no longer have an allergic reaction to Tokyo playing a larger political and security role in the region – insofar as it remains allied to the U.S. and Japanese troops are engaged in PKOs under the auspices of the United Nations. Indeed, there were virtually no criticisms or suspicions from Southeast Asia when Japan pledged to dispatch 700 troops for UN peacekeeping in East Timor this year. The main challenge to a higher Japanese political and security profile is not negative reactions from Southeast Asia but the need to put its own house in order.

In the next decade or two, the economic rise of China is unlikely to displace Japan in the region. First, Japan's GDP is still more than four times larger than China's. Even if Beijing narrows the gap, Tokyo will remain an important economic player in the region. Second, the Southeast Asian states would welcome Japan as a counterweight to China, especially when the latter is making rapid economic progress and emerging as a great power.

Even if China were to raise its economic and political profile in Southeast Asia in the next two decades, it is unlikely to be the only great power in the region; the U.S. and Japan are likely to remain as important players in Southeast Asia. The best scenario for

Southeast Asia is not “China rising, Japan declining.” Ideally, it is “China rising, Japan recovering.” If Southeast Asia has two Asian engines of growth instead of one, the region is more likely to become prosperous and politically stable. In this regard, the region has a stake in the success of Koizumi’s “structural reforms without sanctuaries.”

Japan’s failure to pursue structural reforms (that must eventually include the agriculture sector) is a handicap to Japanese foreign policy. Unless and until Japan seriously embarks on structural reforms, the nation will lack the resources and prestige to underpin a more ambitious foreign policy toward Southeast Asia. Moreover, the U.S.-Japan alliance, which lent predictability to regional security, may suffer from an erosion of its credibility if the Japanese economy continues to hemorrhage and its domestic politics remain adrift for another decade. A revitalized Japan acting as a leading goose (though not necessarily the only one) still is the best outcome for Southeast Asia.

### **Chronology of Japan-Southeast Asia Relations January 1974–March 2002**

**Jan. 7-17, 1974:** Prime Minister Tanaka Kakuei visits Indonesia, Malaysia, the Philippines, Singapore, and Thailand; anti-Japan demonstrations break out in Indonesia and Thailand.

**Aug. 7, 1977:** First Japan-ASEAN summit in Kuala Lumpur. Then-Prime Minister Fukuda Takeo pays official visits to five ASEAN countries and Burma; Fukuda announces the “Fukuda Doctrine,” calling for cooperation between Japan and ASEAN countries, in Manila.

**Dec. 15, 1987:** Second Japan-ASEAN summit in Manila.

**May 23-28, 1993:** Japan participates in the United Nations Transitional Authority in Cambodia election monitoring team.

**Jan. 7-14, 1997:** Prime Minister Hashimoto Ryutaro visits Brunei, Malaysia, Indonesia, Vietnam, and Singapore, proposes that Japan and ASEAN states hold regular summits and bilateral security talks.

**March 14-15, 1998:** PM Hashimoto visits Indonesia to urge newly re-elected President Suharto to accept IMF package and conditions.

**March 1998:** Japan resumes financial aid to Myanmar in the form of \$20 million for Yangon International Airport repairs.

**May 1-5, 1998:** Foreign Minister Obuchi Keizo visits Thailand, Malaysia, and Singapore; Obuchi gives a keynote speech in Singapore entitled “Japan and East Asia: Outlook for the New Millennium” and announces a \$43 billion aid package to the region.

**May 18-27, 1998:** Tokyo dispatches six C-130H military transport aircraft to evacuate Japanese citizens in Indonesia to Singapore.

**July 1998:** Japan's Cambodian election monitoring team is in Cambodia.

**Dec. 15-16, 1998:** PM Obuchi Keizo visits Vietnam for ASEAN and ASEAN Plus Three Summits; Obuchi announces "Obuchi Initiative."

**Nov. 27-28, 1999:** ASEAN Plus Three Summit in Manila. Japanese PM Obuchi Keizo and Myanmar PM Than Shwe meet for the first time since 1988.

**Dec. 16-17, 1999:** East Timor donor's meeting is held in Tokyo; Japan pledges \$100 million aid to East Timor.

**Jan. 10-15, 2000:** PM Obuchi visits Cambodia, Thailand, and Laos, seeking "bridging" role between Southeast Asian nations and G-8.

**April 27-28, 2000:** Regional Conference on Combating Piracy and Armed Robbery against Ships is held in Tokyo; delegations from 16 Asian nations participate.

**April 28-May 2, 2000:** FM Kono Yohei visits Singapore, Indonesia, and East Timor.

**Sept. 28, 2001:** President Megawati and Prime Minister Koizumi Junichiro meet in Tokyo.

**Oct. 4-5, 2001:** Asia Cooperation Conference on Combating Piracy and Armed Robbery against Ships is held in Tokyo.

**Oct. 22, 2001:** Tokyo announces planned dispatch of 700 troops in March for UN peacekeeping operation in East Timor.

**Nov. 5-6, 2001:** ASEAN Plus Three Summit in Brunei.

**Nov. 21-23, 2001:** Thailand-Laos-Vietnam-Japan Quadripartite Ministerial Meeting on the Development of Areas along the Eastern Part of the East-West Economic Corridor is held in Thailand.

**Nov. 18-21, 2001:** Thai PM Thaksin Shinawatra meets Emperor Akihito and PM Koizumi in Japan.

**Jan. 9-16, 2002:** Japanese PM Koizumi visits Indonesia, Malaysia, Singapore, Thailand, and the Philippines; Koizumi proposes "Comprehensive Economic Partnership" in his speech to Southeast Asian nations in Singapore.

**Feb. 22-24, 2002:** Japanese Vice Foreign Minister Sugiura Seiken visits Brunei.

**Feb. 26-28, 2002:** Vice FM Sugiura visits Indonesia to attend Regional Ministerial Conference on People Smuggling, Trafficking in Persons, and Related Transnational Crimes.

**March 11-14, 2002:** The first meeting on Economic Policy Support for Indonesia is held in Jakarta.

**March 22, 2002:** Over 300 Japanese Ground Self-Defense Force members leave for East Timor on UN peacekeeping operations.

**March 25-30, 2002:** Brunei Crown Prince Billah visits Japan.